

Savings for Ontario School Boards

As expected, Q3 was a busy one for SEC, with a hearing in the OPG case and many new rate and other applications filed by utilities. Only three smaller matters were resolved, however, resulting in savings for schools of about \$100,000.

One of the new filings is Ontario's largest ever "wires" case, Hydro One's request for \$20 billion in transmission and distribution rates over 2023-2027. London Hydro has also filed for new rates, as have several other electricity distributors. Of more importance, perhaps, are several key policy consultations, of which the debate over the inflation factor may end up being the most significant. The Enbridge DSM Plan is also continuing over the next several months.

ONGOING MATTERS -- NATURAL GAS

Enbridge Conservation. Enbridge applied in April for about \$900 million in funding for its conservation (DSM) programs over the six years 2022-27. They also sought a fast track approval of their application. Environmental groups, supported by most customer groups (including SEC) opposed the "short cut" approach to considering this proposed spending.

In an August decision, the Energy Board agreed with the customer groups. It therefore ordered that 2022 conservation programs will continue on the same basis as already approved for 2021, and Enbridge will file a revised application covering 2023-2027. The Energy Board also confirmed, as SEC had proposed, that the scope of the proceeding will be a broad review of the approach to conservation in the gas sector.

It is now expected that discovery in this process will take place over the winter, including expert evidence from several sources filed later in Q4. Once discovery concludes in Q1, a negotiation process is likely, followed by a hearing in Q2 and a decision in Q3.

Enbridge St. Laurent. Enbridge is planning to spend more than \$122 million to replace more than 16 km of extra high-pressure transmission pipe in the east end of Ottawa. The project is intended to serve the St. Laurent area, but also supplies some gas to Enbridge affiliate Gazifiere in Quebec. Environmental groups (and perhaps the City of Ottawa) oppose the project because of the long-term risk of stranded assets, and the risk of excess GHGs in Ottawa.

SEC will, as it has in the past, focus on ensuring that the project size and costs are as low as possible, and only what absolutely has to be built should be built. Part of this will be ensuring that all non-pipe options (such as conservation) have been fully considered.

ONGOING MATTERS -- ELECTRICITY

Ontario Power Generation. As reported last quarter, most of the five-year OPG rate case was settled by negotiation, with significant savings for schools.

What remained was the question of cost overruns on the new heavy water storage facility. Originally planned at a cost of \$110 million, it eventually ballooned to more than

\$510 million, and because it was years behind schedule it was unavailable to store heavy water from the first Darlington refurbishment (its initial purpose).

SEC counsel Jay Shepherd, assisted by Fred Zheng, co-operating with the Association of Major Power Consumers (AMPCO) and the Consumers Council of Canada (CCC), took the lead at a three day hearing in early August. Extensive arguments were filed in August and September, and a decision of the Energy Board Commissioners is expected in December.

Hydro One 2023-27 Rates. Hydro One has filed its first ever rate application in which its rates for distribution and for transmission are considered together. The Application seeks approval for rates totalling almost \$20 billion over five years, and capital spending of about \$14 billion. Costs are forecast to average about 20% greater than a benchmark of expected costs.

About \$280 million of the new rates would be paid by schools. That is about \$24 million more than existing rates (spread over five years). Distribution bills are proposed to increase by about 13.5% over that period, but transmission bills by more than 20%.

As would be expected, the Application raises many specific issues, including the total capital spending plan, the continued decline in productivity relative to benchmark, the integration of acquired customers in Norfolk, Haldimand, and Woodstock, etc.

Q4 will be taken up largely with procedural issues and the start of discovery. It is expected that the oral hearing will be completed in the spring of 2022, with a decision on rates by the end of Q3 of next year. This is the major case for SEC this year, and all three lawyers are actively engaged in various aspects of it.

Other Distributors. Two more electricity distributors, Brantford and Lakefront (Cobourg), have settled their 2022 rate cases. Also, after a challenge to proposed operating costs in an oral

hearing, North Bay rates were further reduced. All of this has resulted in **savings for schools of about \$100,000.**

Applications by Canadian Niagara Power, Grimsby, Elexicon, Energy+ and Kitchener are in process, with most likely to be resolved in Q4. London Hydro has also filed for 2022 rates, but that Application will not be completed until Q2 of next year.

OTHER MATTERS

Inflation Factor. For most utilities, in most years, rates are increased by inflation less an adjustment factor. Inflation is calculated using a formula that separately assesses increases in labour and non-labour costs. In 2020, due to the pandemic, the labour component was badly skewed due to calculation anomalies, resulting in overall inflation calculations of 4% or more. Independent data showed that utility labour costs went up by much less than the formula. The impact on 2022 rates could be as high as \$100 million (about \$2 million of which paid by schools).

The Energy Board has sought input from utilities and customers on how to respond. Utilities, predictably, want to continue with the flawed formula, while customer groups, led by SEC, are proposing an alternate approach that tracks real cost increases. A decision is expected in November.

Framework for Energy Innovation. This working group is focusing on non-wires alternatives for electricity distributors. Critical to this process is ensuring that local distribution companies don't expand their footprint to control (and thus restrict) generation, storage, and energy management options that customers like schools are pursuing in the open market. SEC is participating actively in this working group.

Green Button Task Force. The government has proposed a regulation that will require all electricity distributors to make certain data

available to customers using the Green Button standard. This standard allows customers to buy equipment that uses that data to manage energy costs. SEC counsel Jay Shepherd was asked by the Energy Board to be a customer representative on the implementation task force. A report from the regulator is expected in October.

Energy Board Modernization. SEC counsel Mark Rubenstein has been appointed to the Adjudicative Modernization Committee, which is looking at how decision-making processes at the Energy Board should evolve in the coming years.

Energy Regulatory Update. This quarter SEC counsel Mark Rubenstein and Fred Zheng initiated a new quarterly report for the broader energy sector: *Energy Regulatory Update*. Major proceedings, as well as new policies, regulations and legislation, and other important changes, are summarized. Initial responses from the energy sector have been favourable.

The Energy Regulatory Update is posted to LinkedIn and Twitter, and on the Shepherd Rubenstein website.

Jay Shepherd
Mark Rubenstein
Fred Zheng
Counsel for SEC

Questions? Contact:

Ted Doherty (sec@oesc-cseo.org)
Jay Shepherd (jay@shepherdrubenstein.com)
Mark Rubenstein
(mark@shepherdrubenstein.com)

In conclusion,

OESC is represented by Jay Shepherd who consults regularly with myself. 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.



Ted Doherty
Executive Director
416-340-2540 (Toronto Office)
519-955-2261 (Mobile)
Email tdoherty@oesc-cseo.org