

Savings for Ontario School Boards

SEC has once more been successful in the Alectra request for additional funding, and was able to convince one northern distributor to rethink a major capital expansion. In addition, the final tally of savings for Hydro One Distribution's five year plan is \$1.7 million higher than the initial estimate. With these results, and some success in other transmission and distribution proceedings, the savings for Q2 add up to just under \$2.4 million.

Upcoming this year are a three year transmission case, the "final battle" in the ongoing Alectra "extra money" saga, decisions in the Toronto Hydro and Enbridge cases and the court case over Hydro One's phantom taxes. As many as twenty electricity distributors may also be filing for higher rates next year.

ONGOING MATTERS - NATURAL GAS

Enbridge Gas 2019 Rates. Enbridge has applied for extra money in its 2019 rates. The proceeding has concluded, with arguments being filed in July and a decision likely in October. While not a lot of money is at stake, the decision may set a precedent for the next four years of Enbridge rate increases.

Enbridge Conservation. The first stage of the review of gas conservation spending has started, addressing the fundamental scoping question of whether a) the current system should be tweaked, or b) a more thorough overhaul should be undertaken.

SEC - a key player in gas conservation for many years - has done independent research to show that, despite spending \$1.2 billion of customer money on gas conservation programs in the last ten years (more than \$20 million from schools), Ontario is still burning more gas than ten years ago. With conservation budgets representing about 7% of distribution bills, SEC has proposed that we need to refocus on achieving real gas use reductions.

A scoping decision is expected in September, with the detailed review process taking up most of the following 9-12 months.

ONGOING MATTERS - ELECTRICITY

Hydro One Distribution 2018-2022 Rates. In March SEC reported savings of at least \$2 million as a result of the Energy Board's decision in the Hydro One five year distribution rate case. 1150 schools are affected.

As previously noted, it was expected that the technical process to set the rates based on the decision would be highly contested. It was, and SEC was very active.

While we won some and lost some in that technical analysis, in the end the five year savings for schools are \$3.7 million, meaning **an additional \$1.7 million of savings** over those already reported.

Hydro One Phantom Tax Issue. Hydro One is bound and determined that they should be allowed to collect more than \$2.6 billion in income taxes from customers, even though they won't pay those taxes. They have already been approved to collect \$1.7 billion of those phantom taxes, but they insist that they want the other \$900 million. The impact for schools is \$16 million.

SEC, leading on this issue on behalf of customer groups, first won, then lost, then won again.

Now, as expected, Hydro One has gone to court, but took the shocking position that SEC should not be allowed to participate in the court case to defend customer interests. After a contested proceeding, the court, in a carefully analysed and important decision, agreed with SEC that the customers should be allowed to participate. The written and oral arguments are due in the fall, with a decision likely early in the new year.

Toronto Hydro 2020-2024 Rates. Toronto Hydro wants to increase its rates for schools (and others) by an average of 4% per year over the next five years. SEC has been leading a team of customer groups opposing this proposal. The lengthy oral hearing in June and July will be followed by arguments in August and September. The most likely time frame for a decision is now December or January. About \$5.7 million of rate increases is at stake for schools.

Alectra Utilities. As expected, Alectra has now filed an application for a rate increase starting in 2020 that includes extra money for capital spending in 2020-2024. In addition, they are seeking to double-charge customers for certain accounting changes that they are making as a result of their merger in 2017.

In the last two years, customers have saved almost \$15 million (half a million for schools) by fighting the extra increases Alectra wants each year to fund their capital plan. Their new application seeks to bring that to a head by proposing approval of a rate adder for the next five years. The estimated cost for schools arising out of this proposal is at least \$2 million.

SEC, both in direct discussions with Alectra, and in formal filings, has made clear its opposition to these requests. A process to consider this is scheduled for the fall, and will likely include a lengthy oral hearing. A decision may be as late as February or March.

Other Electricity Distributors. SEC continues to represent schools in local distribution cases, some of which were completed this quarter. Settlements and decisions in Energy+ (Cambridge, Brant), PUC Distribution (Sault Ste. Marie) and Halton Hills produced reductions to proposed increases. The impact on schools for those and other smaller cases was **savings of about \$300,000.**

Hydro One Mergers. Hydro One has, as expected, filed new evidence in their Peterborough and Orillia merger proposals, but none of it appears to be anything new. SEC will continue to oppose these transactions in order to prevent big rate increases for local schools.

The Energy Board, which agrees with SEC that the issues in these cases are similar, has scheduled a combined oral discovery process in October. Depending on the outcome of those hearings, it is possible that a decision on whether Hydro One can continue along this path may be made in Q1 2020.

Transmission Rates. Hydro One has applied for increases in its 2019 transmission rates in two applications that were decided this quarter. In one, Hydro One sought eight years of rates (2019-2026) for its Great Lakes Power acquisition. In another, Hydro One was looking for 2019 rates for its main unit (about 90% of Ontario transmission costs).

SEC was active in both applications, challenging both their line by line costs and their future formula adjustments. In the result, **costs for schools will be lower by about \$370,000**, most of that in 2019.

Rethinking of Ratemaking Principles. A new consultation, ominously entitled "Utility Remuneration", is now moving forward despite the uncertainty surrounding the restructuring of the Energy Board (see below). This arose out of the Energy Board's widely panned "innovation"

analysis, which didn't include customers in the process.

That having been said, changes to the structure of the energy business could have substantial cost and risk implications, so this is a very important exercise. SEC will be there, focusing on ensuring that the customers don't get left holding the bag when utility revenues decline. If utilities fail to adapt to change, the cost of that failure should not be borne by the customers.

OTHER MATTERS

Energy Board Restructuring. As previously reported, the government has enacted legislation that makes significant changes to the governance and decision structure of the Energy Board. The key will be the new appointments that reflect the new roles.

That has been delayed. Many Energy Board policy consultations are on hold awaiting new people (with some exceptions - see above). A few Energy Board adjudicators have had their terms extended to the end of August, signaling that new appointments and other decisions likely will be announced by September.

SEC is actively monitoring this process.

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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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