

Status Report

Savings for Ontario School Boards

The last three months have been taken up mainly with major cases that are not yet complete, including Ontario Power Generation, Hydro One Distribution, Toronto Hydro, and others. However, settlements for Hydro One Transmission, Horizon and Brampton have resulted in savings of \$2,650,000. This brings SEC's cumulative savings for schools, since 2004, to about \$150 million.

The OPG and Hydro One Distribution rate cases are likely to be decided by the end of the year. Toronto Hydro rates will likely be set in April of 2015.

ONGOING MATTERS – NATURAL GAS

Union Gas Rate Redesign. Union Gas will be redesigning the rate classes that apply to most schools. SEC has been participating actively in this process, as the potential impact is high. The utility's initial attempts had major anomalies, pointed out by SEC, so they were not approved by the Energy Board.

Union Gas has now commenced the process for an independent study of costs and rates for the small general service customers, including schools. As a result of a negotiated deal this year, the study will be jointly managed with ratepayers, led by SEC. SEC expects that, once the study is complete next year, most schools will move to a new rate class, with rates based on a more reasonable allocation of costs.

Conservation Programs. The Energy Board's policy consultation on gas conservation programs for the next six years is continuing. Initial proposals included a 52% increase in annual spending, from \$83 million per year to about \$126 million per year. Some other stakeholders have proposed an increase to as much as several hundred million dollars per year. The basic proposals do not include a push for more innovative programs, nor any programs designed for market leaders, like schools. Currently, schools pay about \$7 in rates for conservation programs, in return for each dollar they receive in efficiency incentives from the

gas distributors.

SEC continues to press for aggressive conservation programs, but increasingly rigorous reviews of the results of those programs. SEC has proposed spending in a range from \$83 to \$103 million per year, plus more if the utilities can develop programs to focus on leading edge efficiency opportunities. The SEC proposals also include tighter rules for evaluation and measurement of results, and include a unique Innovation Fund.

A set of Energy Board guidelines is expected in December. The gas utilities will then develop new conservation plans with those guidelines in mind.

ONGOING MATTERS - ELECTRICITY

Hydro One 2015-2019 Distribution Rates. The Hydro One request for an increase of 88.3% in distribution rates for schools was not settled by negotiation. A lengthy hearing was completed in October, and a decision from the Energy Board is expected in November or December.

SEC has argued that the Energy Board should be expecting much more productivity from Hydro One, Ontario's least efficient electricity distributor. The increase proposed by Hydro One would cost schools about \$31 million more than the current (high) rates, over the next five years.

Horizon 2015-2019 Rates. Horizon Utilities, the electricity distributor for Hamilton and St. Catharines, filed for rate increases for schools totalling 37% over five years. The utility, which is a relatively low cost performer, was seeking about 20% for cost increases, but another 17% due to proposed changes in allocation of costs to the schools' rate classes.

In August, ratepayer groups led by SEC negotiated a reduction in the overall budgets for the five years, the first part of the rate increase. That change, which has been accepted by the Energy Board, will reduce the rate increase for schools from 37% to 27% over five years. This will save schools about **\$680,000**.

A hearing was held in September on the cost allocation changes, the second part of the rate increase. A decision is likely in November. If all cost allocation changes were reversed, the rate increase would be reduced to 14% over five years.

Hydro One Brampton 2015 Rates. The Brampton utility is unique in the Hydro One family of businesses, in that it has low rates and largely independent management. Hydro One Brampton sought a rate increase of 23% in 2015, followed by formula rate increases (about 1.6% per year) for the next four years. The proposal would have cost the hundred Brampton schools almost \$600,000 over that period.

In a negotiated settlement, many of the issues in the case have been resolved, reducing the basic increase in 2015 to 11%. In total, schools will save about **\$270,000** over five years. The remaining issues, which could have a similar impact, were the subject of a hearing in October. A decision is expected in December.

Hydro One Transmission 2015-2016. Hydro One provides most of the bulk transmission in the province, and so drives about 10% of the electric bill. Their proposal for a 7% increase over two years would have cost schools around \$3 million.

Having seen the recent rate negotiations for Union Gas and others, Hydro One approached stakeholders over the summer to negotiate new transmission rates. SEC played a key role in obtaining a full settlement, with increases of 1.1% in 2015 and 1.7% in 2016. In total, schools will save about **\$1,700,000** over two years.

Toronto Hydro 2015-2019 Rates. Toronto Hydro's five year rate plan proposes increases in costs for Toronto schools of \$10.7 million over five years. Distribution rates would increase 17% in the first year,

and then about 7% per year for each of the next four. The application is driven by the utility's claimed need for large scale capital spending, in addition to the capital spending increases already granted in the previous five years.

Toronto Hydro's thesis is that their costs are significantly higher than other distributors (i.e. 50% or more) due to Toronto's urban core. They also believe that customers, through surveys and meetings, have expressed agreement with rate increases averaging almost 10% per year to maintain or increase reliability. Toronto Hydro has proposed that these increases may have to continue, to fund high levels of capital spending, for at least ten years.

At SEC's urging, the Energy Board has retained noted benchmarking specialists Pacific Economics Group to compare Toronto Hydro costs to other distributors, including those in other large cities. SEC believes that analysis will show Toronto Hydro's capital and operating needs to be much lower than claimed, and the resulting lower increases should not need to persist for such a long period.

Other 2015+ Distribution Rates. More applications are now being filed for 2015 electricity distribution rates, including Niagara, Innisfil, St. Thomas, and Festival. Others, such as Oshawa and North Bay, are expected in the next month. Decisions or settlements on most of those applications are likely by the end of the first quarter of 2015.

Ontario Power Generation 2014-15 Rates. This \$9 billion application, the largest in Energy Board history, will be decided in the next few weeks. The potential impact for schools is \$32 to \$48 million, depending on whether the new rates continue through the end of 2015 or 2016. SEC has proposed rate increases that would have impacts of less than half those levels, with no increase at all for most of 2014.

Hydro One Takeovers of Woodstock Hydro and Haldimand County Hydro. Two more Hydro One acquisitions are before the Energy Board for approval. SEC continues to intervene in all of these cases to seek assurances rates will not increase over time as a result of the purchases.

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