MEETING NOTE

NAME OF ORGANIZATION: Bernard Athletic Knit & Enterprises (Athletic Knit)

DATE/TIME OF MEETING: August 18, 2017

LOCATION OF MEETING: TBD

PURPOSE: To discuss electricity costs faced by Athletic Knit's facility and potential electricity conservation programs it can participate in.

ATTENDEES:

Minister of Citizenship and Immigration
Laura Albanese

Bernard Athletic Knit & Enterprises
Tony Zuccaro, Owner

ANTICIPATED AGENDA ITEM):

1. Electricity Prices
2. Conservation and Energy Efficiency Programs

NOTES ON AGENDA ITEMS:

1. Electricity Prices

- Athletic Knit – a customer of Toronto Hydro customer – is currently on tiered pricing. Under tiered pricing, they pay a lower amount for electricity up to a certain limit each month and higher rate once they exceed that limit.

- Tiered rates are set by the Ontario Energy Board (OEB) as part of OEB's Regulated Price Plan (RPP).

- While a move to Time-of-Use (i.e., different prices for peak, mid, and off-peak periods) generally benefits electricity consumers, this may not be the case for Athletic Knit if it operates mainly during peak or mid-peak hours.

- Athletic Knit's facility is eligible for bill reductions through Ontario's Fair Hydro Plan (OFHP).

- At peak demand of about 150 kW, the facility does not have the required average monthly peak demand levels (i.e., greater than 500 kilowatts (kW)) to be eligible to participate in the Industrial Conservation Initiative (ICI).

Suggested Response:

- **We recognize the importance of electricity prices for business such as Athletic Knit. Maintaining competitiveness with respect to energy costs is a top government priority.**

- **Existing initiatives available to small and medium-sized businesses to help them manage their electricity costs include the saveONenergy for Business conservation program.**

- **Ontario's Fair Hydro Plan has lowered electricity bills by 25 per cent for a typical residential customer. As many as half a million small businesses and farms are also benefitting.**

- **Ontario's Fair Hydro Plan includes refinancing a portion of Global Adjustment (GA), shifting cost recovery for Rural or Remote Rate Protection (RRRP) and the Ontario Electricity Support Program (OESP) from electricity bills to provincial revenues, and the existing 8 per cent rebate.**

- **The government has also taken significant steps to make Ontario's business tax system more competitive and create the conditions for long-term economic growth.**

Background:

- On May 1, 2017, Regulated Price Plan (RPP) prices – including the tiered pricing which appear to be what Athletic Knit pays – decreased from the rates set on November 1, 2016.

    - The total bill for an average residential customer became about 17 per cent lower than it would have been without the initiatives that are part of Ontario's Fair Hydro Plan.

    - The decrease was a result of the 8 per cent rebate, the shifting of funding for support programs from electricity bills to provincial revenues, and the

Ontario Energy Board (OEB)'s decision to implement 50 per cent of the value of GA refinancing.

- As a result of the *Fair Hydro Act, 2017* (*FHA*) receiving Royal Assent on June 1st, the OEB updated RPP prices –including tiered prices – again to reflect the full benefit of GA refinancing, increasing savings on residential bills from 17 to 25 per cent to what they would have been without the initiatives that are part of Ontario's Fair Hydro Plan. The new prices are in effect for electricity consumed between July 1, 2017 and April 30, 2018.

- As part of Ontario's Fair Hydro Plan, ICI was expanded to include manufacturers and greenhouses with average peak demand greater than 500 kW.

    - While this expansion has opened up the program to many new participants, Athletic Knit's peak demand appears to be about 150 kW and is significantly below the peak demand threshold for ICI.

- Further background is available in the Appendix.

2. Conservation and Energy Efficiency Programs

- The province has various energy conservation programs in place to help businesses manage the cost of electricity.

