School Energy Coalition ("SEC")

Summary Status Report
June 30, 2022

Savings for Ontario School Boards

Q2 was taken up mostly with the continuation of the major Hydro One rates and Enbridge conservation cases, and the completion of an important policy consultation. Along the way, there was a surprising win in the St. Laurent pipeline case, and vindication of the SEC position opposing the Waterfront relocation project. With these and some smaller cases, ***savings for schools have totalled about $1.05 million.***

The focus in Q3 will be the settlement conference and then, likely, oral hearing on Hydro One distribution and transmission rates. The decision on the Enbridge Conservation plan is also expected. Q4 will then see the Enbridge 5-year rate case filed.

ONGOING MATTERS – NATURAL GAS

Enbridge St. Laurent. For the first time in memory, the Energy Board has refused to give approval to Enbridge for a major pipeline replacement project.

As previously reported, the proposed $122 million St. Laurent replacement serving downtown Ottawa and Gatineau was opposed by a coalition of ratepayer, environmental, and other intervenors. SEC, the City of Ottawa, and Pollution Probe jointly provided evidence of low carbon strategies that will dramatically reduce the need for this much pipeline capacity in the medium term, long before the proposed project would be fully amortized. Instead, parties proposed that Enbridge delay the project for a few years, to give customers a chance to demonstrate that their GHG reduction strategies would be fully implemented and have the impacts they forecast.

The Energy Board agreed, and ordered Enbridge to use deferral methods (conservation and other programs) instead. Further, at SEC's suggestion the Energy Board established more rigorous expectations in the event that Enbridge re-submits the project in the future.

Deferral of the project will **save Ottawa area schools about $1 million** over the next five years. The new Enbridge programs may also support the plans of the affected school boards to reduce their own carbon footprints.

Enbridge Waterfront Relocation. As reported in 2021, Enbridge sought approval to spend $70 million to relocate a pipe in Toronto to accommodate the plans of Waterfront Toronto. Led by SEC, intervenors resisted both the cost, and the expectation that customers must foot the entire bill. Enbridge withdrew the application in the face of that opposition.

The application was refiled this year, but the net cost is now $18 million rather than $70 million, through a collaboration with the City that included a small contribution, and a new plan of construction. This makes $1 million of the savings for schools estimated last year permanent rather than temporary. There are no incremental savings to report, though.

Enbridge Conservation. Final Arguments were filed in June in this $900 million, five-year case. SEC took the position that more should be expected of Enbridge in its delivery of gas conservation programs, and that incentives to the Enbridge shareholders should be tied to real long term reductions in the use of gas. SEC also took the first steps in addressing whether a more independent body may be needed to deliver gas conservation programs, proposing in the interim that an independent oversight committee be established to review what Enbridge is doing on an ongoing basis.

An Energy Board decision is expected in Q3.

Integrated Resource Planning (IRP). Prodded by SEC and others, Enbridge has started to propose pilot projects to defer or replace pipeline spending with non-pipes alternatives (called IRP). The first projects will likely not be implemented until 2023, and may include the deferral for the St. Laurent project discussed earlier. However, in parallel Enbridge is exploring whether to re-submit the St. Laurent plan as a pipeline, so the possibility it will be replaced over the long term with conservation and other measures is still uncertain.

Meanwhile, the first report of the IRP Working Group has been filed with the Energy Board. It is highly critical of Enbridge for its slow approach to reducing carbon emissions and capital spending through IRP.

Enbridge 2024-2028 Rates. This application, expected to be filed in November, will seek approval for $8-10 billion of capital spending, and at least $8 billion in rates. The central issue, however, will be whether business as usual is appropriate in the face of plans by all levels of government, and many major users of gas, to reduce their use of fossil fuels over the next decade.

Enbridge has started its consultation process to socialize the contents of their application. Schools, despite their active conservation efforts, face $150 million in gas distribution charges in this application.

ONGOING MATTERS - ELECTRICITY

Hydro One 2023-27 Rates. The process to consider Hydro One's joint transmission and distribution application ran into a delay when Hydro One decided that due to inflation pressures it will need an additional +$400 million in operating and capital recoveries. This is on top of the proposed increases (for schools) of 13.5% in distribution, and 20% in transmission.

Discovery is underway on their new evidence, with a settlement conference scheduled for August. While SEC's Mark Rubenstein will attempt to repeat the success of the OPG settlement last year, it is likely that this case will be the subject of an oral hearing. Assuming that to be the case, a four-week hearing in September is expected, followed by argument in October and November, and a decision in Q1 2023.

Alectra 2023 Rates. Once more Alectra has applied for an additional rate increase for capital spending plans. However, after several years of poor results in aggressive capital applications (Energy Board refusals and cutbacks, mostly proposed by SEC), Alectra is now proposing a much more modest project plan, $52 million in 2023 and 2024 to expand its underground cable injection and replacement programs. The annual impact on schools in the Powerstream and Enersource zones is forecast to be just under $1 million per year. SEC is in the process of reviewing the application.

Distributor Consolidation. The merger of Kitchener and Waterloo North Hydro was approved as expected. This is exactly the sort of consolidation that benefits the customers, and SEC supported it. As inflation puts more pressure on small utilities, we expect further merger proposals over the next year.

Other Distributors' Rate Applications. Settlements have been achieved with Rideau St. Lawrence and E.L.K. Energy, two small utilities with relatively low distribution rates for schools. Total savings for schools in the quarter for these utilities was about **$50,000.** The 2023 applications are starting to come in, but many distributors are seeking continued deferrals, thus keeping rate increases fairly low for another year. Of 21 distributors scheduled for 2023, currently 9 are still planning to seek increases. These deferrals may create a deluge of applications for 2024 rates. Milton, EPCOR (Collingwood) and Kingston have already filed for 2023. SEC is actively involved.

OTHER MATTERS

Framework for Energy Innovation. The Report of this working group on the evolution of the energy sector was filed with the Energy Board on June 30th, and can be accessed here. The result of this year-long process, in which SEC took a leading role, will likely be the development of new policies affecting things like rooftop solar, on-site storage, demand response, and targeted conservation. Schools, as leaders in these areas, may be affected directly and in rate impacts.

Other Policy Processes. SEC counsel Mark Rubenstein has been appointed by the Energy Board to the *Reliability and Power Quality Review* working group and the *Electricity Distributor Filing Requirements Review* working group.

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