

Savings for Ontario School Boards

Like the last quarter of 2016, the first quarter of this year could be fairly characterized as "the calm before the storm". The quarter saw the completion of the two year Hydro One Transmission case, and the start of the hearing in the \$30 billion Ontario Power Generation rate case. Savings were thus limited to a few smaller cases, totalling about \$670,000.

In the next quarter, we expect to receive the Hydro One Transmission decision, and complete the process for the OPG case (which will then be decided in Q3). As well, applications for a number of electricity distributors – including the largest and most expensive, Hydro One – will be commenced.

ONGOING MATTERS - ELECTRICITY

OPG 2017-2021 Rates. Canada's largest ever rate proceeding, the five year rate application for Ontario Power Generation, neared the end of the oral hearing phase this quarter. Extensive written arguments will be filed in May, and a decision is now projected for September.

The application, covering almost all of the hydroelectric and nuclear generation of OPG, and indirectly the nuclear generation of Bruce Power, originally sought annual rate increases on the nuclear side of 11% per year for at least ten years. It also proposed inflation-based increases for the hydro-electric generation. In total, schools would pay an incremental \$340 million over the next decade.

Most of the increase is driven by the \$12.8 billion Darlington refurbishment project, and the related extension of the life of the Pickering nuclear station. Within the limited scope of the Energy Board's inquiry into the project, SEC is taking the lead in exploring whether the planning and execution takes into account appropriate levels of flexibility and contingencies. No nuclear project of this size has ever come in on time and on budget. SEC is trying to tread a delicate balance: minimizing rates today, while still avoiding the risk of much bigger problems later.

In a last minute change, OPG has altered their rate smoothing approach to integrate their hydroelectric and nuclear rate increases into one combined and smoothed rate, which is higher than the previous proposal. The previous proposal would have increased bills for schools by \$5 million in 2017, but the new proposal is for \$11 million extra this year. Then the rate increases are flatter over the remaining four years. This will be a controversial area, particularly since for residential customers (but not schools) it may be influenced by the Fair Hydro plan to spread out the Global Adjustment.

The OPG proposal also assumes no rate riders after 2018. Historically, OPG rates have been increased by 5-15% due to additional payments on top of regular rates.

SEC, with both counsel Jay Shepherd and Mark Rubenstein actively engaged, is in its familiar role as leader of the many customer groups involved in the case. All are conscious that there is a lot of money on the line, but the issues are complex and the Energy Board's freedom to act is restricted.

Hydro One Transmission 2017-2018 Rates. The oral hearing for the two year Hydro One Transmission case was completed in December, and arguments were filed in January and

February. A decision is likely by the end of June, retroactive to January 1st.

Hydro One has sought a two year increase of about 10%, which would have an impact on schools of about \$3 million over 2017-18. SEC has asked the Energy Board to order cutbacks in a number of the proposed cost increases.

Essex Motion. Essex Powerlines, which serves about thirty schools in southwestern Ontario, proposed in 2014 to reallocate \$3.6 million of charges retroactively between residential and non-residential customers. The extra bill for the schools would have been almost \$10,000...each. SEC successfully fought the retroactive adjustment, but after a complaint from the utility the Energy Board decided to re-hear the case. SEC again led the opposition to the back charges.

The second decision was then delayed for more than a year because the two adjudicators assigned to case could not agree. Eventually, the Energy Board was forced to apply the rule that if there is a deadlock, the original decision stands. The savings, which had not been reported previously because of the pending re-hearing, were \$290,000 for the affected schools.

London Hydro. London Hydro is one of the lowest cost, and best-run, electricity distributors in the province. They also work closely with their local school boards to help them manage energy use in the more than 240 schools London Hydro serves.

In their rate application for 2017, which will apply for five years, London Hydro sought a 6.33% initial rate increase. SEC led the customer groups in negotiating a complete settlement, which will leave schools paying 2.15% more in 2017. In both application and settlement, the initial amount is followed by about 1.5% a year for four years. Total savings for schools are estimated at \$260,000.

Canadian Niagara Power. CNPI, which serves 35 schools in Gananoque, Port Colborne, and Fort Erie, sought a rate increase of just under 13% for 2017. CNPI has long been troubled, usually having among the highest rates in the province.

Many of the issues were resolved in an SEC-led negotiation. However, some major issues were fought out in an oral hearing in January. As a result of the Energy Board's March decision, the rate increase for schools will be just under 6%, and the affected schools will save a total of \$120,000 over five years.

ONGOING MATTERS - NATURAL GAS

Conservation Programs. SEC counsel Jay Shepherd has been asked by the Energy Board to be one of two customer representatives on the committee overseeing the conservation programs of Union and Enbridge.

This new committee, which is responsible for hiring and supervising auditors verifying the results claimed by the utilities, replaces previous audit and evaluation committees run by the utilities themselves. The goal of the customer representatives on the committee is to ensure that large customer-funded conservation budgets are spent wisely, and annual profit incentives to the utilities, which can exceed \$20 million per year, are based on verified achievements.

Competitive Gas Expansion Applications. In November the Energy Board decided not to approve proposed ratepayer-subsidized gas expansions, but to instead allow utilities to charge new customers a surcharge to cover the incremental cost to bring gas to their area.

The practical effect of this is to open up the areas currently not served by gas companies to competitive offers from different utilities. The first of those competitions has now begun, with EPCOR (an Alberta gas distributor) and Union Gas tabling competing proposals to serve the South Bruce area in and around Kincardine.

SEC is actively involved in the proceeding, both to protect the interests of the directly affected schools, and to ensure that the rules for this new competitive process will work well for the schools affected by future expansions into other areas.

Cap and Trade. Enbridge and Union have filed their GHG compliance plans for 2017, and those plans are being considered in a proceeding before the Energy Board. The impact of cap and trade on schools is expected to start at more than \$2,300 per school in 2017, then increase annually after that as the cost of GHG allowances increases.

Under the rules relating to the cap and trade system, most of the key information on utility compliance cannot be made public, and is not available to intervenor groups. Within that restrictive framework, SEC is participating actively in the plan review, with the intent of ensuring that the utilities comply with their obligations in the most cost-effective manner possible.

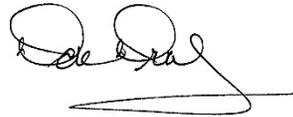
Jay Shepherd
Mark Rubenstein
Counsel for SEC

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 Email ddrone@oesc-cseo.org