<u>Suggested Response:</u>

- **Ontario has a suite of programs in place that help homes and businesses manage electricity prices through the installation of energy saving measures, or by using energy wisely.**

- **Electricity conservation programs are delivered by local electricity utilities and the Independent Electricity System Operator (IESO). Programs for businesses include the Save on Energy Retrofit Program, Save on Energy Audit Funding, Save on Energy Small Business Lighting and Save on Energy Process and Systems.**

- **I would encourage you to contact your local electricity utility, Toronto Hydro, to learn more about these programs and how you can participate.**

<u>Background:</u>

- On January 1, 2015, Ontario launched its 2015-2020 Conservation First Framework (CFF), which is overseen by the IESO, to support province-wide and local electricity conservation programs. These programs are delivered under the banner of "Save On Energy".

- Under the CFF, local electricity utilities are responsible for the design and delivery of conservation programs to their customers.

- A broad portfolio of Save on Energy programs for homes and businesses are available through Ontario's 70+ utilities like Toronto Hydro. These include:

    - Save on Energy Retrofit Program provides various incentives for as much as 50 per cent of project costs for updating old or inefficient equipment, including lighting, motors, unitary AC or packaged rooftop units, variable frequency drives, and compressed air systems.

    - Save on Energy Audit Funding of up to 50 per cent of the cost of an energy audit to identify opportunities for energy efficiency upgrades and eligible incentives.

    - Save on Energy Small Business Lighting provides incentives of up to $2,000 for new energy efficient lighting.

    - Save on Energy Process and Systems provides up to $50,000 for engineering studies and up to 70 per cent of capital costs for energy efficiency upgrades.

KEY FACTS:

- Athletic Knit – a sportswear manufacturer founded – is headquartered at its 150,000 square foot manufacturing facility in Toronto.

- It was founded in 1962 and today has approximately 235 employees.

- Further information regarding Athletic Knit and the products and services it offers is available here.

APPENDIX:

1. Electricity Prices – Background

Residential and Small Business Consumers:

i. Regulated Price Plan (RPP):

- About 4.9 million residential and small business (demand <50kW or annual consumption below 250,000 kWh) consumers pay either Time-Of-Use (TOU) or tiered rates under the RPP.

- RPP prices are typically reviewed twice per year by the Ontario Energy Board (OEB) and are adjusted as required on May 1 and November 1.

- To calculate RPP prices, the OEB forecasts the cost to supply electricity to residential and small business consumers for the next 12 months. These forecasts include factors such as:

  - Forecast natural gas prices;

  - Supply forecasts from each type of generation (nuclear, hydroelectric, natural gas, etc.);

  - Electricity consumption forecast; and

  - Any variance recovery (the over/under-collected electricity costs) from the previous period.

a. Time-of-use (TOU) Customers – approximately 4.6 million consumers:

   - TOU prices are intended to provide an incentive to consumers to shift consumption away from high demand periods when the cost to meet province-wide demand is higher.

   - The following prices are effective July 1, 2017:

Category	Times	Forecast TOU prices without consideration of OFHP	Prices including the OFHP	Change from forecast without consideration of OFHP
Off-peak	Weekdays 7pm-7am All day weekends and holidays	9.1¢/kWh	6.5 ¢/kWh	-29%
Mid-peak	Weekdays 11am-5pm	13.3 ¢/kWh	9.5 ¢/kWh	-29%
On-Peak	Weekdays 7pm-11am and 5pm-7pm	18.5 ¢/kWh	13.2 ¢/kWh	-29%

   - Residential consumers typically consume about 65 per cent of their electricity during off-peak hours, 17 per cent in mid-peak hours and 18 per cent in on-peak hours.

b. Tiered Price Customers – approximately 440,000 residential and small business customers:

- Consumers still pay tiered prices that are based on the amount of electricity consumed rather than the time at which the electricity is consumed.

- The threshold is 600 kWh from May to October and 1,000 kWh from November to April, to reflect the fact that households require more electricity in winter months.

