

LAS Electricity Program FREQUENTLY ASKED QUESTIONS

General

Is my municipality too small to be in the program?

No municipality is too small to be involved in this LAS program. The savings opportunity, however, will be proportionate to the amount of electricity consumed by your municipality.

My municipality owns the local electricity distributor (LDC). If I join the program will it hurt the LDC's revenue?

No. In essence your LDC is an electron transportation company. Your LDC makes their revenue by charging a distribution rate to each customer they service. Your LDC will still be the distributor and will still charge their rates regardless of who you purchase electricity from. The LDC bills you for the energy that is delivered but they make no revenue from the energy itself. The LAS Electricity Program only impacts the commodity portion of your bill, which your LDC has no control over.

If we purchase electricity through the LAS program, can we choose to enroll only some of our electricity accounts in the LAS program?

You can enroll as many or as few accounts as you like through the LAS program. You can also choose to leave smaller accounts on regulated pricing if desired. The aim of the LAS program is complete flexibility. You can also enroll your street lighting accounts independent of your other municipal accounts as a first step to joining the program.

Current / "Default" Electricity Rates

How am I being billed currently?

Municipal accounts receive electricity pricing through the Ontario government's Regulated Price Plan (RPP) for accounts that consume less than 250,000kWh annually. The RPP is comprised of two different pricing structures that are applied to these accounts depending on whether or not Smart Meters have been installed for the account.

- a) Those accounts without Smart Meters are billed at RPP-tiered rates
 - b) Those accounts with Smart Meters are billed at Time-of-Use rates
- More information about the Regulated Price Plan (RPP) and Time-of-Use (TOU) can be found at the [Ontario Energy Board \(OEB\)](#) website.

What is RPP-Tiered pricing and what are the rates?

For municipal accounts without smart meters, all accounts are billed under the RPP's two-tiered pricing structure (referred herein as RPP-tiered). The lower level rate is applicable to the first 750 kWh of usage on an account, whereas the remaining usage is charged the higher level rate. This pricing structure is also applicable to most streetlight accounts.

What is Time-of-Use pricing and what are the rates?

Municipal accounts using Smart Meters that consume less than 250,000kWh annually are also billed under regulated rates, however, rather than being billed in the RPP-tiered structure, these accounts are billed under Time-of-Use (TOU) rates.

How does my municipality get away from the province's Regulated Price Plan rates?

Municipalities can leave the RPP in one of two ways:

- a) By installing an interval meter and requesting spot market pricing from your LDC
- b) By signing a contract with an Ontario electricity retailer such as LAS

Currently municipalities who choose to leave the RPP/TOU pricing will receive a one-time settlement from the Province for each account, based on historic consumption – this is known as the RPP Variance Settlement.

LAS Rates and Fees

Where does the LAS electricity commodity price appear on my bill?

The LAS charge appears as an 'Energy Charge' on your LDC bill and is presented as a total \$ value. The price you pay per kWh will, however vary month-to-month based on the hedge level selected by your municipality. The 'real rate' will fluctuate based on the unhedged portion of your electricity consumption, which falls at spot market rates and varies from month-to-month. All electricity purchases made through a retailer are also subject to the Global Adjustment charge, which also varies from month-to-month.

What is the Global Adjustment?

The Global Adjustment, or GA, reflects the difference between the spot market price for power (i.e. the Hourly Ontario Electricity Price - HOEP) and the cost to produce power (i.e. contracted or regulated generator costs and demand management projects). This cost varies monthly and is heavily influenced by electricity supply, demand, and weather.

The GA is charged directly on your utility bill and is not determined by LAS. If you have a contract with an electricity retailer, or have large volume accounts consuming more than 250,000kWh annually that are billed at spot market rates, the GA is a part of your monthly LDC invoice.

The net effect of the average GA is considered in all of LAS' electricity purchasing decisions. More information about the Global Adjustment can be found on the IESO website.

What is a hedge?

Commodity hedging, such as in the purchase of electricity, is a forward purchase intended to offset risks arising from future fluctuations in energy market pricing. It can best be thought of as insurance. A hedge can provide security from negative events, in this case rising electricity costs.

Does the program allow for flexible hedge levels?

Yes. LAS allows for a maximum hedge level of 75% of total consumption, but the hedge level is completely customizable for any member, and many member hedge lesser levels with LAS. A lower hedge level will increase overall exposure to spot market prices, which can provide additional savings when spot market prices are low. However, a lower hedge amount can result in month-to-month commodity price fluctuation and municipalities choosing this path may find themselves paying a premium some months for their electricity.

Can a municipality choose a unique hedging strategy?

Program flexibility is a key point of the program as LAS develops a unique hedging strategy for each member based on the municipality's desired hedge level. If a municipality has a more sophisticated energy management strategy and prefers a unique blocking approach for certain account types (i.e. interval meter accounts), this can be accommodated through the program.

What is the program fee?

The total program fees are \$1.50 per MWH of hedged electricity – this equates to 0.15 cents/kWh for hedged electricity. This fee covers both program management and billing/settlement. Note that there is no fee charged for un-hedged electricity (i.e. all spot market exposure). However, a minimum of 20% hedge is required to avoid additional fees. For accounts billing at 100% spot market rates, only a monthly fee of \$10/account is charged.

