School Energy Coalition ("SEC")
Summary Status Report
June 30, 2025

Savings for Ontario School Boards

Sometimes you feel like you're running as fast as you can, but you have nothing to show for it (at least not yet). Q2 2025 was a little like that. SEC was engaged in many impactful proceedings, but few were resolved. For the first time, there are no immediate savings to report.

Upcoming is a Q3 that may be similar. The Enbridge Phase 3 application for 2024-2028 rates is moving ahead slowly, and the Enbridge Conservation Plan has been refiled and rescheduled. Electricity distribution cases from Ottawa, Oshawa, Burlington, and Sudbury are working towards conclusions. Several important policy debates are also in process. Q4 should be interesting.

OPG and Alectra also expected to file five-year plans before year end.

ONGOING MATTERS – NATURAL GAS

Enbridge 2024-2028 Rates. The third phase of the Enbridge rate plan started in Q4, with the primary focus on cost allocation, rate harmonization, and rate design to take effect beginning in 2027. As of the end of Q2, detailed discovery is still ongoing.

Enbridge is proposing to harmonize its existing rate zones and rate classes. While the impacts will vary depending on the size of each school, the proposal would result in material rate increases for schools in the current Union South rate zone, while schools in the Union North rate zone would see a material rate decrease. A more moderate rate increase is expected for customers in the Enbridge rate zone.

In addition, and likely more problematic for schools, Enbridge is proposing a fundamental change to how it recovers its distribution costs. Under the proposal, the volumetric component of rates would be replaced with charges based on each customer's estimated demand on the coldest winter day for which Enbridge's system is designed. Since schools are heat-sensitive loads, they may be disproportionately impacted by this approach.

The proposal is complex, and further discovery over the summer should form the basis for a comprehensive impact assessment to determine how SEC can best advocate to ensure schools are treated fairly.

Settlement negotiations, and potentially a hearing, are expected in Q3 and Q4.

Enbridge Conservation Plan. After being derailed by the cancellation of the federal carbon charge, the $1.8 billion Enbridge conservation plan covering 2026-2030 has been restarted in two phases. In the first phase, as expected Enbridge is seeking to roll over the 2025 programs into 2026, a $225 million application that will have only a limited regulatory review.

While normally not a problem, in this case the programs have been substantially changed from those previously approved, many are by the utility's own admission no longer cost effective, and the amounts to be included in rates for schools and others are being restructured. SEC is seeking to get further clarity on who is being asked to pay, how much, and for what.

Later, likely in Q4, Enbridge will file a new plan for 2027-2030, with significantly increased budgets.

Enbridge Gas Phase 1 Motion to Review and Court Challenge. As previously reported, Enbridge sought an internal review of the Energy Board's Phase 1 decision in its 2024–2028 rates application, specifically regarding depreciation and the non-recoverability of $91 million in merger-related capital costs. The Energy Board dismissed the internal review of the depreciation issue in the fall, and in April, in a split decision, agreed with SEC that it remained inappropriate for Enbridge to recover the merger capital costs from customers. Enbridge has now challenged this latter decision by way of a judicial review at the Divisional Court.

This is in addition to its earlier, ongoing Divisional Court appeal of two aspects of the original Phase 1 decision. SEC expects to intervene in both matters at the Divisional Court. A hearing is anticipated in Q4, with a decision expected sometime in 2026.

Enbridge IRP Framework. In Q1 the Energy Board announced a review of the framework for integrated resource planning (in which new pipelines are tested against conservation and demand reduction alternatives). This, and the related review of the regulator's decision on the Enbridge pilot projects, both appear to be moving very slowly. The IRP Working Group, on which SEC counsel Jay Shepherd is a customer rep, is debating some of the issues, but the first formal steps will be in October. Changes are unlikely to be implemented before Q1 2026.

Meanwhile, the review of the pilot's decision is stalled, with Enbridge recently seeking information on what procedural steps will be ordered, and when.

ONGOING MATTERS – ELECTRICITY

E.L.K./ENWIN Merger. SW Ontario's E.L.K. Energy, based in Kingsville, has long been considered a utility with significant challenges. They have finally reached a deal to be acquired by ENWIN, the Windsor distributor, in a cash deal. This should generally be good news. However, they have proposed that, in addition to the savings from the merger, the two distributors should both be allowed rate increases before they merge. This unusual approach is concerning, and SEC is actively involved.

Hydro Ottawa. Of the four electricity distribution rate applications currently ongoing, Hydro Ottawa is seeking the most additional money, total increases of 60.5% over five years. For schools, the increase is less, about 49.5%, a cumulative additional cost of about $5.7 million for the 300 affected schools.

The case is now in the discovery phase, with negotiations and a hearing expected in the fall. SEC expects to take a leading role in this case.

Capacity Allocation Model. When new subdivisions are connected to the electricity grid, the rules try to ensure no cross-subsidy between existing and new customers. The new customers (i.e. the developers) pay the incremental cost of the connections, over and above the NPV of the incremental revenues.

A problem arose when whole new communities are being connected. If a large expansion is required, the first developers ready to build had to pay the entire incremental cost. In one case, 4,000 new homes had to bear the upfront cost to bring power to 20,000. This was a barrier to new housing. At the direction of the government, the Energy Board struck a working group of utilities, developers and customers to deal with this. SEC counsel Jay Shepherd was an active member.

The resulting allocation model is technically sound but resulted in hundreds of millions of dollars of costs being reallocated from developers to existing customers. SEC opposed this, instead arguing that these costs should be paid solely by the later developers who would use the expansion.

In a decision released in April, the Energy Board sided with the utilities and the developers, saying the existing customers will bear those expansion costs unless and until they are recovered from future developers.

OTHER MATTERS

Rate-Setting Policy Reviews. The Energy Board is undertaking three important consultations related to its rate-setting processes.

The first is a review of the inputs and methodology used in the annual rate adjustment formula applied between major rate applications. In the second, the regulator is considering a new mechanism for utilities that would generate additional compensation, or a penalty, based on performance against metrics such as reliability and the achievement of policy objectives.

Finally, while the rate-setting formulae include full rate funding for both operating and capital costs of utilities, something called the Incremental Capital Module (ICM) is available to cover unusual capital needs. Although originally intended to be for exceptional cases, the ICM has become a popular way for utilities to get extra rate increases (47 applications to date). Some are now clamoring to expand this mechanism.

SEC is actively participating in all three consultations, which are expected to continue to the end of the year.

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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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