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School Energy Coalition ("SEC")
Summary Status Report
December 31, 2024

Savings for Ontario School Boards

As expected, Q4 results were mainly the resolution of most Enbridge Phase 2 issues, perhaps surprisingly by a settlement. Less expected was a win on conservation cost allocation after more than a decade of effort. With some transmission and other cases, the result was ***savings for schools of about $10.9 million.***

While there is no decision as yet on Cost of Capital after a high stakes hearing, SEC has turned its focus in Q1 and Q2 to the newly filed, Enbridge's $1.8 billion conservation plan, and the soon to be filed applications for several local distributors filing for 2026 rates, including Hydro Ottawa, and Oshawa. In addition, by the end of the Q1, Enbridge is expected to file its Phase 3 application for 2024-2028 rates addressing new rate structures.

ONGOING MATTERS – NATURAL GAS

Enbridge 2024-2028 Rates. Phase 2 of this five-year rate case involved the annual rate adjustment formula, plus other high dollar issues such as the Enbridge response to an order to reduce its annual capital spending.

With SEC counsel Mark Rubenstein acting as lead negotiator for the many intervenors (rate-payer groups, environmental groups, and others), a comprehensive settlement was reached on almost all issues. The Energy Board approved the settlement in December.

In the result, **schools will save about $5,500,000** over the five-year rate period.

A hearing on the remaining Phase 2 issues (which have less impact on schools) took place in December, with a decision expected in Q1.

Phase 3 evidence will be filed in Q1 and will deal with issues regarding cost allocation amongst customers, a new rate design structure, and the plan for rate harmonization of legacy rate zones.

Enbridge Conservation Plan. Enbridge has now filed its proposed five-year DSM (conservation) plan. It proposes that the annual all-in costs of the plan be increased from $195 million in 2024 to more than $450 million by 2030. In aggregate, the five-year plan proposes a total of about $1.8 billion of spending, funded by rates, on DSM incentives, marketing, administration, and related utility profits.

While this seems like a big ask (a CAGR of more than 15% per year), it is much less than the original numbers floated by the utility. This reduction appears to be the response to strong resistance by SEC and other ratepayer groups.

On the other hand, Enbridge has proposed to reduce its targets as well. The Energy Board told them in the last case that, after 30 years of pursuing DSM programs, while gas usage is still increasing, it was time to have absolute reductions of at least 1% a year from DSM programs. Enbridge has said that is impossible, and is proposing lower target levels.

SEC continues to bridge the divide between environmental groups and ratepayer groups, as we are concerned with both reducing fossil fuel use and controlling rate increases. We also expect to take the lead in asking whether all or part of the plan should be delivered by someone more independent than Enbridge, especially as electrification becomes more important.

Enbridge Conservation Cost Recoveries. SEC identified in about 2008 a problem with how non-residential customers in the Union Gas area were being charged for DSM program costs. Because many schools and other non-residential customers (SMEs, mainly) were included in the same rate classes as residential customers, schools and others were effectively subsidizing the residential DSM programs.

SEC sought, in case after case, to have this corrected, only to be opposed by the utility, and delayed with studies and other means. Finally, in the recent five-year rate case, the Energy Board and the utility (now merged) appear to have accepted that this is wrong, particularly so, in light of large increases in residential DSM spending.

As a result, the utility has implemented a revised cost recovery method proposed by SEC that will reduce the annual charge to schools in the former Union Gas area by about $820,000 a year. That is expected to be a permanent change. Assuming at least five years impact, **schools will save $4,100,000**.

An added saving has come from the recently terminated Greener Homes program underwritten in part by the federal government. About $120 million in utility overspend is being recovered in rates. The difference between the old method and the new method of recovery for **schools will save another $810,000** over the next two years.

Sometimes persistence pays off.

Enbridge Earnings Sharing. Enbridge applied to have a number of deferral and variance accounts cleared for 2023, plus approval of its earnings sharing calculations. SEC makes it a practice to participate in these smaller technical applications to the extent needed.

In this case, a settlement produced **reductions in the amounts to be recovered from schools of $20,000**.

ONGOING MATTERS – ELECTRICITY

Toronto Hydro 2025-2029. The Energy Board approved the settlement in Toronto Hydro's 2025-2029 rate application last quarter, confirming the $6 million of savings for schools previously reported.

One issue remained: a proposal by the utility for a $16 million Innovation Fund to finance unidentified new projects by Toronto Hydro.

After written argument, the Energy Board has denied the request for additional funding on the basis that it had insufficient details, and as proposed was not cost effective or in the best interest of customers. SEC was an active participant. As a result, **Toronto schools will save about $200,000** (in 2029).

Transmission. Hydro One applied to include in transmission rates the costs of three separate transmission lines that are each owned separately. SEC was involved primarily to ensure that the new proposed rate framework for these single-line transmitters was appropriate to reflect annual cost declines.

Changes to the terms of each approval resulted in **savings for schools of around $250,000**.

OTHER MATTERS

Cost of Capital. About $60 million in annual energy bills for schools are the result of the annual carrying costs of debt, equity, and taxes claimed by utilities. Much of that total is driven by market-driven cost of capital formulae, so that ratepayers usually bear either standardized costs, or actual costs tested against external standards.

For the first time since 2009, the, Energy Board is reviewing the formulae to make sure they are resulting in reasonable standard costs. Expert reports were filed by the Energy Board, utilities, and ratepayers

In a classic "battle of experts" hearing in late September and October, the various components of cost of capital of utilities were reviewed and debated. SEC was a leader on behalf of the ratepayer groups in testing the evidence of utilities seeking higher debt and equity rates.

A decision is expected in Q1 2025.

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On behalf of SEC

Questions? Contact Brian McKay (sec@oesc-cseo.org) or Mark Rubenstein (mark@shepherdrubenstein.com)

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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