

## Savings for Ontario School Boards

*The Enbridge case is continuing, but slowly. The other major case, Toronto Hydro, is seeing critical steps achieved, but the results of those steps remain confidential until reported publicly to the Energy Board Commissioners. However, two other cases involving mid-term rate adjustments resulted in **total savings for schools of about \$730,000.***

*The focus in Q3 and Q4 is expected to be the culmination of the Toronto Hydro case, continued issues with Enbridge, the critically important Cost of Capital Review, and the new Enbridge conservation plan, the latter currently forecast at about \$2.5 billion over five years.*

### ONGOING MATTERS - NATURAL GAS

**Enbridge 2024-2028 Rates.** SEC continues to be hopeful of being able to provide a more rigorous estimate of the school board savings from this case than the \$11.8 million previously reported, based on the December 2023 decision. Still, the case continues to drag on.

Most recently, the government enacted Bill 165, thus overturning the most controversial aspect of the case, the removal of subsidies from existing customers for gas connections by new customers. Those subsidies will remain, at least for now.

In addition, Enbridge has filed a Motion to Review other major components of the case, including the denial of recovery for past capital spending related to the Enbridge/Union merger. This was put in abeyance pending the passage of Bill 165, but now has been revived, with an initial stage of written arguments.

Phase 2 of the main case is proceeding slowly, with written and oral discovery of the factual evidence continuing through July. Key issues in Phase 2 include capital spending increases in 2025-2028, the formula for setting new base rates in those years, and the practical impacts of the energy transition. A settlement conference is scheduled for September, and a hearing if required will likely

be in October. Phase 3, which will address harmonization of rates between the former Enbridge and Union Gas distribution areas, is expected to begin later this fall.

It now appears that it may be into 2025 before we have a final resolution of the main rate issues for 2024-2028. It may be worth noting that in the Phase 1 proceeding, one of the most complex in decades, SEC's leadership role was recognized. The Energy Board singled out SEC and Industrial Gas Users Association (IGUA) representatives in a recent follow-up decision:

*"Enbridge Gas acknowledged SEC's leadership role, yet clearly SEC and IGUA were both leaders among the intervenors... The OEB is convinced the Phase 1 proceeding was more focused yet comprehensive, efficient yet thorough, as a result of proactive leadership among intervenors."*

**Enbridge Conservation Plan.** Enbridge and Energy Board Staff held a stakeholder session in June to explore the budget and other aspects of the next conservation (DSM) plan, which is supposed to start in 2025. Faced with resistance, Enbridge has now reduced their "straw man" amount from a billion dollars a year to half a billion, still three times the current budget. Many ratepayer groups continue to express serious concern.

A new plan is expected in October. SEC will be actively involved in that proceeding.

**Panhandle Reinforcement.** Enbridge has now received approval to spend \$358 million on reinforcement pipes to serve almost exclusively greenhouses and power generators in the Leamington/Windsor area, and recover the annual cost of that spending (about \$40 million) from all customers throughout Southern Ontario. SEC had proposed that the affected customers pay the bulk of the cost, but that was rejected by the Commissioners.

## ONGOING MATTERS - ELECTRICITY

**Toronto Hydro 2025-2029.** Toronto Hydro, which serves about 900 schools, has applied for five years of new rates which would add about \$16.1 million to the bills for the affected school boards over that time period.

A marathon negotiation between intervenors and the utility took place in June, with SEC counsel Mark Rubenstein acting as lead negotiator for the many ratepayer and environmental groups participating.

The results of that negotiation will be contained in a settlement agreement to be filed with Energy Board Commissioners. That settlement agreement is currently being written. Until it is finalized and filed, the impact of the negotiating process remains confidential and cannot yet be reported. It is expected that it will be public in August.

**Ontario Power Generation (OPG).** OPG made a recent application to clear various regulatory accounts and make mid-term rate adjustments.

Most of OPG's regulatory accounts are mechanistic, but after a negotiation on some aspects of the application some of their calculations were reduced by a total of \$33.8 million, **saving schools approximately \$500,000.**

**Upper Canada Transmission (UCT)** UCT built, and now operates, a large transmission line in Northern Ontario (the East-West Tie Line), which was completed in 2022. In part because of COVID-19, there was a significant cost overrun which UCT sought to recover from ratepayers. A settlement was reached where UCT agreed, among other things, to be responsible for an additional \$30M of the cost overrun. The settlement is expected to **save schools a total of \$230,000** through the end 2027.

## OTHER MATTERS

**Cost of Capital.** Cost of capital makes up about 20% of the regulated natural gas and electricity bills of school boards. It is set by a formula that reflects market interest rates, risk adjusted returns on equity, and other factors. The current formula, first established in 2009 and revised in 2014, was due for review, so the Energy Board launched a generic hearing process to do so. Much of the evidence will be expert reports from utility finance experts representing the utilities, the regulator, and ratepayer groups.

Expert reports and discovery are expected to be completed by the end of the summer, with a week-long hearing scheduled for late September.

As in the past, the focus of the debate will be on the technical details. Both SEC counsel Mark Rubenstein and Jay Shepherd have experience in those issues, and will work with other intervenors to keep these costs as low as possible,

**Intervenor Review.** In late 2023, the Minister of Energy, as part of a longer list of policy priorities, directed the Energy Board to review the process for intervenors, focusing on ways of reducing the overall costs of that system. A report back to the Minister by September 2024 was required. SEC counsel Mark Rubenstein is a member of the Energy Board's Adjudication Committee that has been able to provide some initial input into the review.

SEC's position has always been clear. While existing processes can always be improved, that cannot come by limiting the ability of ratepayer groups, like SEC, to properly scrutinize utility applications and advocate for their members at the Energy Board. The regulatory system is an infinitesimal fraction of the overall energy costs that all consumers pay.

This review includes consideration of the processes for customer input in other jurisdictions, the overall costs of the current intervenor system, and the alternatives. Consultants have been retained for this purpose, but their preliminary reports remain confidential.

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On behalf of SEC

Questions? Contact Brian McKay ([sec@oesc-cseo.org](mailto:sec@oesc-cseo.org)) or Mark Rubenstein ([mark@shepherdrubenstein.com](mailto:mark@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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