Under the LAS program streetlight accounts are billed at 100% spot market rates. For this service there is a charge of \$6/month for each streetlight account (not each streetlight fixture). This fee is \$10 per account/month if a municipality does not have any other accounts enrolled with LAS.

What is the program fee used for?

The LAS fee covers overall program management and administration services, contract development and administration, and all billing activities.

How can I make the right decision for my municipality if I do not know the exact price of electricity when I sign up?

To demonstrate the value of this procurement program you can review the pricing forecasts available for LAS' current purchasing groups, or have a savings analysis completed by LAS. After you have enrolled in the program and approved your hedging strategy, LAS will regularly communicate with members to ensure you are informed of the program strategy and the prevailing market conditions as we look to take electricity tenders to market.

Billing and Settlement

How do my accounts bill?

Each electricity purchase completed by LAS includes a monthly hedge amount for each program member. The hedge amount is determined based on the current load profile for each program member and the desired hedge level chosen by that member.

For each billing period your hedge is applied against the actual kWh usage for all enrolled accounts as the usage amounts for each account are received from your LDC. All 'excess energy' – usage above the hedge amount applied to each account - is settled at the prevailing spot market rates for the billing period. The sum of these two amounts is placed on your LDC bill as the 'energy charge'.

How will the program cost be presented on my monthly LDC invoice?

Should your municipality join the LAS Electricity Program it will continue to receive bills from your LDC (e.g. Hydro One). Program members will see the LAS energy cost presented as a single line item on the bill, noted as "Energy Charge" or "Electricity." This charge will include the total cost of the apportioned electricity hedge for that account plus additional consumption as billed at the spot market rate. LAS' name will be noted somewhere on the LDC invoice as well to show that we are the Retailer for the account.

To back up the energy charge on your LDC invoice, LAS provides members with a monthly Excel summary of all billed accounts for the previous month and the components of each part of the LAS charge for the month.

What happens if one of my accounts does not use any electricity (kWh) in a month?

The hedge is apportioned across your other accounts. Because of the "dynamic load sharing" employed by the LAS program, if an account (i.e. a seasonal account) has no usage it will not receive any hedge and as such will not receive a commodity charge. The exception to this rule is streetlight accounts, because these accounts have static usage each billing cycle.

Program Management

Who is the licensed Energy Retailer that administers the LAS Program?

LAS is a licensed Electricity Retailer in the province of Ontario and administers its own program.

Why is the procurement strategy for the LAS program completed at the aggregate level and not at the level of each individual municipality?

The program buying strategy focuses on the aggregate profile of all enrolled members to leverage the purchasing strength of the entire group. Each member has a share of each hedge purchase that reflects their specific energy needs.

Are all supply tenders conducted as competitive bids?

Yes, LAS has pre-qualified multiple suppliers. These suppliers all meet LAS' requirements and are willing to work with LAS as agent for all enrolled municipal program members. When LAS completes a member purchase it will be a bid process for the pre-qualified suppliers.

Enrollment and Participation

What steps are involved in becoming a part of the LAS Program?

a) Consumption Data & Free Electricity Analysis:

With your most recent O. Reg. 397/11 information LAS can determine how much electricity your municipality uses in a one-year period. LAS uses this data to determine the load requirement for your municipality in a purchasing tender. That data is inputted into an analysis template that compares pricing for a recent 12-month period of regulated pricing to LAS pricing for your various account types (i.e. facility accounts, streetlight accounts). Once completed the analysis is provided to the municipality for their information / records. There is no obligation to join the LAS Electricity Program should you have an electricity analysis completed, and the analysis itself is free.

b) Program Approval:

Receive Council approval in the form of a By-law or Resolution, or demonstrate delegated staff authority to execute the Agency Agreement with LAS. The municipality then confirms the list of accounts to be enrolled in the program. Samples of a by-law/resolution, Agency Agreement, and a staff report are available for download from the LAS Electricity page.

c) Enrollment

LAS will enroll your streetlight accounts on the spot market (if applicable) and will include your total volume requirements in our next purchasing group. Once we have an adequate amount of enrolled volume we will advise members and conduct a tender for electricity supply.

What is the term of the agreement with LAS?

The term of the agreement between a municipality and LAS is initially for two years. The agreement contains an 'evergreen' clause, meaning that if you do not advise LAS that you would like to cancel your participation in the program, we will assume that you plan to move forward with subsequent purchases until the municipality advises LAS they intend to end participation in the program.

If you choose to leave the program, your municipality will be responsible for any electricity contract that LAS has purchased on your behalf, but from the date you provide notice we will not include your municipality in any future electricity purchases.

LAS will communicate with each program member prior to each electricity tender to ensure that your hedge level and roster of enrolled accounts are still accurate.

What is the term of LAS program purchases?

The term of our purchases cannot be determined until we assess pricing available in the marketplace for each purchasing group. The Agency Agreement identifies a two-year term so LAS would not look at any purchase for a longer term than that. In the past LAS Purchases have typically been for 12-month terms spanning a calendar year (i.e. January 1 – December 31).

Does LAS revise each member's load profile prior to new program tenders?

Yes. LAS reviews each member's load profile on an annual basis, and adjust the monthly hedge levels to the desired monthly hedge level.

When must my municipality enroll by?

You can enroll in the LAS program at any time. However, participation in a 'hedge' does not commence until January 1st of the following year. Prior to participating in the hedge, municipalities are able to enroll their accounts on the spot market to realize some cost savings while they wait for the next hedge.