

SCHOOL ENERGY COALITION

SUMMARY STATUS REPORT

March 22, 2005

The School Energy Coalition is currently involved in the development of 2005 and 2006 electricity distribution rates, the rate applications of both gas distribution companies, and several other processes.

ONGOING MATTERS – NATURAL GAS

Union 2005 Rates: Union Gas proposed to continue their 2004 rates into 2005. SEC, along with other ratepayer groups, sought a protection mechanism because evidence was not being filed. The OEB determined that Union will have to give back 50% of any overearnings to ratepayers after 2005 results are in. Union appealed that decision, and SEC took a leading role in opposing that appeal. The Board's decision, released last week, accepts SEC's position on every issue raised in the appeal.

Union 2006 Rates: Union advised in December that it does not intend to ask for a rate increase for 2006, but SEC raised the question of whether this should be allowed without further ratepayer protection. Last week the Board ordered Union to propose an earnings sharing mechanism for 2006, on which SEC and others will be allowed to comment.

The result of these 2005 and 2006 decisions, coupled with the prior 2004 result, is that **schools in the Union franchise area will pay about 3% less (about \$500,000 less) in 2005/6 than in 2004**, and potentially even less if earnings sharing kicks in.

Enbridge 2005 Rates: The final savings for schools in this rate case were more than \$2,000,000. The Coalition's claim for costs of about \$205,000 was paid in full in January.

Enbridge 2006 Rates: Enbridge yesterday filed its 2006 application, requesting an increase of about \$96 million, which could represent a 10% increase for schools. When adjusted for an incremental 2%

decrease for schools phased in from the 2005 case, this would still cost schools in the Enbridge area more than \$2 million extra in 2006. SEC is this week filing a Notice of Intervention to resist this increase. The rate case will take about nine months, with a decision expected in December.

Enbridge DSM Consultative: Enbridge has responded to SEC's school conservation funding proposal with an attractive draft counterproposal that could provide incremental funding for school DSM activities and resources. The terms of the proposal are being negotiated, with a resolution expected by April.

Union DSM Consultative. Union's 2005 DSM Plan has been filed with the OEB for approval, and will be the subject of a negotiation commencing next week, and a hearing in April or May. SEC is participating actively in that process.

Natural Gas Policy Review. SEC's costs claim in this matter of about \$40,000 has been accepted as filed, and paid in full. A decision on the substantive aspects of the review is expected in April.

ONGOING MATTERS - ELECTRICITY

Regulatory Assets: This process, in which SEC reduced the bill to schools over the next three years by about \$3,000,000, is now largely concluded.

SEC filed a claim for about \$90,000 in costs. Many electric utilities, led by Toronto Hydro and Hydro One, argued strenuously against the \$490,000 of cost claims by the intervenors. The Board's decision on costs, released last week, cut back the claims by about \$90,000, but still approved \$75,000 for SEC, the second highest approved amount, reflecting SEC's contribution to the process.

Smart Meters Initiative: The final decision of the OEB on smart meters has been issued. SEC succeeded in its two main goals: schools will have a preferential opportunity to participate early in the program; and all costs will be paid by ratepayers generally, rather than only by the customers using the meters. SEC's costs claim for \$17,000 was approved and paid without deduction.

2005 Distribution Rates. In January the electricity distribution companies filed their applications for new rates commencing April 1, 2005. This was intended to be a mechanical exercise, in which specific adjustments were to be allowed based on a spreadsheet model predetermined by the OEB. Ninety-four applications for increases were received, with increases in distribution charges for typical schools averaging about 35% (about 8% of total bill), in a range from 80% decrease to 300% increase. Most of the changes were due to the OEB-determined model changes, but some were the result of special changes requested by individual utilities.

SEC was the only ratepayer group intervening. We created a model of distribution costs for sample schools, then compared utilities around the province. This allowed us to target three goals: reducing the average monthly fixed charge for schools, challenging the special increases requested by particular utilities, and resisting the largest increases (mainly Hydro One). The OEB's decisions, released last week and this, have rejected many of our arguments, deferring consideration of most of them until the 2006 rates process (see below). However, they have accepted one of our main arguments on monthly charges, which will reduce the bills for some schools by up to 3%, and they have denied almost all of the special increases requested. They have also accepted our overall position on Hydro One's large increases in their acquired utilities. As a result, about 500 schools around the province will have their increases limited to 10% of the total bill, down from as much as 40% of the bill in some cases. **Total savings for schools of this intervention is estimated to be about \$500,000 for 2005.**

A claim for costs of about \$17,000 has been made, but no decision on costs has been received as yet.

2006 Distribution Rates. Final submissions have been made with respect to the rules for 2006 electricity distribution rates. SEC took the lead on a number of major issues, including the calculation of up to \$400 million of taxes to be included in rates in 2006 and subsequent years, and the need to compare rates at different utilities and determine the reasons for major variations. A decision of the OEB is expected by mid-April. A costs claim is being prepared.

Regulation of Electricity Commodity Costs. The OEB last week announced the detailed terms of the Regulated Price Plan, which is the default electricity commodity price for designated consumers, including schools. The new two-tier pricing is 5.0/5.8 cents per kwhr., up 0.3 cents over the existing price. SEC opposed (unsuccessfully) having the two-tiered pricing applicable to schools, since it results in a subsidy by schools of other ratepayers in the amount of \$9-10 million per year (between \$1,000 and \$10,000 per school). Schools can still avoid this incremental cost by one of two means: a) directly contracting with electricity suppliers to purchase electricity at market prices, b) moving as quickly as possible to smart meters, which will have pricing that does not include this overpayment.

Electricity Conservation Plans: After intervening successfully in the conservation applications of seven major utilities, SEC has not participated further. Similar results have in any case followed in the decisions with respect to other utilities. It continues to be very important that school boards engage their local utilities in conservation discussions, as significant funding is available and the utilities are predisposed to target school conservation programs.

OTHER ENERGY PROCEEDINGS

Board member Bob Betts was re-appointed for a further term in February. SEC took the lead in getting intervenors and utilities to urge the Minister to re-appoint him. Mr. Betts is an experienced Board member whose decisions regularly balance the interests of ratepayers and utilities.

Jay Shepherd
Shibley Righton LLP