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

School Energy Coalition ("SEC")

Summary Status Report
March 31, 2021

Savings for Ontario School Boards

*Q1 savings for schools are estimated at **$1.6 million,** mostly as a result of the withdrawal by Enbridge of an application for a large capital project. As with the last few quarters, many applications have been delayed due to the pandemic, but the timing is good because the five-year rate application for OPG is eating up much of the resources of the Energy Board (and SEC).*

The next two quarters will be focussed on the OPG case, as well as the expected six year plan for conservation programs from Enbridge. In both cases, SEC is expected to play a key role. Several other matters – Enbridge 2021 rates, some electricity distributors, and Nextbridge transmission rates – are largely finished and awaiting decisions by the Energy Board.

ONGOING MATTERS – NATURAL GAS

Enbridge Gas 2021 Rates. Enbridge has once more asked for additional rate increases to fund excess capital spending. At issue are two projects, one for $124 million and one for $29 million. The latter is fully covered by incremental revenues, but Enbridge is seeking additional rate funding anyway, and proposes to keep the incremental revenues for themselves over the next couple of years. On the larger project, Enbridge is seeking to change which customers pay for it, resulting in an increase for schools in southwestern Ontario. SEC is opposing both.

Final arguments were filed in March, and a decision is expected in Q3.

Enbridge Conservation. The Enbridge 2022-2027 DSM Plan, setting out a billion dollars or so of spending, had still not been filed as of the end of March. It now appears that this process will be delayed, and approval for spending may not be approved before Q4, or even Q1 of next year.

Enbridge Integrated Resource Planning. The hearing to consider Enbridge's continued aggressive capital spending in the face of Canada's low carbon future wound up in March, and arguments will be filed in April. At issue is an average $1.4 billion of additional capital spending by Enbridge every year, most of it on pipeline assets with a 40-year life. The fear is that some of those assets may end up being stranded as burning fossil fuels becomes less acceptable in Ontario.

Environmental and ratepayer groups, with SEC a prominent voice, are urging the imposition of requirements that minimize spending on new gas infrastructure through deploying conservation and other non-pipes approaches. The strong position taken by SEC has already led to other parties strengthening their positions, but the Energy Board decision – the one that matters – is not expected until Q3. This is likely the first step in a multi-stage process to change the utility's spending strategies.

Enbridge Waterfront Relocation. Enbridge's proposal to spend $70 million to relocate a pipeline across the Don River in Toronto has been withdrawn. While there is a possibility that it will be re-filed, the Energy Board has, at the urging of SEC and others, imposed expectations on any new application. This will make a new application less likely.

The impact of this withdrawal on schools is small, likely around $1.2 million in capital responsibility, which translates to about $100,000 per year in rates.

Enbridge St. Laurent. This is a proposed $122 million project to replace pipe in the east end of Ottawa that Enbridge claims is becoming too old. It is the last two phases of a multi-year replacement plan for the area. SEC is intervening to test whether the need and the timing of the project are appropriate, and to assess whether the cost could be reduced by reducing gas consumption in the area served. The process has just begun, and a decision is not likely until Q4.

ONGOING MATTERS - ELECTRICITY

Ontario Power Generation. Just under half of the electricity used by schools comes from regulated OPG hydroelectric and nuclear stations, at a total annual cost to schools of more than $80 million. OPG's application for 2022-2026 rates would add almost $40 million more in costs for schools over those five years, even after a) a freeze on hydroelectric rates, and b) a legislated deferral of some of the increases for nuclear.

While OPG has certainly taken some steps to get their costs more under control, the combination of the refurbishment of Darlington and the planned closing of Pickering are putting upward pressure on costs. In addition, OPG is seeking to increase the profit component of its rates by more than $100 million per year.

Written interrogatories were filed by all parties in March, and there will be a Technical Conference, motions process, and attempt at negotiated settlement in Q2. The oral hearing and argument will be in Q3, with a decision likely near the end of the year.

Hydro One Phantom Taxes. The Divisional Court decision allowing Hydro One to collect an additional $2.6 billion from customers over the next two decades for taxes they will not pay has now been implemented by the Energy Board.

Contrary to the proposals made by SEC and supported by other customer groups, the Energy Board will implement the proposal made by Hydro One. As a result, school boards will pay about $500 per school more over the next two years, and $90 per school more per year on an ongoing basis, starting in 2022.

Nextbridge Rates. A new entrant in the electricity transmission business is Nextbridge, an Enbridge affiliate that has built a new $770 million transmission line north of Lake Superior. This is their ten-year rate application. The amounts approved will be rolled into the transmission rates on the electricity bills for schools for 2022-2031. Nextbridge is seeking $548 million over that period, which is about $9 million for schools.

While the recovery of reasonable costs is not in dispute, the utility proposal would allow them to recover $50-$100 million more than we believe is a reasonable amount.

SEC counsel Mark Rubenstein has taken the role of lead intervenor on this matter. After a three-day hearing at the end of March, arguments will be filed in April and May, and a decision is expected by August.

Newmarket 2021 Rates. This is a relatively small but important case, in which a utility that is earning quite well is seeking to reach back and justify a rate increase by citing spending several years ago. SEC has taken a strong stand opposing that in principle.

Other Distributors. All electricity distributors have now filed for 2021 rates, and although utilities continue to defer, seven more filings are expected for 2022 as the backlog starts to ease. The first such filings, due in Q2 this year, are delayed, but still expected in Q3.

Settlements have been reached for Halton Hills, Oshawa, Burlington, and PUC Distribution, for total savings for schools of $400,000. Applications by North Bay, Espanola and Newmarket are still in process.

OTHER MATTERS

Framework for Energy Innovation. The former Utility Remuneration consultation will be renamed the Framework for Energy Innovation, and a working group established. SEC counsel Jay Shepherd is being nominated as one of the customer representatives on that group. Further details on scope and schedule are expected in May.

COVID-19 Costs. Parties have now made submissions on the rules for recovery of incremental pandemic costs and lost revenues. In part as a result of the submissions of SEC and others, and in part as a result of the OEB Staff Report filed in Q4, the positions of the utilities have become less aggressive. A formal policy from the Energy Board is expected in Q2.

Jay Shepherd
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Questions? Contact Ted Doherty (sec@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. 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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