

Savings for Ontario School Boards

While the first quarter of 2015 has been very busy, a limited number of new decisions has been released. The one with the most impact is Hydro One Distribution, a large but unsatisfying saving. Coupled with smaller matters, total savings in the quarter have totalled \$2.0 million.

Next quarter will likely see a decision in the Toronto Hydro case, and perhaps Powerstream. Other substantial distribution applications are in process or coming soon. As well, Ontario Power Generation is seeking another \$17.5 million from schools over 18 months, plus new rates in 2016 that will likely involve an additional large increase.

ONGOING MATTERS - NATURAL GAS

Union Gas Rate Redesign. The expert retained by Union Gas to review rate and cost allocation for medium-sized customers has concluded that any of the possible changes in structure would increase their rates. SEC has been actively involved in reviewing the work of the expert. A final report and recommendation (likely no change) is expected by the end of April.

Conservation Programs. Enbridge and Union Gas were given a deadline of April 1, 2015 to file their six year conservation plans with the Energy Board. Enbridge, with the support of SEC and other customer groups, sought to have further time to work collaboratively with stakeholders, but that request was denied, and the plans were being filed on schedule.

While all details are not yet finalized, and some will be contested, the current proposals contemplate an aggregate six year budget of about \$850 million, including the shareholder profit component. This is up from just over \$500 million under the current framework. Preliminary estimates suggest that the share of those costs borne by schools will be over \$20 million, or just under \$5,000 per school.

A full combined hearing on these plans is expected, with the information exchange in the

spring and summer, and a hearing by September. SEC will continue to focus on the relationship between the costs borne by schools, and the benefits available to them from these conservation programs.

ONGOING MATTERS - ELECTRICITY

Hydro One 2015-2019 Distribution Rates. Hydro One, the province's largest distributor, serving about 1,100 schools, proposed five year rate increases that, after all calculations were finalized, would have totalled over \$26 million for schools, a total increase of 88.3%. SEC was a vocal opponent of the increases. In a decision released in March, the Energy Board was highly critical of Hydro One, largely agreeing with SEC and other intervenors.

However, after pages of critique, the Energy Board - inexplicably - approved most of the proposed increases for the first three years. Those three years, in which increases for schools of \$11.7 million had been proposed, were approved with increases of \$10.0 million. As a result, schools have saved **\$1.7 million** over that period, about 15%, but still face three-year bill increases averaging \$4,000 per school.

Hydro One has been directed to come back with a better application for the period starting in 2018.

Toronto Hydro 2015-2019 Rates. Toronto Hydro's five year rate application went to a hotly contested oral hearing in February. Over ten days of hearing time, Toronto Hydro focused on their \$2.5 billion capital spending proposals, and tried to de-emphasize benchmarking evidence showing them to be very poor performers. Depending on whether you believe the Toronto Hydro economist, or the independent expert brought in by the Energy Board, Toronto Hydro is proposing to reach a level of either 10%, or 47%, above benchmark costs for a similar utility. The total rate increase requested, just under 50% over five years (about \$1 billion more in total), would increase bills for Toronto schools by more than \$10 million cumulatively over that period.

SEC, in its extensive final argument, has proposed that the Energy Board approve more modest increases (16.5% in total, rather than 50%), which would impact schools by about \$3 million over that period. Other customer groups have supported the SEC position.

The Energy Board is wrestling with how to say no to a major infrastructure renewal program, even if that is necessary to keep costs and rates under control. They are clearly torn. A decision is expected by July.

Powerstream 2016-2020 Rates. This utility, which serves Richmond Hill, Vaughan, Markham, Aurora and Barrie, has approached SEC and other customer groups to negotiate the terms of their 2016-2020 rates. Their initial proposal is for the distribution bill for a typical school to increase about 37% over five years (about \$2000 per school). Cumulatively, the new rates for the 350 schools served by Powerstream would be \$2.6 million more over that period.

While Powerstream is generally a well-run and reasonably low cost distributor, SEC will be pressing in the negotiations for lower increases. If there is a negotiated settlement, it will likely be by June. If there is not, a hearing is expected by the end of the year.

Oshawa 2015-2019 Rates. Oshawa Hydro has filed a five year Custom rate plan, following in the footsteps of Hydro One, Toronto Hydro, and Horizon. The Oshawa plan would increase rates for the 68 Oshawa schools by more than 43% over five years. By 2019, rates would be higher by \$150,000 per year.

As with all of the five year plans, SEC will be an active participant to ensure that the rate increases, if any, are no more than are absolutely necessary. A hearing on this is expected in July and a decision by October.

Other 2015+ Distribution Rates. Savings from the settlements with some other small utilities will total **\$260,000.**

OPG Deferral Account Clearances. Fresh off its stunning rebuke in its 2014-2015 rate application, Ontario Power Generation has now applied to recover from ratepayers a total of \$1.3 billion currently held in deferral accounts. The proposal to recover this over 18 months, commencing in July, would deliver an incremental bill to schools of about \$17.5 million, or about \$200 per school per month.

The application and the rules surrounding the accounts and their recovery are highly technical, with limited room for judgment or discretion. However, SEC will in this, as in the past, work on reducing the immediate impact on schools as much as possible.

OPG 2014-2015 Rates - Appeals. As expected, Ontario Power Generation has asked for a review of two specific aspects (Niagara Tunnel and taxes) of their December decision. A hearing on their request was held in March, with SEC taking the lead in opposing their proposed changes. A decision is expected by May.

In parallel, the Power Workers Union has once more turned to the courts to protest the Energy Board's decision cutting back recovery of compensation costs. Since a Supreme Court of Canada decision on this issue is expected in the next several months, that will likely be

determinative of this latest appeal.

Hydro One Privatization. It is being widely reported that the provincial government is looking to at least a partial privatization of Hydro One.

SEC is aware that there are active discussions between PowerStream, Enersource and Horizon with respect to a potential merger of those three utilities with Hydro One Brampton. If it does happen, that new utility would serve more than 900,000 customers, and almost 1,000 schools, making it the second largest electricity distributor in the province.

Such a merger would normally be the subject of public hearings. SEC is watching the situation closely, and will participate fully in any public hearings to consider this or any other Hydro One transaction.

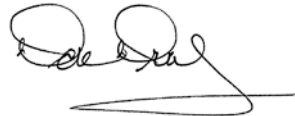
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In conclusion,

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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