

Savings for Ontario School Boards

SEC's focus in Q3 was the Enbridge five-year rate case, including a month-long oral hearing which had an "energy transition" theme. However, after arguments filed in September, a decision is not expected until December. Matters that were actually resolved in Q3 were a couple of smaller cases, with savings for schools of \$450,000.

The next major case filing is Toronto Hydro, expected in November. In addition, the next several months will include Phases 2 and 3 of the Enbridge case, plus a number of smaller electricity distribution applications.

ONGOING MATTERS - NATURAL GAS

Enbridge 2024-2028 Rates. A witness in this case said

"I think we can all agree ... that we are tackling what is one of the most complex issues that humanity has ever faced."

The four-week oral hearing in the Enbridge five-year rate case often felt like that, with lengthy debates about climate change and the transition away from fossil fuels, culminating in concerns about the "death spiral". It was unlike any adjudicative hearing at the Energy Board in the last thirty years.

In addition to the energy transition issues, which some believe may threaten the viability of Enbridge, there was also the amounts involved - \$16 billion in rates, and more than \$7 billion in incremental capital spending.

Prior to the oral hearing, as previously reported SEC Counsel Mark Rubenstein led the twenty-three intervenors in a negotiation with Enbridge that resolved many important issues, saving schools several million dollars. The OEB approved the partial settlement in August.

What remained were myriad small issues, and three large ones: i) Enbridge's biggest ever capital plan, ii) a proposal to increase their profit level to

reflect higher risk, and iii) a proposed new depreciation methodology that would represent a 6% rate increase.

All of these were set against the backdrop of an energy transition that is currently in somewhat of a policy vacuum. Enbridge has been actively lobbying government to protect its investment in gas distribution, but has been challenged when its own carefully designed studies appeared to show (to their dismay) that electrification is the likely future in Ontario. It even took the surprising step of appearing to ask the Energy Minister to rein in the Energy Board. The Minister declined.

In the end, there has been a broad spectrum of positions from stakeholders, ranging from Enbridge seeking "business as usual", at least for now, to environmental groups seeking prohibitions against any gas connections unless the buildings are net zero.

SEC continues to take the position that large amounts of capital spending today create a significant risk of future stranded assets, which could be a major problem for those customers still connected to the natural gas system twenty years from now.

A decision on these phase 1 issues is expected by December. In the meantime, further phases in this process, to deal with cost allocation, indexing, and rate harmonization, will start early in 2024 and

last most of the year.

Enbridge IRP. Enbridge has filed its application for two pilot non-pipe alternatives projects, one in Parry Sound and one in Sarnia. These small projects are essentially a baby step away from large pipeline capital spend, but Enbridge remains resistant. A decision is expected in Q4. This has minimal impact on schools, but the next step – a full integrated resource plan to be filed in May – may be more significant. SEC is involved in the working group overseeing the development of that plan.

EPCOR South Bruce 2023 Rates. The EPCOR motion to review and vary our earlier favourable decision on gas rates in the South Bruce was the subject of a hearing at the end of August. A decision by the Energy Board is expected in Q4.

ONGOING MATTERS – ELECTRICITY

Ellexicon 2023-2025 Capital Plan. Ellexicon filed an application for about \$70 million of extra capital funding for its Whitby service territory. Part of it was to have existing customers subsidize a major feeder into new subdivisions, reducing what builders would have had to pay for their connections. This was a significant departure from the normal rules. The other part was a proposal to reconfigure the distribution system to facilitate future sustainability initiatives.

On the first part, SEC’s only position was that any subsidy plan would have to include not just homebuilders, but also other customers who would be connecting. Thirteen new schools are projected in the affected areas.

On the second part, SEC was supportive of the modernization plan, but proposed that it be paced over a series of years so that the costs would more closely align to the benefits.

As many expected, the first part was rejected by the Energy Board entirely, leaving the normal rules in place. On the second part, the Energy Board agreed with SEC that large modernization plans should be implemented in stages. A small

portion was approved, and the remainder of the proposal was deferred until Ellexicon files its next multi-year rate case.

Savings for schools are estimated at \$440,000.

OPG Compensation Adjustment Application. As reported in Q2, OPG sought to recover about \$220 million from customers as a result of the court decision on Bill 124 removing the compensation cap for public sector workers. SEC led a group of intervenors opposing their application, and was successful.

Now, somewhat predictably, OPG has moved for the OEB to review and vary that decision. In essence, they are seeking to re-argue the case before a different panel of Commissioners. This is not the first time they have tried something like this.

The case was handled by written argument, with SEC and other intervenors filing in August and Reply coming from OPG in mid-September. A decision is expected in November.

Toronto Hydro 2025-2029. Toronto Hydro is in the final stages of their five-year rate application, which is expected to include their largest ever capital plan, and significant rate increases over the rate-setting period. It is expected to be filed in November, and will be a major focus for SEC over the next year.

Other 2024 Distributors’ Rate Applications. In Q3 there were rate applications for four electricity distributors. Two have been settled, one tentatively and one approved. **The result is savings of only \$10,000.** The others will be resolved in Q4, at the same time as another five or six are likely to file.

OTHER MATTERS

The Energy Transition. The theme of the energy sector continues to be “The Energy Transition”. Governments at all levels, as well as utilities, and many customer groups (including schools), have increased their interest in the shift away from fossil fuels, or Net Zero 2050. In Q4, the

government's Electrification and Energy Transition Panel is expected to report, around the same time as the Energy Board issues its decision on the Enbridge rate case (described above). There is little doubt we are entering a time of rapid change and potential disruption. It is a time where one of SEC's core principles - "think long term" - is most important.

Jay Shepherd
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On behalf of SEC

The SEC is registered as the official intervenor at the Ontario Energy Board on behalf of all 72 District School Boards in Ontario. The intervention role aims to protect the financial interests of school boards when natural gas and electricity utilities apply for increases in distribution rates for their energy sources.

The SEC is represented by Jay Shepherd, SEC Legal Counsel, who consults regularly with the OESC Executive Director.

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