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

School Energy Coalition ("SEC")
Summary Status Report
September 30, 2020

Savings for Ontario School Boards

*Even with the on-going COVID-19 pandemic, a number of utilities could wait no longer, and six have now filed applications for rate increases. They include Alectra, Oshawa, and Waterloo North. Meanwhile, the largest of the current rate applications has settled. Savings to Ottawa schools as a result of the Hydro Ottawa settlement are **expected to be $720,000**, which is the main saving for Q3. This is overshadowed by the bad news, though, which is that the Divisional Court has allowed the appeal by Hydro One on the phantom taxes case. The court directed the Energy Board that the Hydro One shareholders should benefit from $2.6 billion of tax savings, without sharing with the customers. The Energy Board is not appealing the decision.*

The debate about recovery by utilities of COVID-19 costs and lost revenues, expected in the last quarter, will now be delayed to Q4 and beyond. Estimated claims exceed a billion dollars, and it appears some utilities may have underestimated those claims.

ONGOING MATTERS – NATURAL GAS

Enbridge Gas 2021 Rates. The technical aspects of the Enbridge 2021 rate case have been settled, with SEC counsel Mark Rubenstein taking the lead on behalf of the intervenors for the customers. The second phase of the case will deal with proposed incremental capital spending. SEC will continue to resist the Enbridge "death by a thousand cuts" approach to rates. A decision is expected by March.

Enbridge Conservation. Enbridge's $190 million per year conservation programs have been hamstrung by pandemic limitations. SEC counsel Jay Shepherd, who is the customer representative on the regulatory oversight committee, has suggested that finding other ways to spend the money is not the best alternative. He has suggested returning some of it to the customers.

Still to come is the next gas conservation framework, covering 2022-7. That process will re-start soon, and SEC will remain a leading participant.

Enbridge Hamilton Expansion. Enbridge's Hamilton pipeline expansion – a $200 million project - has been on hold since April while Enbridge evaluates whether it is still needed. They will advise by November 19th whether they plan to proceed with it. The likelihood is that they will, but with a later completion date.

SEC will continue to hold Enbridge to account to show that any proposed spending is not going to create future stranded assets.

Enbridge Integrated Resource Planning. SEC's strategy in all of the recent capital spending applications from Enbridge is to require them to show why conservation and other non-capital alternatives cannot be used to defer or even avoid building more gas pipelines. This is called "integrated resource planning" (IRP), and is supposed to be mandatory for all system planning. The Energy Board, faced with our pointed questions, has become increasingly frustrated with Enbridge's avoidance of the issue.

This came to a head in the Hamilton case, above, where SEC and environmental groups hoped to use targeted reductions of demand to reduce capital spending. The Energy Board decided to separate the generic issue of IRP into a case on its own. Enbridge had been directed to file comprehensive evidence on how they integrate alternatives into their planning. Several environmental and other groups will then file evidence on better ways to do that, with the effect of saving customers money and reducing the environmental harm from gas consumption.

While Enbridge is seeking to minimize the impact of this case, it is likely that their $1 billion per year capital spending plan for the next ten years will be reduced if the Energy Board requires more rigorous IRP approaches.

Enbridge "Environmental" Initiatives. Enbridge has been given approval to pilot a $2 per month voluntary renewable natural gas program, even though it will have negligible impact on carbon emissions. A decision is still pending on their other pilot proposal – injecting hydrogen into their system. SEC has supported it, while cautioning that it too has almost zero potential to reduce emissions, even in the long term. We continue to press for strategies that will *materially* reduce the negative impacts of natural gas.

ONGOING MATTERS – ELECTRICITY

Hydro One Phantom Taxes. Hydro One continued their quest to collect $2.6 billion of income tax expenses from customers, even though they will not actually pay those taxes. The Energy Board ordered that the savings be split (about 65/35 to the utility), and the utility failed twice to get that overturned within the regulatory process. Then they went to Ontario Divisional Court. In a decision that followed the form of Hydro One's planning, rather than the substance, the court determined that the Energy Board was wrong. The Energy Board will not appeal the decision to a higher court, and given the unusual nature of the regulatory process, no-one else is in a position to do so. Savings to schools of $16 million over the next decade, that we thought we had won, have been lost.

Hydro Ottawa 2021-2025 Rates. Hydro Ottawa asked for rate increases averaging 5.7% per year over five years. Customer groups, led by SEC counsel Mark Rubenstein, negotiated a settlement with Hydro Ottawa. As a result of the settlement, **Ottawa schools will save at least $720,000** over the next five years. Hydro Ottawa has also agreed to limits on their ability to request recovery from ratepayers of certain COVID-19 related costs or lost revenues during their upcoming rate period. The saving from that component of the settlement is impossible to estimate.

The settlement agreement includes a number of other productivity and ratepayer protection initiatives, including a portion of annual rates that Hydro Ottawa must refund if they are not able to achieve improved customer outcomes.

Other Distributors. Applications for new rates have now been filed by Alectra, Waterloo North, Canadian Niagara Power, Halton Hills, Niagara Peninsula, and Oshawa. SEC is actively involved in each case. Still to come are applications from Burlington, North Bay (including Espanola), Ottawa River, Rideau St. Lawrence, and Wellington North.

The remaining distributors will have their rates set using a formula, which this year will result in an average increase of about 1.2%.

Ontario Power Generation. OPG was due to file its next five year application (2022-6) by late summer of this year. It was expected, when filed, to once again set a Canadian record for the amount involved.

However, late in March the government proposed a regulation that would a) freeze the hydroelectric component of OPG's rates at 2021 rates, and b) defer recovery of the closedown costs of Pickering until 2027 or later. Both have pros and cons for customers. A public comment period on the proposal ended in June, and as yet the regulation has not been enacted.

Meanwhile, OPG's application has been delayed pending visibility on the new rules of the game. An application is now not expected before the end of 2020.

OTHER MATTERS

COVID-19 Costs. In the first part of this proceeding, utilities sought permission to accumulate costs and lost revenues related to the COVID-19 pandemic and related lockdowns, then recover those amounts from customers. Customer groups, led by SEC, have been asking why the customers would bear 100% of the COVID-19 impacts, when they have their own direct costs to deal with.

The utilities were directed to file information on their potential claims, and those total more than a billion dollars. The Energy Board has retained consultants to look at the issues relating to these claims. The proceeding is expected to restart in Q4, and SEC will continue to take the lead in asking tough questions.

Jay Shepherd
Mark Rubenstein
Counsel for SEC

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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