

Savings for Ontario School Boards

*A major win in the settlement of most of the OPG case headlined a successful Q2 for SEC. In addition to OPG, settlements in a couple of distribution cases, and favourable decisions in several other cases, have **resulted in Q2 savings for schools reaching \$21.3 million.***

As the pandemic impacts ease, the remainder of 2021 is expected to see a ramping up of rate applications that had been deferred. The big cases will be the Enbridge six-year conservation plan, and the filing of the combined Hydro One distribution and transmission application. Policy consultations now underway also have the potential for high dollar impacts. SEC will continue to be active on all of these fronts.

ONGOING MATTERS - NATURAL GAS

Enbridge Gas 2021 Rates. Enbridge asked for incremental funding for two projects totaling \$153 million, and a change in allocation (unfavourable to schools) for the larger project. SEC opposed both.

The Energy Board has denied approval for the smaller Sarnia project, and for the larger London project has refused to change the allocation. Schools in the former Union South area will save about \$90,000. This is another example where looking after the smaller applications can produce savings that add up over time.

Enbridge Conservation. The Enbridge 2022-2027 DSM Plan was filed in April. In total, Enbridge proposes to spend more than \$900 million on DSM over those six years. With allowed overspends and shareholder incentives, customers will end up spending more than a billion dollars on gas conservation if the plan is approved as filed. Further, Enbridge has proposed that some of the customer protections in the plan be watered down, largely to make it easier for them to maximize their profit from DSM.

The first steps in this process took place in Q2. It

is expected that, after preliminary steps are completed, the meat of the process will take place in Q3, with a hearing likely in Q1 or Q2 of next year.

SEC, which has always been known as one of the most pro-conservation of the customer groups, will continue to pursue its goal of being a bridge between customer groups (seeking fiscal restraint) and environmental groups (seeking greater commitments to conservation programming).

Enbridge St. Laurent. Enbridge has placed this large Ottawa-area capital spending application on hold pending further review of alternatives. It is not known when it will be re-started.

ONGOING MATTERS - ELECTRICITY

Ontario Power Generation. To the surprise of everyone, the customer groups, led by SEC counsel Mark Rubenstein, have reached agreement with OPG to settle the bulk of their 2022-2026 rate case. This is the first time OPG has settled the major components of a cost of service rate application.

The challenge in this case was that this is the period OPG plans to bring the very expensive Darlington Refurbishment onstream, and to incur

costs associated with reducing its workforce for the Pickering closure. Under the original proposal, OPG would have deferred almost 5% of their revenue to 2027 and beyond (+\$750 million), and still ask customers like schools to pay about 13.8% more in the next five years than in the last five years. Schools were looking at an increase of about \$10,000 per school over that five-year period, and then more after that.

Despite the multitude of parties with often conflicting interests, SEC counsel Mark Rubenstein, acting as lead negotiator for all of the intervenors, was able to engineer a settlement that will produce significant savings for schools. Over the period 2022-2026, the increase for schools will be reduced by \$10.7 million. Further, the deferred revenue is also reduced, so that school bills after 2026 will be lower than planned by a further \$9.7 million, for total savings of \$20.4 million.

Not all issues were settled. The cost overruns on one very large capital project will go to a hearing in August, with a decision expected in Q4. There is the potential that a further \$2-3 million in savings might be achieved for schools if the decision is favourable.

Nextbridge Rates. This new utility, a joint venture between Enbridge and a large US transmission company, has completed construction of the \$770 million North of Superior transmission link. This was their application for ten years of rates. The application sought increases in rates each year, even though on the evidence costs were expected to decline annually. SEC led the intervenor groups opposing the new rates.

The recent Energy Board decision was a compromise, in which lower rates were approved, but with small increases, and only six years were allowed. In the result, schools across the province will save \$640,000 over the next six years in their electricity transmission rates.

Newmarket 2021 Rates. This utility was seeking to reach back and recover additional rate funding for a capital cost they incurred in the past. The impact of this new paradigm could have been substantial, so SEC led a group of intervenors opposing the proposal.

The Energy Board agreed, with the result that schools in Newmarket will save around \$120,000 over the next three years. The broader impact on other utilities that might seek similar treatment could be much higher, but cannot be estimated.

Other Distributors. Two more electricity distributors, Espanola and North Bay, have settled all or part of their 2022 rate cases, resulting in savings for schools of a further \$30,000. The biggest part of the proposed North Bay rate increase (they sought 17%) was the subject of a hearing in June. Arguments are being filed in July, and a decision is expected before the end of Q3.

Schools in Brantford, Cobourg, Fort Erie, Port Colborne, and Gananoque could be affected by three remaining distribution applications currently in process. All will likely be resolved in Q4. We are still awaiting applications for E.L.K. and Grimsby.

OTHER MATTERS

Framework for Energy Innovation. This working group is looking at how utilities deal with customers (like schools) that have generation or storage behind the meter. SEC Counsel Jay Shepherd is a member of the working group, and one school board has been asked to provide a presentation in August or September on their various solar projects.

COVID-19 Costs. SEC was first out of the gate taking strong positions on the recovery of Covid impacts by utilities. The utilities were seeking to recover hundreds of millions of dollars of additional costs (for example, higher bad debt, increased work from home expenses, etc.) while

opposing any sharing of the benefits they have received from the Covid economic impacts. SEC's position was that utilities should not – at the expense of the customers – be put in a better position than all of the other businesses and institutions in the economy.

The Energy Board has now released its policy on this, mostly agreeing with the positions of SEC. As a result, it is likely that the bulk of the potential claims will not be pursued. The first example of this is OPG, which will be refunding \$46 million to customers as a result of its increased production during the pandemic. While the savings for schools cannot be estimated with any degree of reliability, the overall amount for all utilities is certainly in the millions of dollars.

SEC Counsel. In May, Shepherd Rubenstein welcomed a new junior counsel to the team, Fred Zheng. Fred, who did his pre-call training in Calgary, will spend the first several months learning the energy regulation specialty, and supporting senior counsel, before taking any direct responsibility for SEC cases.

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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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