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School Energy Coalition ("SEC")
Summary Status Report
December 31, 2022

Savings for Ontario School Boards

*A lot happened in the final quarter of 2022, much of it with significant long-term implications. The Enbridge five-year rate application was filed, and much debate about those issues took place, with results that will play out later in 2023. Several smaller electricity distribution applications were resolved, with **savings for schools of about $90,000.** Settlement of another such case cannot be reported until next quarter. The biggest decision, the Enbridge conservation case, grappled with important issues but generated no immediate savings.*

The Enbridge rate case will dominate the focus in the first half of 2023 at least. In addition, applications from electricity distributors in Sarnia and elsewhere are starting to come in.

ONGOING MATTERS – NATURAL GAS

Enbridge Conservation. In November, the Energy Board released a far-reaching decision on the future of gas conservation in Ontario. In response to customers, led by SEC, the decision takes the first tentative steps in addressing the transition away from fossil fuels.

Two big changes are most important. As requested by SEC and others, the Energy Board refused to approve five more years of business as usual conservation spending. Instead, the plan is for three years (2023-2025), after which the Commissioners signaled that a new plan, with a new direction and potentially more aggressive targets, will have to be presented for consideration.

In addition, in a direct answer to concerns from SEC that $5 billion of spending has not actually reduced total gas consumption, the Energy Board has added a new shareholder incentive that the utility can receive only if it meets overall gas reduction targets. If gas use continues to go up, they lose that $30 million bonus.

The decision also prohibits some programs that have a pro-gas bias, but on the other hand strongly supports a pilot in schools that expands on the existing Sustainable Schools concept.

Finally, Enbridge's delivery of conservation programs will now be overseen by a committee of stakeholders. Other customer groups have nominated SEC counsel Jay Shepherd to represent them on that committee.

Enbridge conservation programs will still cost more than $500 million over the next three years, and a billing anomaly that has schools subsidizing residential programs has not yet been addressed. It is expected to be considered in the upcoming rate case.

EPCOR 2023 Rates. EPCOR, an Edmonton-based electricity and natural gas distributor, won a competition in 2018 to provide gas service in the southern part of the Bruce. That included establishing rates for the initial "rate stability" period.

EPCOR has now asked the Energy Board to allow them to increase the amounts they charge customers retroactively because their new customers are not using as much gas as they expected. SEC is opposing this attempt to rewrite the deal.

Enbridge 2024-2028 Rates. The biggest case this year, and certainly the one that has the most overall impact on schools, is the application by Enbridge for new rates covering 2024-2028. After the acquisition by Enbridge of Union Gas, this applies to almost all of the natural gas customers in the province.

For schools, the total proposed increase over those five years is forecast to be several million dollars, although the exact calculation is not yet possible because of a rate harmonization plan that will be considered later this year.

In addition to the (sadly) normal requests for high rate increases each year, this case will centre around the impact on the utility and its customers of the "energy transition", which is the government and market-driven shift away from the combustion of fossil fuels. The Enbridge proposal has the use of gas increasing over the next five years, with limited initiatives to reduce emissions through renewable natural gas and hydrogen. As a result, the capital plan still includes billions of dollars of new spending, and that drives rates upwards while creating the risk of stranded assets.

Although schools are leaders in de-carbonization, and in the long term will protect themselves through moving away from fossil fuels, in the short and medium term these increases in Enbridge spending are a significant concern.

Because this is a once-in-a-generation case, the schedule for review of the application is lengthy. Written and oral discovery will happen over the next five months, culminating in a settlement negotiation in mid-May. SEC counsel Mark Rubenstein is expected once more to take on a leadership role amongst the consumer groups. Assuming issues still remain, a hearing is scheduled for four weeks in June and July. There will be a number of experts involved from the utility, environmentalists, and customer groups. A decision on the initial issues, and 2024 rates, is likely in November.

A second phase, intended to deal with the harmonization of rates across the province, and a number of related issues, will continue into 2024.

SEC's full team of Mark Rubenstein, Jay Shepherd, and Jane Scott is there to protect the interests of schools.

ONGOING MATTERS - ELECTRICITY

Hydro One 2023-27 Rates. As expected, the final changes to the Hydro One 2023-2027 rate plan produced the $12 million in total savings originally calculated and reported last quarter.

Elexicon 2023 Rates. There is increased interest by a number of electricity distributors in upgrading their systems to reflect current and future increases in customer needs, like solar panels, on-site storage, EV charging, and the like. Elexicon has decided to become an early adopter of enhanced system technologies, starting with its Whitby service territory. About 60 schools are forecast to see their distribution rates increase by 25-30% for this initiative.

SEC, while supportive of grid modernization, has intervened to ensure that the cost is minimized, and the pacing of these investments avoids sudden rate increases. This is expected to be one of many similar attempts by distributors to impose substantial incremental costs on their customers.

Other Distributors' Rate Applications. The 2023-2027 rate application for Kingston Hydro has been resolved by a comprehensive settlement. Kingston Hydro is one of the lowest cost distributors in the province. Jane Scott led the SEC participation in that process. The Alectra application for higher capital spending was resolved by a decision. SEC counsel Jay Shepherd opposed the increases, with the Energy Board approving some and denying others. EPCOR Collingwood has been partially settled, but most issues will be determined in Q2 after an oral hearing to be held in February. Together those three cases have **resulted in savings for schools of about $90,000**.

OTHER MATTERS

The Energy Transition. The Minister of Energy has issued a new mandate letter to the Energy Board seeking analysis of ways that the regulator can support and regulate the transition away from fossil fuels, including increased electrification. The Energy Board itself has increasingly begun to consider the issue through a number of new and on-going initiatives, and through the first cases in this area (Enbridge Rates and Elexicon grid modernization). SEC counsel Mark Rubenstein and Jay Shepherd are actively engaging with the Energy Board and its staff through both formal and informal channels to stay on top of these issues.

Jay Shepherd
Mark Rubenstein
Jane Scott
On behalf of SEC

Questions? Contact Brian McKay (sec@oesc-cseo.org) or Mark Rubenstein (mark@shepherdrubenstein.com) or Jay Shepherd (jay@shepherdrubenstein.com).

The SEC is registered as the official intervenor at the Ontario Energy Board on behalf of all 72 District School Boards in Ontario. The intervention role aims to protect the financial interests of school boards when natural gas and electricity utilities apply for increases in distribution rates for their energy sources.

The SEC is represented by Jay Shepherd, SEC Legal Counsel, who consults regularly with the OESC Executive Director.

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