

Savings for Ontario School Boards

The final quarter of 2018 continued to be busy with matters having long term impacts, but few of them ended with final results. The biggest case, the billion dollar East-West transmission line north of Lake Superior, was decided in favour of an extended process. The Hydro One 2018-2022 distribution case continues to be delayed. The Toronto Hydro case continues at a slow pace, with the result still not likely before the fall. Even the billion dollar rate adjustment sought by Ontario Power Generation will not be completed until Q1 2019.

Nine smaller cases were decided in the quarter, with total multi-year savings for schools of about \$880,000. That brings the 2018 total to just over \$30.5 million.

ONGOING MATTERS - NATURAL GAS

Enbridge/Union Merger. Enbridge Gas Distribution, which serves about half of Ontario, and Union Gas, which serves the other half, formally merged on December 31, 2018. The new company, Enbridge Gas Inc., will serve 95% of the gas customers in Ontario.

Two rate adjustments for prior years have now been completed, with savings for SEC of **\$40,000**.

The merged company has also applied for its first rate increase, for 2019. While it will be much lower than they had originally proposed, due to a decision earlier in 2018 (a big SEC win), SEC continues to engage in order to minimize adverse effects on schools.

Enbridge Pipeline Projects. SEC has commenced a multi-year project to test individual capital projects proposed by the merged Enbridge/Union. This is where they get a lot of their extra rate increases. Our goal is to sensitize the Energy Board and the utility to the availability of alternatives that do not involve massive expenditures in pipelines, e.g. targeted conservation. This is similar to our approach to Hydro One merger applications (see below), where the goal is long-term, not a win in each case. In general, we are not opposing the projects, just raising concerns.

The first such project was a reinforcement pipeline along Bathurst Street in Toronto. In a decision released immediately after the end of the quarter, the Energy Board approved the project, but used strong language in directing the utility to take the alternatives more seriously. A similar application in the Stratford area will follow early in 2019.

Enbridge RNG. Enbridge sought to offer a new service for biogas producers, but indirectly subsidized by other customers. SEC opposed the involvement of other customers in what was fundamentally a competitive service. The Energy Board mostly agreed, leaving schools with savings of about **\$300,000**.

Enbridge Conservation. In a proceeding that commenced in 2017, Enbridge and Union sought to change the rules for conservation spending, reducing their targets, increasing their budgets, and increasing their profit margin. SEC successfully challenged the proposals, with the result that the programs will remain as they are now, and schools will save about **\$300,000** over three years.

ONGOING MATTERS - ELECTRICITY

Hydro One Phantom Tax Issue. 2017's biggest SEC success was the fight against Hydro One's attempt to collect more than a billion dollars of taxes that they will not actually pay. As previously reported, Hydro One appealed (in multiple venues), and appeared to be successful in the internal appeal (called a motion for review) at the Energy Board.

The wording of that review decision, however, was not straightforward. Instead of simply overturning the decision, the review panel sent the issue back to the original panel for reconsideration. SEC launched a technical objection, and was pleased to find that the original panel sought submissions on key aspects of the issue. This gave SEC and others faint hope that at least some of the phantom taxes may not be included in rates. SEC led the intervenors in active debate with Hydro One on those aspects in December.

A final (?) decision is now expected in February.

Hydro One Distribution 2018-2022 Rates. Hydro One filed its five year rate application on March 31, 2017, seeking substantial increases over the five years. Schools (1200 are directly affected) stood to bear an additional \$9 million dollars in distribution charges over that period.

In the normal course, this matter would have been long resolved, but there have been many complications delaying the process. Still, after a June hearing, and arguments last summer, even with various collateral issues a decision was expected by now.

The new ETA for a decision is now February, with new rates more than two years after the application.

Toronto Hydro 2020-2024 Rates. Hopefully the Toronto Hydro rate case, another five year application, will not experience the same delays as Hydro One. The new rates, which affect almost 900 Toronto schools, average about 4%

per year in increases, or a total of \$5.7 million extra for schools.

Currently, it is expected that settlement negotiations will be held in April or May. If there is no settlement (good probability), then a hearing would take up much of the month of June, with arguments to follow over the summer and early fall. This would set up for a decision by the end of 2019, about 17 months after the application was filed.

Alectra Utilities. Alectra, the third of the big three distributors, serves more than 1000 schools. Their application for 2019 rates was filed last June, continuing their previously announced practice of seeking inflationary rate increases, plus additional capital money every year.

The 2018 application was the test case, and as previously reported SEC led successful opposition to almost \$60 million of extra capital. It was cut in half.

In the 2019 case, Alectra has reduced their requests (about \$30 million this year) in response to the previous decision, so our opposition was also less pointed. After an attempt at negotiation, there was a hearing in December. Alectra complained vigorously about the 2018 decision, and insisted that it needed more money to spend on capital assets. Customer groups disagreed. SEC believes that a little more half of the new requests can support extra rate increases.

A decision is expected in February.

The 2020 case, which will be filed late spring of this year, is shaping up to be more substantial in scope. While it will be year three of nine under this rate plan, Alectra has signaled that it wants the Energy Board to rethink some aspects of that plan (i.e. extra money for capital), and SEC has given notice that some of the capital spending that shows up year after year, and adds up to big rate increases over time, should be considered on a more comprehensive basis.

Other Electricity Distributors. The fourth quarter also brought a settlements and decisions in rate cases for a few smaller distributors, including Brantford and Energy +. Together, the impact on schools is **savings of \$310,000.**

Electricity Mergers. Three important merger applications between electricity distributors arose during the quarter.

The first, between Veridian and Whitby, had SEC's active support. Veridian is a low cost, professional distributor that will improve rates/service in Whitby.

The second and third are applications by Hydro One to merge with, respectively, Orillia and Peterborough. Both have the same structure, in which there are small rate reductions for ten years, then all bets are off. The Orillia case, which is a repeat of one SEC already opposed successfully, is now being challenged in a motion to treat it as an abuse of process. The Peterborough case will go through a full discovery and hearing, with a decision likely in the summer.

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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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