

SCHOOL ENERGY COALITION ("SEC")

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SUMMARY STATUS REPORT

June 16, 2009

Previously SEC was able to report savings of about \$1.1 million for schools in the first couple of months of 2009. Since that time, many of the key cases have been settled or decided, some with big wins, including **Hydro One Transmission, Powerstream, and Union Gas**, resulting in about **\$5.6 million in further energy cost savings for schools**

With most of the 2009 electricity and gas applications now decided, the focus of SEC will turn to the significant rate implications of the **Green Energy Act**. In addition, 2010 electricity rate applications from 24 distributors are due to be filed starting in August.

ONGOING MATTERS - NATURAL GAS

Union 2009 Earnings Sharing. Union Gas rates for 2009 have a less than 1% increase due to last year's multi-year deal. One aspect of that deal was sharing of prior year earnings over a certain level. As it turns out, 2008 was a good year for Union. They calculated earnings sharing at \$16 million under the deal, but in a proceeding this month SEC and the other ratepayer groups negotiated an increase in that sharing to \$34 million. **The effect is savings for schools in 2009 of about \$700,000.**

Enbridge 2009 Rates. Enbridge Gas Distribution also has a 2009 rate increase under 1% due to a multi-year deal negotiated in 2008. They have also asked for other changes, which would have no immediate effect, but could have significant future costs for schools. SEC has intervened to oppose these changes, and the parties are now awaiting an Energy Board decision.

Enbridge CIS. SEC continues to be involved in this collaborative effort with Enbridge. They have recently announced a short delay in implementation of this new \$118 million customer billing system, but the project remains on or close to budget. The last time Enbridge implemented a CIS, it was more than \$100 million over budget, so the ratepayer/utility collaboration continues to prove valuable.

Gas Conservation Plans. The Energy Board has now deferred its process to review the rules for gas utility conservation, in light of changes at the gas utilities and pending changes in government policy. The current programs, which cost the utility ratepayers about \$50 million, are expected to be increased to \$100 million or more annually. When the process is restarted, SEC will continue to have an active involvement.

ONGOING MATTERS - ELECTRICITY

Hydro One 2009 Distribution Rates. Hydro One was entitled to a 1% rate increase May 1st based on a previously established formula. In their application, filed at the beginning of the year, they also requested approval of an exceptional capital budget totaling \$461 million for the year, bumping the increase to 4%. This was a test case, and SEC took a leading role in opposing the proposed increase. In a decision released early this month, the Energy Board agreed with our submissions, but gave Hydro One a smaller increase, netting a rate increase of just over 2%.

The effect is savings to schools over two years of about \$100,000.

Enwin Utilities 2009-12 Rates. Enwin (Windsor) sought a rate increase of about 14%, but as previously reported our negotiated settlement brought that back to 5%, saving the 77 Windsor schools about \$400,000. In keeping with the SEC's mandate, we also proposed an ongoing utility/ratepayer working group to help identify incremental efficiencies. The utility has adopted this idea with enthusiasm, and the first meeting last week generated a number of ideas to benefit both the utility and its ratepayers.

Powerstream 2009-2013 Rates. This utility applied for an increase of about 7% in 2009 for its original franchise area, excluding Barrie, with which it recently merged. As a direct result of an intervention by SEC in December, the impact of the Barrie merger was included in this proceeding. After extensive information exchange, SEC acted as lead negotiator for the ratepayers in securing a full settlement of all matters in the proceeding. In the end, rates for schools will actually go down by about 16% in 2009. **The savings for the 218 schools affected is estimated to be more than \$1.6 million** over the five years until another review is required.

Newmarket 2008 Distribution Rates. Newmarket Hydro applied late for rates covering the four years commencing 2008. An increase of 5% was requested. SEC, leading the ratepayer groups, proposed a creative approach to resolving the application, which was accepted by the utility. For schools, this means no increase for 2008, and a 15% decrease for 2009. **This is likely to save local boards (26 schools) about \$150,000 over 2008-2010.**

Oshawa 2009 Distribution Rates. Like Hydro One, Oshawa was entitled to an increase of about 1%, but sought an additional increase to cover capital spending. SEC opposed the additional amount, and in a recent decision the Energy Board agreed for three of the four proposed projects. While **this saved no more than \$50,000 for Durham schools over four years**, an important precedent was set for future claims.

Other Electricity Distributors. In addition to the items previously reported, SEC has participated to a greater or lesser extent in 2009 rate

applications for several other electricity distributors, including Midland, COLLUS (Collingwood), Innisfil, and others. In general, the Energy Board has given the utilities what they asked for, and **total savings for schools from these participations appear to be about \$100,000 over the next four years.** There are several cases that remain to be decided, including London Hydro.

Hydro One Transmission. The transmission arm of Hydro One was not allowed a substantial rate increase requested last year, and now after another proceeding the Energy Board has ruled on their 2009-10 rate request. SEC opposed their new request for a 19% increase, and the Energy Board has once more denied most of the request. **The result is savings to schools, over the two year period, of about \$3 million.**

Deferred Taxes. All electricity distributors have, since 2001, been accumulating tens of millions of dollars of credit and debit balances in tax true-up accounts. Ratepayers will eventually pay, or receive, those balances, and the Energy Board is struggling with how to achieve that result fairly. This proceeding has continued with intense participation by SEC, which has a specialized knowledge of the field. After the completion of an exchange of detailed information, it appears that further information is still required, and most parties are now proposing new discussions and dialogue during the summer before a decision is made.

Green Energy Act. The Ontario government has launched a major initiative to change the nature of energy production and use in the province. Some of that will impact schools directly (public sector conservation and infrastructure spending initiatives, for example), but schools will also feel this indirectly through their energy rates. The Energy Board will now regulate a rapid expansion of electricity infrastructure, as utilities upgrade to accommodate distributed/ renewable generation and smart metering. By this time next year, most electricity distributors will be filing green capital plans for approval. Billions of dollars of new utility spending is likely to be proposed, with an impact on schools that

could reach \$3-5 million per year. The regulatory framework for these decisions is currently being formulated, and SEC is actively involved in that process.

ONGOING MATTERS - OTHER

International Financial Reporting Standards.

The accounting standards for utilities will change in 2011, and "costs" will be redefined. SEC was the first ratepayer group to sound the warning that this could result in 15-20% rate increases, and the Energy Board has, in response, acknowledged the seriousness of the issue. An extensive utility/ratepayer/regulator consultation ensued, culminating with position papers from all parties at the end of May. We were pleased to get some key utility support for our positions. A policy paper from the Energy Board is expected during the summer.

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Questions?

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