



September 26, 2016

The Hon. Glenn Thibeault
Minister of Energy
Hearst Block 4th Floor
900 Bay Street
Toronto, Ontario M7A 2E1

VIA EMAIL: glenn.thibeault@ontario.ca

RE: **Ontario Hydro Rate Incentives**

Dear Minister Thibeault,

Please know I am writing to you on behalf of the Ontario Restaurant Hotel and Motel Association (ORHMA) regarding your government's hydro rate incentives. We appreciate your efforts to provide Ontarians with a relief but we truly believe that there is not much for Ontario's Small and Mid-Sized Businesses within the hospitality sector.

Political decisions by all parties are imminent with many policies aiming to please the goal of winning an election. On Monday Sept 12th Premier Kathleen Wynne's government delivered a "Speech from the Throne" in an attempt to re-position the liberal party for winning the next election in 2018. One does not have to be educated in politics to understand the government in power needed a boost... a recharge to please voters. The speech "A Balanced Plan to Build Ontario Up for Everyone," focused on providing financial relief to Ontarians dealing with rising electricity costs. The massive discontent among residents and businesses on hydro rates has been growing thus the government committed to reducing hydro bills by 8% starting in January 2017 through an 8% HST rebate.

Operators have been reminding us that currently most businesses take advantage of the HST input credit initiated in 2010 thus this 8% announced rebate will not have impact.

The source of much discontent and confusion with monthly hydro bills is what's called the "Global Adjustment". As you know the **Global Adjustment (GA)** charge accounts for the difference between the market price and the rates paid to regulated and contracted generators and for conservation and demand management programs. Government decisions to phase out coal-fired generation, to invest in natural gas replacement generators, to extend the lives of the nuclear fleet and to invest heavily in renewable energy makes sense for the future of Ontario but the pace of implementation—and the impacts on customers' bills—have certainly generated much controversy and many concerns. These expenses make up the GA and it is these expenses that the business community is feeling the pinch. **The ORHMA calculates the GA portion of an average hospitality business hydro bill at around 65%.**

The other 35% portion of the expense can be supported (with some conditions) through bulk energy purchasing, retrofits and conservation methods but it's tough to take advantage of incentive programs as Ontario's hospitality industry is operating at full throttle during peak periods including breakfast and dinner service and with guests using these times to check in and out of hotels stimulating high energy demand. We welcome the recent expansion of the Industrial Conservation Initiative (ICI) incentive program which rewards shifting energy use from peak to



off-peak periods. The announced change would extend the program to the hospitality sector but only those customers with an average peak demand of 1000 kW or greater. Our concern is that the program will not benefit our many members that use less than that amount.

The large share of the hotels and restaurants are made up of small and mid-sized businesses many operating with razor thin margins. These businesses have been facing ongoing tough times. The hotel margins reached a 50% reduction since the year 2000 and restaurants operate 2% less in pre-tax profit margins than the national average and less than any other province. It's not about revenue growth anymore as much as it's about the pressures on the expense lines stemming from rising labour costs, food commodities price increases and exorbitant energy costs.

"It's tough to invest and operate a hospitality business in Ontario", is something we continually hear from operators and investors. The recent energy reduction announcement is positive, but, again, only for some. Many of us in the hospitality industry feel as if once again our needs have been overlooked. We ask your government for fairness and we ask for real support in reducing the industry's energy costs.

We look forward to hearing further from you on this matter as hydro costs are a great concern for all our members across Ontario.

Yours truly,

A handwritten signature in black ink, appearing to read "Elenis", is positioned above the typed name and title.

Tony Elenis
President & CEO
Ontario Restaurant Hotel & Motel Association
2600 Skymark Avenue Suite 8-201
Mississauga, ON L4W 5B2

cc: Premier Wynne