

SCHOOL ENERGY COALITION (“SEC”)

SUMMARY STATUS REPORT

July 31, 2014

The biggest case so far in 2014 is the Enbridge 5 year rate plan, decided in July. Savings from that result, plus some smaller matters, totalled \$8.5 million in the period. This brings SEC’s cumulative savings for schools, since 2004, to about \$147 million.

The remainder of 2014 will see a number of major decisions, including Ontario Power Generation, Hydro One Distribution and Transmission, Toronto Hydro, and Horizon. Together the increases proposed in those five cases exceed \$80 million for schools between now and 2019.

ONGOING MATTERS – NATURAL GAS

Enbridge Rate Formula 2014-2018. Enbridge sought five years of rates based on a detailed forecast of specific cost increases.

After a lengthy oral hearing, the Energy Board released its decision early in July. As a result of a combination of more limited rate increases, and an increased level of refunds of past over-collection of depreciation, school boards will continue to have average bill increases of less than inflation until 2019. This continues the below inflation average since 2004.

Unfortunately, the rate change pattern will not be a smooth one. Instead, there will be decreases averaging 15% (about \$850 per school) for 2014, which will show up in refunds from October through December. Thereafter, there will be rate increases of 4-5% for each of the next four years. Boards with larger average schools will have larger 2014 decreases, and larger future increases.

The overall impact of the decision is expected to be savings of **\$7.9 million** over five years.

The decision also implements 50/50 sharing of utility earnings over a given threshold. Based on past Enbridge earnings patterns, this should result in further annual savings for schools.

Union 2014 Rates. After a comprehensive five year rate deal last year, Union Gas has applied for 2014 rates under the terms of the deal. Schools in southern Ontario will, as expected, have rate decreases

averaging just under 10%, and in the north there will be rate increases averaging about 1%. These savings have been previously reported.

Conservation Programs. The Minister of Energy has given a directive to the Energy Board, requiring the development of a new framework for the delivery of gas conservation programs for 2015-2020. The two gas utilities currently spend around \$83 million annually on these programs (about \$320 per school). A working group was established to consider the components of such a framework, and SEC is one of the ratepayer groups asked to participate.

Certain groups are proposing increases in the cost of these programs, up to as much as \$700 million per year (\$2800 per school). Others are proposing that the oversight of the programs be changed in ways that could reduce its rigour.

SEC is continuing its long-standing leadership in arguing for aggressive conservation programs, plus rigorous accountability for the results of those programs. In the past, this has resulted in budgets increasing annually, but control over results-based incentives being progressively tightened.

Kitchener Gas Utility. SEC has met with the City of Kitchener to find out the reasons their unregulated gas distribution rates have jumped. Only Kitchener and Kingston are not subject to price regulation on gas distribution. A detailed report analyzing the issues, and providing a menu of potential responses, has been provided to Waterloo Region school boards.

ONGOING MATTERS - ELECTRICITY

Hydro One 2015-2019 Distribution Rates. Ontario's largest electricity distributor, Hydro One, serves more than 1100 schools. Their five year rate application seeks, on average, about \$28,000 per school more over those five years than current rates. The average five year increase is 88.3%.

SEC has long been critical of Hydro One's low efficiency levels, the worst in Ontario, and will continue to press for more cost accountability. In addition, SEC is looking at proposed shifts in cost responsibility that raise rates on schools and small businesses, but lower rates for residential customers.

A hearing is scheduled for September, with a decision likely in November.

Horizon 2015-2019 Rates. Horizon serves 300 schools in Hamilton and St. Catharines. They have filed an application for rates for the next five years, based on a forecast of substantial cost increases. In aggregate, the cumulative increase requested is about \$2.9 million, of which about a third is cost increases, and the remainder is reallocation of costs between customer classes.

The discovery phase of this proceeding is now complete, and a negotiation is scheduled for August. If that is not successful, an oral hearing will be held in September, with a decision by the end of the year.

Hydro One Transmission 2015-2016. About 10% of a school's electricity bill is for bulk transmission of power around the province. Hydro One, which provides most of that service, has proposed increases totaling about 7% over two years. This would cost schools, cumulatively, an extra \$3.4 million. Hydro One has proposed negotiations with ratepayers on the merits of their proposal. SEC is an active participant in those negotiations.

Toronto Hydro 2015-2019 Rates. Toronto Hydro filed their five year rate plan at the end of July. As expected, it proposes rate increases for schools of about 50% over five years. SEC will be an active participant in the proceeding. The process should take until early 2015.

Other 2014+ Distribution Rates. The three remaining electricity distribution applications for 2014 have now

been resolved, and the total savings for the 160 affected schools are estimated at **\$570,000**.

Ontario Power Generation. OPG applied for a 28.6% rate increase over 2014 and 2015. The \$9 billion proposal, which included a \$2.2 billion increase, is the biggest rate case in Energy Board history. Recalculated impacts (using actual 2013 school energy use) show a potential \$17 million annual increase for schools.

The four week oral hearing was completed in July. SEC has taken the position that tighter cost controls, plus accounting adjustments to major cost areas, should produce significantly lower rates.

As a result of a delay to consider new evidence in June on the \$13 billion Darlington refurbishment, the decision is now expected in October.

Hydro One Takeover of Norfolk Power. The first of a new round of acquisitions of local electricity distributors by Hydro One, that of Norfolk, west of Hamilton, has been approved by the Energy Board as expected. SEC opposed the application on the basis that Hydro One has much higher distribution rates than Norfolk, so customers would eventually have a large increase. This has been true in the case of almost all of the local distributors (80+ to date) acquired by Hydro One so far.

In their decision, the Energy Board did not include any specific protections for the Norfolk ratepayers. However, they noted that after a five year rate freeze for these customers, any future rate application will have to ensure that the Norfolk ratepayers also share in the economies of scale from the transaction. SEC will continue to participate in Norfolk applications to follow up on this direction.

Hydro One has also filed for approval of their acquisitions of Haldimand Hydro and Woodstock Hydro, and is expected to seek approval of several others. SEC is intervening in all such cases to seek protections against future rate increases.

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