

Savings for Ontario School Boards

*The Enbridge five-year rate application continues to be the focus for SEC, with discovery mostly completed and the settlement negotiations up next. The case continues to be on track for a decision by year end. At the same time, resolutions of three electricity distribution applications have produced **savings for schools of about \$450,000.***

Distribution rate applications from several other small distributors are expected in the next three months, followed by the Toronto Hydro application in Q4. All of these are proceeding in the context of fundamental changes to the energy mix in Ontario, which will affect all schools.

ONGOING MATTERS - NATURAL GAS

EPCOR 2023 Rates. The EPCOR application to change its ten-year rate deal for gas service to South Bruce (retroactively) was the subject of a decision of the Energy Board just after the end of Q1.

In the Decision, the Energy Board refused to make any retroactive adjustments, but did agree to make an adjustment to the deal from 2023 onward. In that adjustment, EPCOR will be able to recover only half of its revenue shortfall, and only until its return on equity reaches about two-thirds of the approved ROE level.

There is insufficient information on this new franchise area to estimate savings for schools at this point.

Enbridge 2024-2028 Rates. The biggest case this year - five years of rates for the combined Enbridge and Union utility, Enbridge Gas Inc. - continues to develop step by step, with new revelations every day.

The case involves millions of dollars of increases in gas distribution rates for schools, against a backdrop of the "energy transition" - the societal shift away from fossil fuels. Among other things,

Enbridge is seeking a higher profit margin because of what it claims as its increased risk. However, they are also insisting that customers bear all of their asset recovery risk, and their plan does not call for any slowdown in capital spending to mitigate that risk.

It is, in short, an inflection point for both the utility and its customers.

In addition to the substantial increase in revenues proposed, Enbridge also plans to harmonize rates between its former Enbridge (Golden Horseshoe and Ottawa) and Union Gas (most of the rest of the province) rate zones. This is planned in steps, with the full hit coming in 2025.

Enbridge has now disclosed surprising numbers for just the first half of the plan. The ~500 schools in the former Union North will see a **decrease** of 30% or more in their delivery bills, amounting to about \$ 3 million per year, while the ~1100 in the former Union South will see an **increase** of 20-60%, i.e. \$5 million or more. At the same time, the ~2500 schools in the former Enbridge territories will see a **decrease** of about 3%, likely just under \$1 million per year.

In 2025, further adjustments will be proposed, but the details are not yet known. While it is clear that schools will ultimately protect themselves from these increases mainly through their own shift away from fossil fuel use, in the interim SEC will continue to resist these Enbridge proposals.

After written discovery, with thousands of questions from more than a dozen active intervenors, there was an eight-day oral discovery (technical conference) in March. With the filing of written answers to some of those questions, the record in the case is now more than twenty thousand pages of material.

There will be a settlement negotiation in May, in which SEC counsel Mark Rubenstein is expected to continue his past role as one of the lead negotiators for the intervenors. While a full settlement is unlikely, given the importance of the issues, some of the technical aspects of the case may be resolved through this negotiation. After that, a five-week hearing is scheduled for June and July, with written argument following over the next two months. A decision is expected in Q4.

A second phase, intended to deal with the final steps in harmonization of rates across the province, and a number of other issues, will continue into 2024.

SEC is being represented by Mark Rubenstein, Jay Shepherd, and Jane Scott.

Enbridge Conservation. The first meeting of the group (called, without a touch of irony, the “SAG”) overseeing the Enbridge conservation programs is now scheduled for April. SEC counsel Jay Shepherd is a member. In preparation for the meeting, a number of one-on-one contacts between ratepayer and environmental groups, and with the staff of the Energy Board, have been taking place to co-ordinate the goals of the parties.

ONGOING MATTERS - ELECTRICITY

Elexicon 2023 Rates. Elexicon’s application to spend more than \$70 million to upgrade its system in Whitby, increasing rates for Whitby schools by about 30%, was the subject of a hearing in March. Arguments will be filed in April/May, with a decision expected in Q3.

At issue is a wholesale modernization of the Whitby grid to accommodate EVs, solar panels, and similar uses. SEC, while supportive of the overall direction will argue that this evolution should be carefully paced to reduce impacts on customers. Schools are leaders in this area, particularly in places like Whitby where many new schools are being built. Jane Scott and Jay Shepherd are representing SEC.

Toronto Hydro 2025-2029. Just as the Enbridge case starts to wind down near the end of the year, the next major case, Toronto Hydro, will be filed. Initial consultations are already going on between Toronto Hydro and stakeholders, including SEC. Early information suggests that the proposal will include significant capital spending and operating cost increases.

Of additional interest, perhaps, Toronto Hydro will likely be looking closely at the Elexicon decision, with an expectation that a utility-favourable decision there would open the door for an aggressive (and costly) modernization of the Toronto grid.

Ontario Power Generation. The court decision removing the cap on public sector wage increases (Bill 124) has prompted OPG to seek a recovery mechanism for any increase in its compensation costs. Since OPG’s compensation levels are generally well above average already, SEC will be opposing this application.

Other Distributors’ Rate Applications. Five-year rate applications for PUC Distribution (Sault St. Marie) and Bluewater Power (Sarnia) have

resulted in full settlements. Part of the EPCOR Collingwood case has also been settled, and an oral hearing on the remaining issues took place in Q1. Pending the decision in EPCOR, expected in Q2, those three cases have so far **resulted in savings for schools of about \$450,000.**

OTHER MATTERS

The Energy Transition. The shift away from fossil fuels is not just the centerpiece of the Enbridge rate case, and Enbridge's resistance to it. On the other side, many electricity distributors, including Elexicon, Alectra, and Toronto Hydro, are looking at the substantial capital investments they would like to make to adapt to this transition. That includes not only grid modernization and upgrading to accommodate higher electrical loads, but also reconfiguration to deal with new energy loads and sources (e.g. batteries, solar, EVs) throughout local systems.

The Energy Board has recently released an initial report on the regulatory steps it will be taking in this area, but the information in it is still preliminary. Related to this is a series of workshops on electrification and how it will affect utilities. SEC is remaining on top of this area as it unfolds.

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Questions? Contact Brian McKay (sec@oesc-cseo.org) or Mark Rubenstein (mark@shepherdubenstein.com) or Jay Shepherd (jay@shepherdubenstein.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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