

Savings for Ontario School Boards

The second quarter of 2015 has not seen the conclusion of many outstanding matters, but those that have been resolved include savings for school boards of more than \$8.4 million. The main drivers were the OPG 2015/16 settlement, and a new calculation for working capital.

We will likely see the long-delayed Toronto Hydro decision next quarter, as well as new rates for several of the larger electricity distributors. Many other major cases, including approval of the six year conservation plans for Enbridge and Union Gas, will probably not be determined until nearer the end of the year.

ONGOING MATTERS - NATURAL GAS

Union Gas Rate Redesign. As expected, the final report on this joint ratepayer/utility study of rate structures has proposed no change to the rates charged to schools. Union Gas has accepted the results of the study.

Conservation Programs. The 2015-2020 conservation plans for Enbridge and Union Gas, entailing more than \$850 million of total spending over that period, have now been filed. In a joint hearing process, the Energy Board will consider whether to approve those plans. An oral hearing of at least three weeks is expected in August, with a decision by the end of the year. The plans will be hotly contested by both customer and environmental groups, with some arguing for much larger conservation budgets added to rates.

Both plans have responded to SEC concerns by changing the eligibility for some popular programs, so that more schools qualify. In addition, Enbridge has added new programs for "energy leaders" (which likely includes some school boards), and for school curriculum support, that are responsive to SEC proposals. In the hearing process, SEC will continue our themes of value for money and more stringent measurement of conservation savings. We will also be pushing for increased integration with

electricity conservation programs, and increased innovation and creativity in program design.

ONGOING MATTERS - ELECTRICITY

Toronto Hydro 2015-2019 Rates. Toronto Hydro's five year rate application seeks rate increases for Toronto schools of \$10 million over that period (i.e. almost 10% per year for five years). SEC has proposed five year increases of about a third of that level, but still more than 3% per year.

The decision of the Energy Board was originally expected by June or July, but has been inexplicably delayed. It is now anticipated that it will be released before the end of September. Because of the size and importance of the Toronto market, the decision is expected to have a strong influence on rates going forward in many other parts of the province.

Powerstream 2016-2020 Rates. SEC and other customer groups engaged in a negotiation with Powerstream in April and May on that distributor's five year rate plan, but were unsuccessful in reaching an agreement. Powerstream therefore filed in May a formal application seeking new rates that include increases over five years of about 37% for schools. This is a cumulative increase over that

period of about \$2.6 million for the 343 affected schools.

The case will include a discovery process over the summer and early fall, with a further attempt at a negotiated settlement at the end of September. If that negotiation is not more successful, a hearing is expected in October or early November.

Ottawa 2016-2020 Rates. Hydro Ottawa, which serves 254 schools, has filed a five year plan in April seeking rates increases for schools that, with adders, could potentially exceed 50%. Cumulatively, we would expect their proposal to result in additional costs to the affected boards of more than \$2.8 million over that period. Discovery is scheduled for June and July, with a settlement negotiation in August. If it does not settle, a hearing is likely in October.

Oshawa 2015-2019 Rates. Oshawa Hydro has also filed a five year plan, seeking cumulative increases of more than \$6,000 per school (43%) over that period. The timing of the Oshawa proceeding is likely to be similar to that of Powerstream and Ottawa.

Other 2015 and 2016 Distribution Rates. Savings from the settlement with some other small utilities for 2015 rates will total **\$110,000**. Applications for 2016 rates by Guelph, Waterloo North, Milton, Entegrus, and a number of other smaller distributors will be received over the summer, and decisions or settlements of many of them are likely in the fall. Most of those rate decisions will be followed by four years of rates increasing at slightly under inflation.

Working Capital Allowances. One of the key strategies employed by SEC is to maintain a long-term focus in dealing with regulatory matters. Another key strategy is to ally ourselves with other customer groups having similar interests on a particular issue.

The electricity distributors have for many years been able to include in their rates the costs associated with maintaining a suitable level of working capital. In the past this has added 8-10% to rates.

Starting in 2009, SEC, along with other customer groups, has been asking the Energy Board to review the formula for calculating this additional cost, originally set at 15% of gross spending. A few years ago, the Energy Board agreed to decrease the amount to 13%, but this was in our view still far too high for the working capital actually needed to cover cash flow. For the past year we have been challenging the percentage in every case (and losing each one).

In a policy announcement released in June, the Energy Board finally relented, and has now agreed that a more appropriate working capital formula would be 7.5% of gross spending. This is expected to save schools about \$1.95 million per year as the new formula kicks in over the next couple of years. Averaging the phase-in and annual impact, the value of the rate reduction for schools is about **\$3.9 million**.

OPG Deferral Account Clearances. At the end of December Ontario Power Generation filed an application to collect about \$1.3 billion of extra charges from ratepayers over 2015 and 2016. This would have effectively increased rates by about 17% for all customers. For schools, the application meant a potential additional cost of \$14.4 million (previously estimated to be \$17.5 million, but since changed due to updated information from OPG) over the eighteen months July 2015 to December 2016. Hidden in the details was an attempted clawback of almost \$2.9 million of the rate reductions schools achieved in last year's rate case. OPG sought to rely on an unexpected technical interpretation of last year's decision to collect these funds (\$263 million in total) a different way.

SEC took the lead in negotiating a comprehensive settlement of this application in June. All issues except the clawback were settled, and the result is a reduction in the cost to schools of just over **\$4.4 million** over 18 months. The further clawback of \$2.9 million was not settled, and the outstanding interpretation issue will be determined by the Energy Board in August or September after submissions from the parties at the beginning of July.

OPG 2014-2015 Rates - Appeals. OPG asked for a review of their final rates from last year's rate case, in which SEC achieved an \$18.4 million reduction for schools. After a hearing in March, a decision was expected this quarter, but it has been delayed. No explanation has been given for the delay. A new expected date is not known, but is likely to be in the fall.

We also continue to await the Supreme Court of Canada decision on OPG compensation, following the hearing on this issue last December. SCC decisions often take several months or longer.

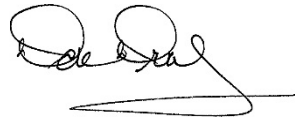
Jay Shepherd
Counsel for SEC

Questions? Contact Wayne McNally
(wmcnally@opsba.org) or Jay Shepherd
(jay.shepherd@canadianenergylawyers.com)

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.



Don Drone
Executive Director
Toronto Office 416-340-2540
Mobile 519-837-7719 or ddrone@oesc-cseo.org