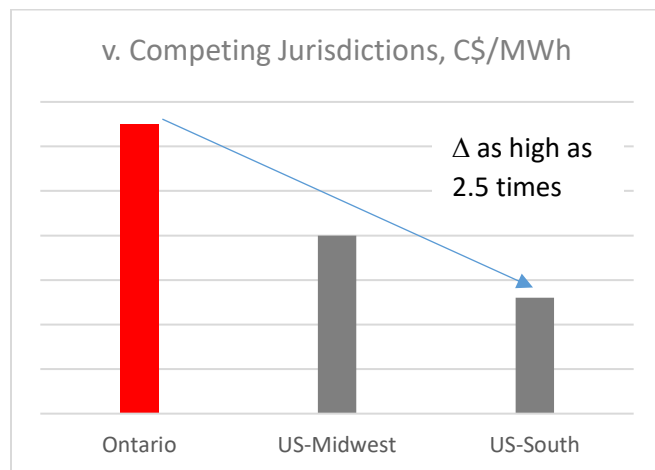


## Ontario Auto Pays the Highest Rates Compared to Competing Auto Jurisdictions<sup>1</sup>



[Source: Facility electricity data from utility invoices from the 5 auto companies (8 assembly plants), all-in electricity rate in Canadian dollars, excluding taxes.]

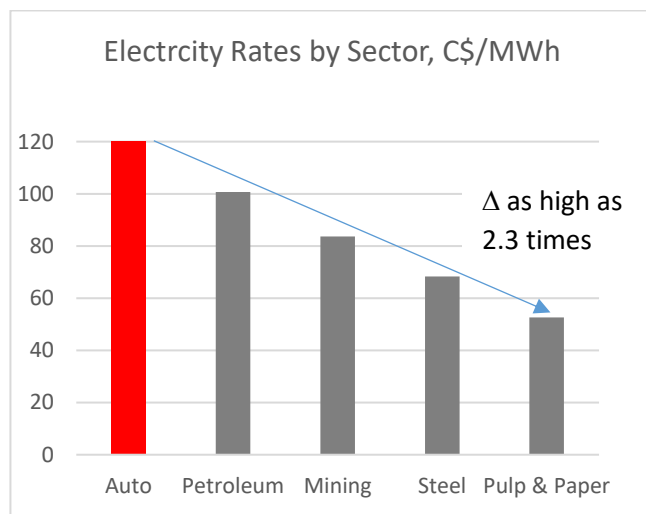
Ontario's auto plants have the highest electricity rates compared to auto plants in competing U.S. states.

After direct materials, and labour, – utility costs – which are predominantly electricity – are among Ontario's auto manufacturers' highest operating expenses. Electricity is also an element of supplier costs, which are 80% of the auto industry's costs and suppliers are not seeing relief either.

The average competitive gap is \$43/MWh; maximum gap is \$68/MWh.

**This competitive cost gap compared to the U.S. is equivalent to \$80M - \$126M annually, or the cost of a new product program every 4-5 years.**

## Auto Pays the Highest Rates Compared to Other Ontario Industrial Sectors



[Auto – Source: average rate for 5 auto companies (8 assembly plants) utility invoices; Other Industries – Source: AMPCO/IESO average all-in direct connected rates for industry sectors, excluding distribution, and does not include the Northern Industrial Electricity Rate (NIER) rebate of \$20/MWh for mining and paper.]

Electricity prices have been increasing – largely driven by significant increases in the Global Adjustment (GA).

Government's response to assist large industrials manage rising electricity rates was to establish the Industrial Conservation Initiative (ICI) program, which provides a means to reduce GA.

Auto plants operating 16 or 24 hours per day provide steady baseload demand which is good for the electricity system. However, auto plants are penalized by high electricity rates because of their steady electricity demand.

Some industrials (steel, paper) have the ability, through spare capacity, to capitalize on the ICI program by shifting load (shutting down) during Ontario's 5-peaks. Others like auto, are operationally constrained and cannot derive the necessary benefit from the ICI program.

**The ICI program provides little assistance to auto.**

<sup>1</sup> Comparing 5-auto company facility electricity rates based on utility invoices; \$43/MWh = average rate in Ontario for the 5-autos compared to the average of the lowest rates in the U.S.; the max. gap of \$68/MWh = the avg. rate in Ontario for the 5-autos compared to the lowest rate in the U.S.; annual cost is based on annual electricity consumption for the 5-autos (assembly & component plants) times avg. gap (\$43) and max. gap (\$68).

# Confidential: Electricity

## Summary

Ontario's auto plants pay the highest electricity rates compared to auto plants in competing U.S. states, as high as 2.5 times more for assembly plants, and 2.9 times more for components plants.

The ICI program provides little assistance to the auto sector. Auto plants operate over 2 and 3 eight hour shifts, which means the sector is penalized because of its steady electricity demand.

The recently announced Ontario Fair Hydro Plan does nothing to mitigate electricity costs for auto.

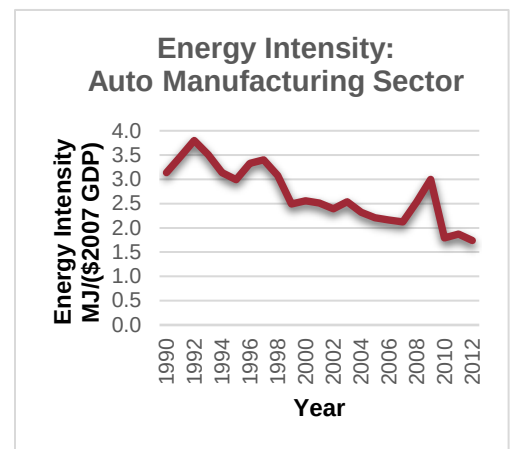
## What has Auto Done? / Can Do? / Can't Do?

Auto has set targets (for many years now) to reduce energy / electricity consumption.

Auto has implemented, and will continue to implement energy / electricity conservation projects, such as LED lighting projects, variable frequency drives, and optimization of processes, ventilation, and paint booths.

Some plants have installed "behind the meter" electricity generation, including cogeneration to reduce the global adjustment (GA) impact.

Evaluate other GA "busting" measures, such as thermal and battery storage.



Because our plants operate 2 or 3 shifts per day, with thousands of employees per shift and hundreds of precisely sequenced just-in-time deliveries of auto parts, auto manufacturers cannot shut-down operations for approximately 15 afternoons to "catch" the 5 coincidental peaks to reduce GA. As a result, we are penalized with uncompetitive electricity rates for steady baseload electricity consumption.

## What Can Government Do?

Introduce a Southern Industrial Electricity Rate program for auto similar to the Northern Industrial Electricity Rate program, which provides a \$20/MWh rebate for selected industries in the north. Such a program could be funded from the Treasury to avoid putting additional pressure on the electricity rate base.

Continue to support energy conservation projects, including cogeneration. Some utilities are no longer accepting applications for cogeneration energy conservation studies / projects. Also, it is not certain how cogeneration and our plants will be regulated under cap and trade post-2020.

Recycle cap and trade revenue to support the "hard-to-do" / "long payback" energy, including electricity, reduction projects in the auto sector.

Implement market renewal with an eye to reducing all in rates. While the potential impact on reducing rates may not be significant, and the timeframe to realize reductions in rates will not be in the short term – market renewal is directionally correct.