

SCHOOL ENERGY COALITION (“SEC”)

SUMMARY STATUS REPORT

September 2012

SEC has successfully negotiated changes to the Union Gas rates proposed for 2013, saving schools about \$2.2 million. Coupled with many smaller wins, the total so far this year is just over \$2.7 million, bringing cumulative savings to about \$94 million.

The Union Gas case has the potential for some further savings as it continues. Overall, with major applications from Enbridge, Hydro One Transmission and Distribution, Ontario Power Generation and larger electricity distributors, 2012 still has \$35 million+ of proposed increases in play for schools.

ONGOING MATTERS – NATURAL GAS

2012 Rate Applications. Enbridge and Union both applied for 2012 rates based on their previous formula rate-setting rules, which allow for small rate increases. In negotiated settlements, **SEC achieved some small incremental savings for 2012, totaling about \$75,000.** As a result, distribution rates have gone down slightly for Union Gas this year.

Union Gas 2013 Rate Application. The 2013 rate application for Union Gas will form the basis for the next multi-year formula rate period, likely 2013-2018. The application contains proposals for substantial increases to both spending and profit levels.

In a settlement filed in June, Union and the intervenors have agreed to spending reductions that will **save schools about \$2.2 million over the multi-year rate period.** There is another \$4 million unresolved. After a three week hearing in July and August, a decision by the Energy Board is now expected in early November.

Among the outstanding issues is a rate redesign proposal, which would increase rates for some schools by 35% in 2013, only to drop them by 15% in 2014. While this is based largely on a proposal beneficial to schools that SEC made in 2006 (successfully opposed by Union at the time), the new proposal instead exacerbates existing inequities. SEC is leading the ratepayer groups in proposing changes.

Enbridge 2013 Rate Application. Enbridge has filed for 2013 rates, asking for an increase of just over 3%.

Since Enbridge under formula rates has been earning higher than expected profits in the last five years, SEC and other ratepayer groups believe that a rate decrease may now be warranted. The process continues, with a hearing scheduled for October and a decision by the Energy Board expected by February.

Utility DSM Plans. SEC continues to act as a lead negotiator on behalf of ratepayer groups dealing with the ongoing terms of the conservation programs at Enbridge and Union. The Union plan for 2012-2014 has been negotiated and approved, and the Enbridge plan for 2013-2014 is in the final stages of negotiation.

ONGOING MATTERS - ELECTRICITY

Distributors’ 2012 Rates. Most of the early part of 2012 was taken up with applications by small and mid-sized electricity distributors for 2012 rates. SEC has followed its normal practice of prioritizing utilities by number of schools and dollar impact, thus participating in the proceedings for ten more utilities serving about 300 schools. **Total savings for those schools will be about \$295,000.**

Toronto 2012 Rates. At the end of last year, the Energy Board rejected an application by Toronto Hydro for very high rate increases over three years. As previously reported, SEC’s complete success in that proceeding saved Toronto schools about \$1.8 million.

Toronto Hydro initially reacted strongly to the refusal, filing vigorous appeals both at the Energy Board and in court. Then, they apparently had a change of heart,

and re-applied for a more modest rate increase for 2012. The lower increase is still substantial, so SEC will continue to be active in the process.

The appointment as of September 1st of long-time Energy Board member Paul Sommerville as VP Regulatory at Toronto Hydro may signal a fundamental change in attitude at that utility. Paul is known as a strong supporter of energy consumers.

Hydro One Distribution 2013 Rates. For several years SEC has been fighting to have the cost differential between Hydro One urban and rural customers recognized in rates. Since most schools are in the built-up areas, the impact is substantial. In Hydro One's last two distribution rate cases, SEC – in the face of active resistance from Hydro One - was successful in obtaining orders that a proper cost study be done.

That study has now been done, and Hydro One has this month applied for new 2013 rates implementing its results. The effect would be to increase the rate differential for schools in rural and urban areas from 30% to 60%. When all impacts are finally calculated, it is expected that schools served by Hydro One will have permanent savings of about \$1.1 million per year, or \$5.5 million over the next five years.

However, in a surprise move, the Energy Board made a procedural decision this month to defer consideration of the density study until as late as 2015. SEC has spearheaded resistance to that order, supported by other ratepayer groups and Hydro One. A review is expected in September. The decision on the overall change in rates is expected by March.

Enersource 2013-6 Distribution Rates. Enersource Hydro Mississauga, serving almost 250 schools, has filed seeking a 15% increase over two years. The cost to schools would ultimately be about \$850,000. The utility has been unwilling to seek a negotiated settlement, so a hearing in September will be a public review of their proposal.

Other 2013 Distribution Rates. Other electricity distributors have now started filing their 2013 rate applications, including Powerstream (Richmond Hill, Vaughan, Markham, Aurora, Barrie). Others still to come include London, Sudbury, Thunder Bay, PUC (Sault Ste-Marie), and more. In total almost 2500

schools will be affected by the rate cases being filed for 2013. SEC will participate in the key cases.

Hydro One Transmission. The province's largest transmission company, Hydro One, has filed for rates for 2013 and 2014, seeking just over \$3 billion in those two years. About \$35 million of that is a cost to schools, including a proposed 9.2% increase. A hearing is expected in November or December, with a decision around February.

Ontario Power Generation. OPG was expected to file a rate application for 2013-2015, including 6% in total increases. Instead, they have announced this week that they will not ask for rate increases, but will ask for increases in other charges that have the same effect as a 9% rate increase. The potential cost to schools is more than \$20 million over two years. The application will be filed in September, with a decision likely in April or May.

Transmission Bypass Challenge. SEC led ratepayer groups in opposition to a challenge by mining company Goldcorp to the rules relating to bypass. Under those rules, private companies can build their own transmission, but if in the process they "strand" existing transmission assets, they have to pay a contribution matching the remaining cost of those assets. Goldcorp challenged that rule before the Energy Board, but the regulator accepted SEC's arguments and rejected their challenge. Goldcorp then took the case to court, where SEC again opposed their position. In a decision released in June, the court agreed with the Energy Board's decision. **Savings to schools of about \$130,000** are small, but protecting the principle will have lots of future value.

OTHER MATTERS

Energy Board Appointments. In June the government made three part-time, and one full-time, appointments to the Energy Board. A number of these appointments are expected to be controversial, due primarily to potential conflict of interest issues.

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