

SCHOOL ENERGY COALITION (“SEC”)

SUMMARY STATUS REPORT

September 2007

The School Energy Coalition continues to be highly successful in energy interventions at the Ontario Energy Board on behalf of Member Boards. The initiatives of SEC have achieved remarkable results in reducing energy costs.

Over the last four years, on natural gas distribution rates alone, our interventions have saved boards a minimum of \$25.2 million with an ongoing yearly savings of at least \$7.9 million. Interventions in the electricity sector have produced savings of \$7.2 million over that period with key hearings yet to take place.

Currently the School Energy Coalition is representing the interests of school boards in:

- hearings on rates for about 25 electricity distributors (including Hydro One and Toronto Hydro),
- 2008-12 rates for Enbridge and Union,
- the review of the long term electrical generation plan, and
- several other regulatory processes.

TWO RECENT SUCCESSES

1. *Effective Intervention in Hydro One 2007-10 Transmission Rates*

Hydro One applied for an increase in transmission rates for 2007 through 2010 which would have cost schools about \$7 million over the next four years. A hearing was held in May, and the decision released in August. SEC took a leading role in opposing the increases.

The result of the decision is that, instead of an increase in rates of about 7% for schools, there will be a decrease of about 1%. **The impact on Ontario schools will be a saving, over the years 2007 and 2008, of about \$5.1 million.**

The Savings To Your Board For This Single Successful Intervention Is Approximately \$1,000 Per School.

Rates for 2009 and 2010 will be the subject of a separate application in 2008.

2. *Savings in Enbridge Customer Information System (CIS)*

SEC continues to be one of the members of the consultative group supervising the implementation of a new customer information system for Enbridge. So far, that process has saved Enbridge at least \$40 million, which works out to a **saving of about \$500,000 for schools (approximately \$100 per school)**. SEC is monitoring its involvement to ensure that the cost is minimal.

SEC ACTION on NATURAL GAS

Union 2008-12 Rates. Union has applied for formula-based rates for the period 2008 through 2012 inclusive. Although the normal formula would provide for annual increases of something less than inflation, Union is seeking increases at 100% of inflation, plus an additional increase in 2008 of about 1%. The difference between Union's request and SEC's formula is about \$4.2 million over the five year term of the plan.

This proceeding has been combined with that of Enbridge (see below). A hearing is currently scheduled for December, with new rates in place by about April or May. Achieving that deadline may be a challenge.

Enbridge 2008-12 Rates. Enbridge has also filed for formula-based rates for the period 2008 through 2012. Under Enbridge's formula, we

currently estimate that the result would be rate increases of about 4% per year for each of the five years of the plan. In addition, Enbridge is seeking to have certain additional costs passed through to customers as incurred, over and above their formula rate increases. The difference between Enbridge's request and SEC's formula is \$9 to \$14 million over the five year term of the plan.

This application, combined with Union's (see above) is one of SEC's top priorities over the coming months.

SEC ACTION on ELECTRICITY

Toronto Hydro 2008-10 Rates. The Ontario Energy Board selected 25 electricity distributors to undergo full cost of service reviews for their 2008 rates, with the intention that rates for 2009 and 2010 would be set on a formula that works out to about 1% per year.

Toronto Hydro, one of the 25 selected, has applied for increases of about 9% per year for each of those three years, using a method inconsistent with the Energy Board's approach. The cost to Toronto schools of this increase is estimated to be about \$6 million over the three year period. Toronto Hydro is already one of the most expensive distributors in the province for schools, more than 30% higher than the provincial average, and more than double the rates of some other

urban distributors. SEC will be vigorously opposing these increases.

Hydro One 2008-10 Distribution Rates. Hydro One was also selected as one of the distributors to file for a full cost of service review for 2008. Their application, which sought increases in excess of inflation, was rejected by the Energy Board as being incomplete, and will be re-filed in October. SEC will be actively involved in this application, as Hydro One's bills for schools are more than double the provincial average.

Of particular interest to many school boards is Hydro One's intention to "harmonize" its rates. About 25% of the schools in the Hydro One areas pay rates below the Hydro One standard levels due to historical differences. In October Hydro One will file a proposal to move those rates up to the Hydro One standard levels over a period of a few years. These increases could in many cases exceed 100% for individual schools.

Other Electricity Distributors' 2008-10 Rates. Over the course of September and October the remaining 23 distributors selected for cost of service review will file their applications for 2008-10 rates. SEC has entered into a work-sharing arrangement with other intervenors representing ratepayer groups to split up the initial review of many of these applications. This will allow us to focus our resources on those distributors whose applications are

the biggest concerns for school boards.

It is expected that the total amount in issue for schools in the 25 cost of service reviews will be about \$15 million.

The remaining distributors, about 55 of them, will be filing on the basis of a formula that is likely to provide for an increase of about 1% for 2008. As in the past, SEC will be monitoring those applications to ensure that they do not include "exceptions" that increase the effective amount of the rate increase.

Welland Hydro. This utility is seeking an adjustment to its formula-based rates for 2007 to reflect the expiry of a tax loss. Welland is a very low cost distributor for schools, and the adjustment appears to be a reasonable one, so SEC is supporting the new rates as requested. The impact on Welland schools will be about 4.2%. Welland's distribution rates for schools are about half the provincial average.

Electricity Rate Design. The review of the rate structure for electricity distributors is now expected to be deferred until the spring of 2008.

Electricity Distributors' Rate Comparisons.

SEC has for some years been pushing for direct comparisons between the charges of similar electricity distributors. In response, the Energy Board earlier this year

commissioned an independent study to identify the best ways of comparing utility costs. SEC has, in parallel, been developing a measure called WACS (weighted average cost per school), which compares how much it costs for similar schools to get electricity distribution service from different distributors.

SEC has now provided to distributors and the Ontario Energy Board a list of the ten most expensive and ten least expensive distributors from the point of view of schools. Heading the “most expensive” list are Hydro One, Newmarket and Toronto Hydro. Heading the “least expensive” list, aside from some very small utilities, are Kingston, Welland, and Horizon. SEC continues to work at refining the model, and has proposed that all distributors file multi-year plans to get their rates down to the levels of the best performers.

Third Generation Incentive Regulation.

The Energy Board is currently reviewing how it should best regulate electricity distributors in the period commencing 2010. This new process may include comparisons between distributors’ costs, rates or prices. SEC has been asked to participate in a working group run by the Energy Board to develop this plan.

Integrated Power System Plan. The Ontario Power Authority has filed its long term plan for generation and transmission of electricity in Ontario, projecting more than \$60 billion of spending over the next fifteen years. This plan will materially affect the \$125 million per year that schools spend buying kilowatt hours, so SEC will be actively involved in the Energy Board review of this plan.

Ontario Power Generation Prices. The Energy Board expected to receive an application for review of the prices charged for OPG’s nuclear and hydroelectric facilities in the summer. That application has now been deferred until November or December, with new rates to be effective some time in 2008. These new rates are expected to have an influence on the overall market price for electricity in Ontario.

The School Energy Coalition plans active intervention on significant energy proceedings that will take place over the next two years. SEC will also continue to explore the cost structures and proposed pricing in preparation for effective representation of the interests of Member Boards in electricity rate proceedings.

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