

Savings for Ontario School Boards

*On November 20, 2014 SEC had its biggest win in its eleven year history, when the Energy Board released its decision on 2014/15 rates for Ontario Power Generation. The result is a reduction in costs to schools, over those two years, of **\$18.4 million**. When that is coupled with savings previously reported and savings in smaller matters, the total savings for 2014 are **\$30.5 million**.*

A number of major cases are still ongoing in 2015, including Hydro One Distribution, Toronto Hydro, and Powerstream, with more than \$50 million of increases for schools in issue. In addition, OPG has advised that they will be applying again this year, for increases in 2016 and subsequent years.

ONGOING MATTERS - NATURAL GAS

Union Gas Rate Redesign. Union Gas is continuing its review of cost allocation and rate design for small general service customers, including schools. This arose out of a settlement agreement in 2014, spearheaded by SEC. SEC is an active participant in the group overseeing the work of the external experts.

Conservation Programs. Responding to a binding directive from the Minister of Energy, the Energy Board has conducted a review of the gas conservation programs of Enbridge and Union Gas, and established the framework for 2015-2020. SEC has been an active voice in this, from the first small working group to the most recent public submissions.

SEC has taken consistent positions since 2005, based on three main principles:

- Utility conservation budgets should be increased to achieve all cost-effective efficiency savings available to customers.
- Programs should be designed to ensure that ALL customers can participate, including in particular conservation leaders like school boards.

- Evaluation and measurement of claimed savings from conservation should be rigorous, and the utilities and regulator should continue to increase the credibility of results claimed.

The Energy Board has, in December, released its Framework and Guidelines for gas conservation in the period 2015-2020. The new policy contemplates an increase in the annual cost of these programs from just over \$80 million to at least \$155 million by 2020 or earlier. For schools, this is likely an increase from \$1.7 million to \$4.0 million each year. The policy also contemplates some changes to evaluation and measurement, although it is not clear whether the changes will improve or reduce credibility of results.

The new policy does not address the concern of schools that we spend more than \$7 in rates for every \$1 of available incentive payments. Under the policy, this ratio could increase to more than 12:1, unless existing programs are redesigned.

The next step is for each of the two utilities to develop specific six-year plans, using the new policy as a guide. SEC expects to be a key participant in negotiations on the components of those plans.

ONGOING MATTERS - ELECTRICITY

Hydro One 2015-2019 Distribution Rates. The decision in the hotly contested Hydro One five year rate case, in which proposed increases for schools total over 70%, was originally expected before the end of the year. There have been a number of delays, and the current expectation is a decision some time in February. The Application currently seeks an increase in the overall distribution bill for 1100 schools from \$11.8 million in 2014 to \$20.0 million in 2019.

Horizon 2015-2019 Rates. The 300+ schools in Hamilton and St. Catharines, customers of Horizon Utilities, have already benefited from a settlement of most of the money issues in the five year Horizon rate case. What were still left unresolved were proposals to change the allocation of costs (and therefore rates) between different customer groups. The utility proposed several changes, mostly benefitting larger industrial customers at the expense of smaller customers, like schools.

In a decision released in December, the Energy Board has for the most part accepted those proposals, despite the impact on other customers. SEC was able to get some of the changes reduced, so there is a further saving to affected schools of **\$140,000**.

Hydro One Brampton 2015 Rates. Savings for the Brampton schools from the settlement in this case have been reported previously. A hearing in the fall did not produce additional savings, as the Energy Board found against SEC on the two remaining issues.

Toronto Hydro 2015-2019 Rates. Toronto Hydro is seeking a five year rate plan that would increase rates for Toronto schools by more than \$10 million over that period. The discovery process was largely completed in December, with a two week hearing scheduled to start mid-February.

The utility's underlying argument is that the majority of the increase in rates is the direct result

of previously approved capital spending that has already taken place prior to 2015, and most of the rest is continuation of those same capital spending programs. They therefore take the position that the Energy Board has very little room to cut back on the rate increase.

An independent expert hired by the Energy Board has expressed an opinion that an increase of just over half that much is all that is justified. SEC has taken a similar position. A decision is expected by June.

Other 2015+ Distribution Rates. Savings from the settlements with some other small utilities will total **\$60,000**. The only significant utilities left to be finalized for 2015 are now Niagara Peninsula, North Bay, Festival and Oshawa.

Ontario Power Generation 2014-15 Rates. At 2013 rates and volumes, Ontario schools would have paid \$104.5 million for power purchased from Ontario Power Generation in 2014 and 2015 (included in the Global Adjustment charge on the bill). In a \$9 billion application for a rate increase, filed late in 2013, OPG sought a increase of 24.3%, for a total OPG bill for schools of \$129.9 million over 2014/5.

Throughout June and July 2014, SEC was at the centre of a group of ratepayer organizations fighting this increase in a lengthy and complex oral hearing. Ontario's biggest ever rate case entailed one of SEC's most intensive efforts. As in the past, SEC took the lead on issues such as OPG's high compensation levels, their lack of control over major capital projects, certain approaches to tax accounting, and their rich pensions (among many other issues).

The Energy Board rendered its decision late in November. On many of the key issues, the Energy Board agreed with SEC and the other ratepayer groups. Some of the compensation was disallowed, the tax accounting was fixed, and a change in approach to pension costs, all together with other items, resulted in a major reduction in approved rates. The increase of 24.3% over two years was reduced to 6.8%, and the 2014/5 bill for

schools is now expected to be \$111.5 million. This represents savings of **\$18.4 million**. OPG is expected to appeal some of this.

Ontario Power Generation – 2011/2 Appeal. SEC was the only ratepayer group appearing in the Supreme Court of Canada to defend against the appeals by OPG and its unions of the Energy Board’s 2011/2 rate decision. SEC co-counsel Mark Rubenstein argued that the Energy Board was legally justified in disallowing (at SEC’s urging) \$145 million of excessive compensation OPG had proposed to recover in its 2011 and 2012 rates. A decision – expected to be an important legal precedent - is expected before summer.

Hydro One Takeover of Woodstock Hydro. Investigation has revealed that the Board of Directors of Woodstock Hydro delivered a critique of this proposed takeover to the City prior to its approval. Hydro One and Woodstock Hydro are resisting disclosure of that critique, and SEC is pursuing its demand that it be provided. The hearing on the takeover is scheduled for January.

Jay Shepherd
Counsel for SEC

Questions? Contact Wayne McNally (wmcnally@opsba.org) or Jay Shepherd (jay.shepherd@canadianenergylawyers.com)

In conclusion,

OESC is represented by Jay Shepherd who consults regularly with myself and Wayne McNally, who is an advisor to the OESC Board of Directors. It is critical to note that the work of the School Energy Coalition, per OESC, is a respected intervenor at the Ontario Energy Board.

Our work has allowed every school district in the Province of Ontario to avoid significant energy costs. This reality assists with the bottom line to your budget.



Don Drone
Executive Director
Toronto Office 416-340-2540
Mobile 519-837-7719 or ddrone@oesc-cseo.org