

SCHOOL ENERGY COALITION (“SEC”)

SUMMARY STATUS REPORT

November 3, 2008

The latest Energy Board decision, released today, results in
\$5 million in savings for schools in their new Ontario Power Generation rates
This brings the total from 2008 activities to about
\$23 million in energy cost savings for schools

The year closes with several matters still outstanding, including new rates for **Powerstream, EnWin,** and other electricity distributors, rate adjustments for **Enbridge** and **Union Gas**, a decision on the **Hydro One Distribution** case, and the now-delayed **Integrated Power System Plan**

ONGOING MATTERS – NATURAL GAS

Union 2008-12 Rates. Union Gas had its five year rate plan approved early in the year (rate increases annually below inflation), but there remained outstanding an issue on tax, on which SEC was the lead intervener on opposition to the utility’s proposal. The Energy Board has now released their decision, splitting the difference between the ratepayers and the utility. The result is a **total savings for schools of about \$800,000.**

Union 2009 Rates. Union Gas has applied for a small rate adjustment for 2009, based on their approved multi-year plan. SEC has limited involvement, except for a utility request for an exceptional recovery of some additional costs, which we are opposing.

Enbridge 2009 Rates. Enbridge Gas Distribution also has an approved multi-year plan, but theirs is more complicated, so a review is required each year. The application for 2009, filed at the end of September, will be dealt with in December with effect early in the new year. The increase is expected to be small.

Union Gas Reorganization. Union Gas applied for Energy Board approval of a corporate reorganization that would have resulted in the regulated utility “moving” its legal status from Ontario to Nova Scotia. SEC took the lead in asking the Energy Board to look more closely at the application, and other ratepayer representatives followed. In the end, SEC and others supported the proposal, but proposed conditions to protect the ratepayers. A decision by the Energy Board is expected in the next week.

ONGOING MATTERS - ELECTRICITY

Ontario Power Generation Prices. Ontario Power Generation, which supplies about 65% of Ontario electricity, applied for an 18% increase in their rates. As this was the first increase in some years, a substantial increase was expected, but ratepayer groups including SEC opposed the size of the increase.

The Energy Board’s decision, released November 3rd, gives OPG some of the cost increases that they requested, but cut them back in several key areas. Of particular importance were the cost of capital, and several earnings-sharing mechanisms, on which SEC took a proactive role. As a result of the decision, **schools will save about \$5.1 million in their electricity costs over 2008 and 2009.**

Hydro One 2008-11 Distribution Rates. Hydro One applied for another large increase in distribution rates for 2008, and that increase is expected to apply with only small changes for 2009 through 2011 as well. The proposal also included harmonization of rates throughout the Hydro One area, which would result in substantial increases in rates to most schools.

As previously reported, Hydro One worked with SEC to reduce the impact, but the savings from that discussion, \$2.6 million, turned out to be incorrect. More detailed numbers developed independently by SEC show that the savings from that consultation are much less. Therefore, SEC opposed the harmonization plan, as well as the revenue increases, in the hearing. A decision is expected in the next month.

Horizon Utilities 2008-11 Rates. Horizon Utilities sought rate increases that would cost Hamilton and St. Catharines schools about \$1.6 million over the next four years. SEC intervened actively in the proceeding, seeking a reduction of that impact to about \$700,000. We were only partially successful.

In its decision, the Energy Board agreed with SEC with respect to treatment of a high interest loan from the City of Hamilton (the amount of interest recoverable was reduced), and a number of other points, but, on most issues, accepted the position of the utility. As a result, **the total savings to schools over the next four years is estimated at \$400,000.**

PowerStream 2009-2012 Rates and Barrie Merger Application. PowerStream, which serves the area north of Toronto that includes several hundred schools, has filed their application for a substantial rate increase commencing in 2009. The amount at issue for schools is well in excess of \$1 million. The proceeding will commence this month, with a decision likely by March.

At the same time, PowerStream has applied for approval of their proposed merger with Barrie Hydro, and, under an Energy Board policy, has requested that the +\$25 million savings from the merger not be shared with ratepayers for five years. SEC has taken the position that PowerStream should not be allowed to seek a big rate increase, and also keep the merger savings.

Third Generation Incentive Regulation. The Energy Board made a determination in the summer on a formula to set rates over the next five years. Rates will increase by an amount that is substantially less than inflation each year, and utilities will come to the Energy Board for a more detailed review of their costs, on a staggered basis, every four years.

A key win for SEC was formal approval by the Energy Board of “yardstick competition”. The increase for each utility will differ depending on their operational efficiency relative to their peers. Those who are more efficient will get higher increases, and vice versa. SEC has been pressing for such a rule for four years.

The other win for SEC was in capital spending. Utilities had sought additional increases to fund capital

infrastructure renewal. SEC was able to demonstrate to the satisfaction of the Energy Board that the formula already approved provided sufficient money for utility capital spending, except in the most extreme cases.

Essex/E.L.K. Share Transaction. The Town of Essex has applied for Energy Board approval to buy out its partners in E.L.K. Energy, a local electricity distributor. SEC has asked questions about some of the conditions in the transaction, and whether they will have a negative impact on ratepayers. Although the deal is relatively small, it has the potential to create a precedent applicable around the province. The Energy Board is currently deciding how to deal with the application.

Integrated Power System Plan. The hearing to consider the Ontario Power Authority’s 20 year electricity plan for Ontario started in September, with SEC taking the position that OPA should emphasize longer term thinking and leadership, so that they could ensure reliability and lower cost electricity in the future. The hearing was cut short after one week, when the Minister of Energy intervened to direct OPA to take steps very similar to SEC’s position. After the plan is rewritten, it is expected that the hearing will resume in the spring.

ONGOING MATTERS - OTHER

International Financial Reporting Standards. This 2011 accounting change is expected to increase “costs” of utilities by 15-20% through changes in how costs are measured (i.e. no actual changes in amounts spent). SEC was the only ratepayer group actively involved in the Energy Board’s preliminary consultation on this, and raised concerns about the process and its inclusiveness. A decision on how to handle this is expected in December. Several other ratepayer groups have commented favourably on the leadership role SEC took in this matter.

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