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School Energy Coalition ("SEC")
Summary Status Report
June 30, 2023

Savings for Ontario School Boards

Q2 was very successful for SEC, with a win on the application by Ontario Power Generation for higher compensation recoveries, and a settlement of several important issues in the Enbridge five-year rate case. With resolution of a couple of smaller cases, Q2 has produced ***savings for schools of more than $10.6 million.***

July's five week hearing in the Enbridge case will mark a return to the physical hearing room after three years of virtual. Central will be Enbridge's +$7 billion capital plan amid a shift away from fossil fuels. Resolutions of some electricity distribution cases are also expected.

ONGOING MATTERS – NATURAL GAS

EPCOR South Bruce 2023 Rates. As previously reported, near the beginning of Q2 the Energy Board denied most of the request by EPCOR to change their ten-year gas rate deal in the South Bruce.

We can now estimate the savings for affected schools. The decision, which basically followed one of the alternatives proposed by SEC, will **save affected schools about $200,000**.

EPCOR has filed a motion to overturn this decision. SEC will oppose that motion.

Enbridge 2024-2028 Rates. The combined Enbridge and Union Gas utility, now called Enbridge Gas Inc., continues to inch towards a resolution of their next five years of rates through a complex application before the Energy Board. At issue for schools is more than $30 million of additional costs over the next five years.

The case appears to have three main components. First are the conventional issues of proposed increases in operating costs, and things like that. Second are the once in a generation issues associated with the shift away from fossil fuels, and its effects on revenues and capital needs. Third is a process to harmonize rates throughout the province, which will inevitably result in winners and losers. That third component will also include the formula for rates over 2025-2028.

To the end of last quarter, most of the discovery process had been completed, but early in Q2 new evidence was filed by Enbridge, and a number of environmental and other groups also filed evidence. When discovery on all that was completed, SEC counsel Mark Rubenstein led 23 intervenor groups in a two-week settlement negotiation with Enbridge.

After a difficult negotiation, in which the diversity of views of the intervenors was a significant factor, to the surprise of many a settlement was reached that dealt with some of the non-energy transition issues. This included such things as allowed operating costs, etc. In the end, **the settlement will save schools about $5.9 million over 2024 - 2028**.

Up next is an oral hearing, most of which will be in person, starting in the middle of July. The first part of this will be witnesses from various points of view, including the utility, debating the impact of climate change on planning for the future of Enbridge. SEC counsel Jay Shepherd will lead on that. The remainder of the issues, including the multi-billion-dollar capital plan, will cover the next few weeks, with SEC counsel Mark Rubenstein taking the lead on that. Arguments will follow in August and September, with a decision expected by year end.

Further phases in this process, to deal with cost allocation, rate harmonization, and indexing, will start in October or November and last until the spring.

Enbridge Conservation. For the first time, the large Enbridge conservation (DSM) portfolio will be subject to some oversight by a new Stakeholder Advisory Group, originally suggested by SEC. SEC counsel Jay Shepherd was appointed as a customer representative on that committee, which is mostly composed of international conservation experts. Several meetings have now been held, and an external firm has been retained to model the potential for expanded conservation programs starting in 2025.

SEC continues to push for more aggressive targets, including absolute reductions in annual gas throughput.

Enbridge IRP. The group supervising the integrated resource planning efforts of Enbridge continues to press the utility for action. Two pilot projects to displace capital spending, in Parry Sound and Sarnia, have now been finalized, and will be proposed in Q3.

ONGOING MATTERS – ELECTRICITY

OPG Compensation Adjustment Application. When Bill 124, the legislation capping increases in public sector wages, was overturned by the Ontario Superior Court of Justice earlier this year, an estimate is that Ontario Power Generation would have to pay its employees about $220 million more over five years.

This was a problem for OPG, which had agreed in 2021 to a negotiated settlement of its rates for 2022-2026. OPG essentially sought to amend their previous agreement, and increase their rates by this added cost.

SEC and others opposed the application, arguing a) OPG workers are already paid more than those at comparable companies, and b) OPG knew of this issue when they made the deal, and should be held to it.

In a decision released in June, the Energy Board agreed with SEC, and rejected the OPG application for higher rates. **The effect is a savings for schools of about $4.5 million.**

Toronto Hydro 2025-2029. Toronto Hydro has provided preliminary information on their upcoming five-year rate application, which includes a major investment in modernizing and redesigning the distribution grid. It is likely that rapid increases in distribution rates will be the result.

A public consultation was completed this quarter, and the plans will likely be adjusted. A formal application for rate increases is expected in November.

Elexicon 2023-2025 Capital Plan. The Elexicon proposal to spend more than $70 million to reconfigure their Whitby grid is the subject of a decision in Q3, and will be reported at that time, when we can calculate the dollar impacts. (Hint: It's good news.)

Other Distributors' Rate Applications. The decision on the application by EPCOR Collingwood for 2023-2027 rates resulted in budget reductions and other favourable determinations. **The result is savings for Collingwood schools of about $45,000**.

OTHER MATTERS

The Energy Transition. The Energy Transition away from fossil fuels (largely in favour of electrification) has moved with lightning speed to dominate debate in the energy sector. For example, the Energy Board's 2023 Business Plan includes a separate chapter on this, describing dozens of related regulatory initiatives.

In addition to applications by Enbridge, Elexicon, and Toronto Hydro heavily driven by the energy transition, the national association of energy regulators (called CAMPUT) structured their annual conference around this subject. Also, at the annual conference of the Industrial Gas Users Association in May, SEC counsel Jay Shepherd spoke on a panel with Energy Board CEO Susanna Zagar about – you guessed it – the energy transition.

School boards will increasingly be pressed to reduce or eliminate their use of natural gas and other fossil fuels over the next decade or so. This will be particularly important if natural gas assets become stranded or underutilized, and those still using natural gas are left paying for them.

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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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