Category	Times	Forecast TOU prices without consideration of OFHP	Prices including the OFHP
1st level	Up to 1,000 kWh	10.7 ¢/kWh	7.7 ¢/kWh
Peak	Everything over 1,000 kWh	12.5 ¢/kWh	9.0 ¢/kWh

- The threshold for business customers is 750 kWh/month and does not change throughout the year.
  - Effective April 14, 2016, the OEB began using 750 kWh as the standard for reporting the monthly electricity consumption of a typical residential customer, down from 800 kWh used in previous reports and the 2013 Long-Term Energy Plan (2013 LTEP).

<u>Ontario's Fair Hydro Plan</u>

- We've been making important investments in a cleaner and more reliable energy system, but these investments have led to higher electricity bills.

- We have heard from Ontarians across the province that the price of electricity has risen too quickly, which is why we are moving forward with a plan that would ensure the costs are shared more evenly over the years ahead.

- Ontario's Fair Hydro Plan has lowered electricity bills by 25 per cent on average for residential consumers and will hold increases to the rate of inflation for four years, and includes initiatives to reduce costs for businesses. The plan includes the 8 per cent rebate introduced in January 2017 and builds on previously announced initiatives to deliver broad-based rate relief on all electricity bills.

- Ontario's Fair Hydro Plan includes:

- Refinancing the Global Adjustment (GA) over a longer time period. Electricity consumers that are eligible for the 8 per cent rebate would also be eligible for GA refinancing, including all residential consumers, farms, most small businesses, hospitals, long-term care homes and condominiums.

- Helping vulnerable electricity consumers by enhancing electricity support programs. Eligible consumers will receive additional funding through assistance programs including:

  - Establishing a new Affordability Fund which will support Ontarians who are not eligible for the Home Assistance Program and who have difficulty paying their electricity bills.

  - Broadening Rural or Remote Rate Protection (RRRP) to provide distribution charge relief for the customers of the local distribution companies (LDC's) with the highest distribution charges.

  - Expanding the Ontario Electricity Support Program (OESP) to increase participation and provide further assistance to eligible participants.

  - Establishing a new On-Reserve First Nations Delivery Credit.

- Expanding ICI to include smaller manufacturers and greenhouses between 500 kW and 1 MW, in addition to the large consumers over 1 MW who are already eligible.

- Shifting cost recovery for RRRP and OESP from electricity bills to provincial revenues, lowering regulatory charges for everyone by approximately $3/MWh.

- Improving sector efficiency and modernizing Ontario's electricity market, working in collaboration with the Independent Electricity System Operator (IESO) and the Ontario Energy Board (OEB).

Existing Price Mitigation Measures

- To help ease pressure on residential ratepayers, the government **removed the cost of the Debt Retirement Charge (DRC) from residential electricity bills** as of January 1, 2016:

  - Eliminating the DRC saves a typical residential electricity ratepayer $5.60 per month, before taxes;

- The removal of the DRC from residential ratepayers' electricity bills was implemented through regulations to exempt residential electricity ratepayers from the DRC.

- Non-residential electricity users already pay the DRC and will continue to pay it at the same rate; and

- The government introduced legislation that provides a legislated date of April 1, 2018 to remove the DRC for all non-residential consumers (i.e., such as Athletic Knit) – nine months earlier than previously estimated.

• **Debt Retirement Charge (DRC)** background:

  - The DRC was paid by nearly all customers in Ontario;

  - The charge of 0.7¢/kWh is set by the Ministry of Finance to pay down the debt and liabilities of the former Ontario Hydro (there are some exceptions to the 0.7¢/kWh rate);

  - The 2016 annual financial statements of the OEFC show a reduction in stranded debt of $3.7 billion, to $4.4 billion as at March 31, 2016. This was the twelfth consecutive year that the stranded debt has been reduced, by a cumulative reduction of more than $16 billion between March 31, 2004 and March 31, 2016.