

# SCHOOL ENERGY COALITION (“SEC”)

## SUMMARY STATUS REPORT

February 26, 2008

*The 2008 year has just started with four notable successes for the School Energy Coalition, **\$1,350,000** of savings for the Peel DSB's in the Enersource Hydro settlement, **\$1,050,000** of savings for the Ottawa DSB's in the Hydro Ottawa settlement, **\$2,700,000** of savings in the Union Gas 2008-2012 settlement, and **\$7,000,000** of savings in the Enbridge 2008-1012 settlement.*

*Incredibly, this year also promises three more major proceedings – continuing and upcoming - that will have multi-year impacts: **Ontario Power Generation rates, a Hydro One “Rate Harmonization” Plan, and the Integrated Power System Plan***

### ONGOING MATTERS – NATURAL GAS

**Union 2008-12 Rates.** Union applied for rates for the five years starting in 2008. Their original proposal was, in the view of SEC, about \$4.2 million too high for schools (about \$80 million too high overall). Under a multiparty settlement, negotiated by SEC and others, and approved by the Energy Board last week, **schools’ bills will be reduced by \$2.7 million over five years**, and a further \$1.6 million will be the subject of a special hearing in April. If SEC is successful then, rates are expected to be about the same in 2012 as 2007. If the April hearing is not a success, Union rates will increase an average of just under half of inflation.

**Enbridge 2008-12 Rates.** Enbridge has also filed for rates for the period 2008 through 2012. Enbridge’s proposal would increase distribution bills to schools by about \$10 million over the five year period.

All major parties have entered into a settlement agreement with Enbridge which would reduce that increase by about 70%. **Schools’ bills are expected to be reduced by about \$7 million over the five year period.**

**DSM Co-ordinator.** Working with Enbridge over the last year, SEC Conservation Specialist Corinne Bassett has assisted the utility in developing a new, simpler, boiler replacement incentive. It is expected that 150-200 schools could be eligible for the grants each year. The application takes five minutes to complete. SEC is also working with Union Gas on new programs, including a heat recovery system incentive that is

expect to be piloted shortly.

**Enbridge Class Action Settlement.** Enbridge was sued for charging illegal amounts for late payment fees. After several adverse court decisions, Enbridge settled for about \$22 million, which it is now seeking to recover from its customers. Although schools would only bear under \$100,000 of this cost, SEC is opposing the application because it could set a problematic precedent for payments in future lawsuits.

### ONGOING MATTERS - ELECTRICITY

**Enersource Mississauga 2008-10 Rates.** Enersource, the Mississauga electricity distributor, applied for an increase of about 12% for 2008. SEC led the ratepayer groups in negotiating a settlement, including overall reductions in revenues, plus changes in cost allocation and rate design. Under this settlement there will be an average decrease for schools of about 8%. **The saving to the Peel Region Schools will be about \$1,350,000 over the years 2008-2010.**

**Hydro Ottawa 2008-10 Rates.** Hydro Ottawa sought a rate increase of about 20% in this application, for schools an extra \$1,500,000 over three years. Although mainly driven by smart meters and capex, it was still too high. Working closely with other ratepayer groups, SEC has reached agreement with Hydro Ottawa on a smaller rate increase, costing schools about \$150,000 over three years. An additional \$300,000 proposed increase – caused by a change in accounting method – will be the subject of a February hearing. If SEC is not successful in that hearing, **the savings to Ottawa schools will be about**

**\$1,050,000 over three years.** If successful, the savings will be \$1,350,000.

**Hydro One 2008-10 Distribution Rates.** Hydro One has applied for another large increase in distribution rates for 2008, expected to apply for 2009 and 2010 as well. SEC will participate actively in the proceeding.

Of considerable importance is the Harmonization Plan filed with the application. Hydro One has two groups of customers: “legacy” customers that all have the same (high) rates, and customers of utilities they bought in the last eight years (“acquired” customers), who generally have much lower rates.

Hydro One has now filed a plan to harmonize all rates into one set, over a short transition period. In some Ontario municipalities, the result could be to triple or quadruple distribution bills. This could impact up to 250 schools throughout the province. While some adjustments are required, SEC will be participating actively to ensure that any necessary increases are as low as possible, and rate shocks are suitably mitigated.

**Toronto Hydro 2008-10 Rates.** Toronto Hydro has applied for increases of about 9% for each of the next three years. The incremental cost to Toronto schools could be as much as \$5 million over that period. SEC has participated actively, and a decision by the Energy Board is expected in March.

**Horizon Utilities 2008-10 Rates.** SEC has worked closely with Horizon (Hamilton and St. Catherines) to communicate priorities for their 2008 rate application. Despite this, Horizon has been forced to deal with both cost pressures and a rate structure in which 240 schools have, in the past, benefited from being heavily undercharged. SEC is a lead participant in this rate process, seeking to limit the potential rate impacts on schools. A hearing in February will likely be followed by a decision in late March or early April. In the interim, SEC is seeking to initiate negotiations with the utility on issues that may be resolved amicably.

**Other Electricity Distributors’ 2008-10 Rates.** SEC has also participated in the 2008 rate applications of many other electricity distributors, including Oshawa, Halton Hills, Milton, and others. Decisions are expected in February and March.

**Electricity Rate Design.** The first report in the review of the rate structure for electricity distributors will be released for comment in the spring of 2008.

**Electricity Distributors’ Rate Comparisons.** Two years of relentless pressure by the School Energy Coalition to compare costs and rates of electricity distributors may be starting to pay off. An expert hired by the Ontario Energy Board has filed a report in 2007 doing a formal cost comparison. Now, SEC has learned that another expert will propose, and Board Staff will agree, that cost comparisons should be a factor in formula rate adjustments starting in 2009. This proposal has not yet been approved formally by the Energy Board, but SEC is continuing to press for it.

**Third Generation Incentive Regulation.** SEC was asked by the Energy Board to participate in the working group designing a formula for rate setting for electricity distributors starting in 2009. Distributors and ratepayers found considerable common ground in the process, and even more mutual respect for positions. While the final proposal – essentially increases of 0% to 2% per year based on productivity level and other factors – will still be debated this spring, the result is likely to be more favourable to ratepayers than the original proposals that were put forward.

**Integrated Power System Plan.** The Ontario Power Authority’s 20 year electricity plan for Ontario will be considered in a massive hearing later this year. SEC is an active intervenor.

**Ontario Power Generation Prices.** Ontario Power Generation has applied for an 18% rate increase for its nuclear and large hydroelectric generation for 2008. Through market mechanisms, the cost to schools is likely to be about \$12 million a year, or about \$2500 per school. As this is the first time these rates have been regulated, some increase is inevitable, but the size of the increase is an issue. SEC is a major intervenor, heading toward a hearing in May and June.

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