



Thinking
beyond
the box

Stewardship Ontario

Overview of Stewardship Ontario's 2014 Annual True Up (run in Q2 2015)

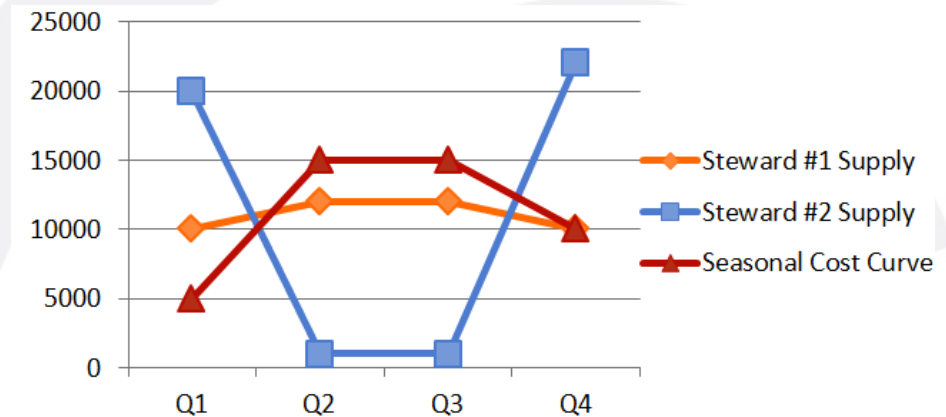
June 29, 2015

Overview:

- Recap
 - Review rationale for ATU
- Program Cost Variability
 - How fluctuating sales and cost cycles affect the SSA throughout the year
- True-up Process
 - Information on how the true-up is calculated
- Timing
 - Timing details on when invoices will be issued and credits will be posted to accounts for future use

Recap

- With the introduction of Ontario Regulation 11/12 in February 2012, Stewardship Ontario (SO) was directed to change the methodology for charging fees to MHSW stewards.
- As a result, SO is no longer able to publish an annual fee schedule, and now recovers actual costs incurred in each quarter calculating each stewards' share assessment (SSA) based on tonnage reported.
- This can result in quarterly invoices being affected by quarterly variations in steward sales and SO supply chain cost cycles.
- These cycles can result in SSA's being disproportionately high for some and disproportionately low for others.



- To address this issue, the MHSW Rules for stewards allow for an annual true-up of steward accounts.
- The first ATU was run by Stewardship Ontario in 2013 (related to 2012 reports)
- All communications related to that ATU can be found at:

<http://stewardshipontario.ca/engagement/information-sessions-2/> (Information Sessions, April 9, 2013, Annual True Up Information Webinar)

Program Cost Variability

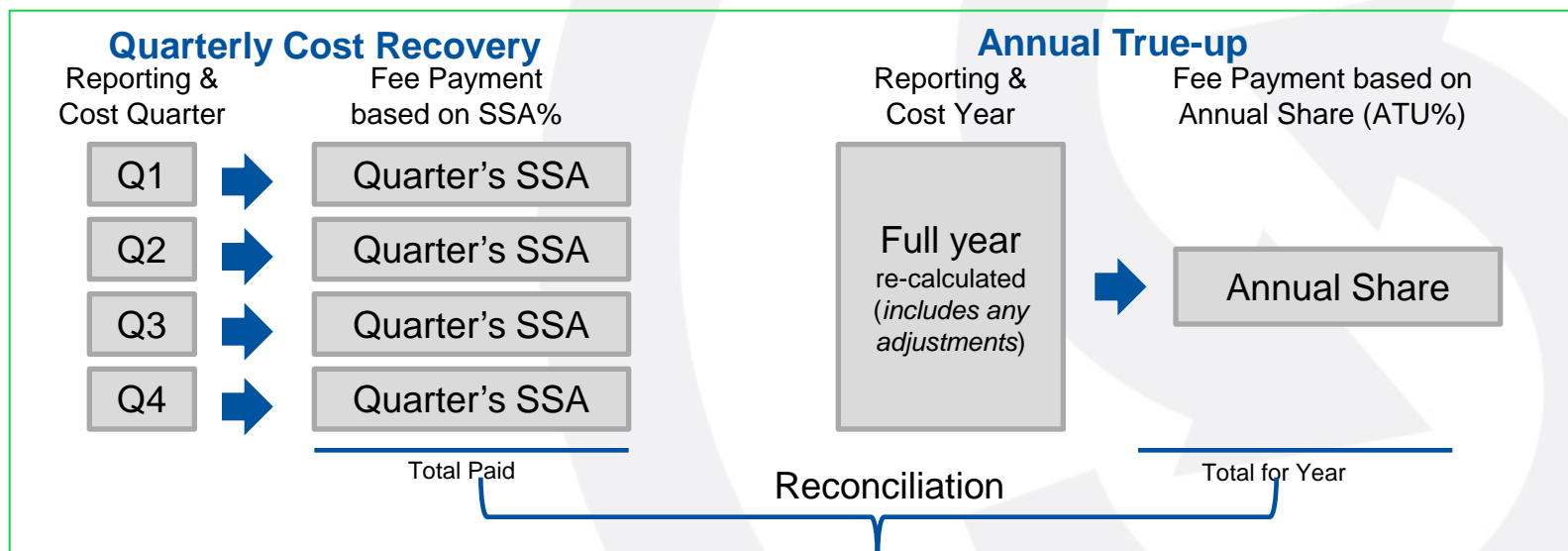
- Program cost curves
 - Over the course of four quarters, program costs by material can have a different curve for several reasons such as:
 - Seasonality of waste generation
 - Seasonality of collection
- Cost variances (when compared to budget)
 - Over the course of four quarters, the actual year-to-date costs may be different to the budget (which is set at the beginning of the year). This is due to e.g.:
 - Timing of service provider costs vs. quarter close periods
 - Timing of Promotion and Education (P&E) activities within the year
 - Unplanned regulatory costs - for example 2012 had two Minister letters and one new regulation
 - Other unplanned expenses in common or material management costs to react to performance against target and other obligations

True-up Process



Stewardship Ontario

- The true-up recalculates stewards' fees based on the total of all four reports submitted in 2014, including adjustments related to the 2014 year:
 - Q1 Report (Q4 data, Q1 costs, Q2 invoice)
 - Q2 Report (Q1 data, Q2 costs, Q3 invoice)
 - Q3 Report (Q2 data, Q3 costs, Q4 invoice)
 - Q4 Report (Q3 data, Q4 costs, Q1 invoice)
- Credits or debits are applied as necessary to ensure that on an annual basis each steward pays their proportionate share of costs regardless of the relationship between their quarterly sales share, supply and the program's quarterly costs
- The annual true-up process is expected to affect the majority of MHSW stewards. Some stewards may be eligible for a future credit to their account, while some may be invoiced for additional fees owed.



Timing Details

- The 2014 annual true-up credits and debits will be issued on **June 30, 2015**
- Stewards will receive an invoice via email that will represent the net impact of the ATU for the material(s) they reported on throughout 2014
- The SDR (Submission Detail Report) for the ATU will also be available on the portal for your review
- For stewards who report multiple materials, the SDR will have detailed information for each material
- Some stewards may be eligible for a credit, while some may be invoiced for additional fees owed
- Invoice timing: payment will be due in 30 days
- Credit timing: credits will be accessible immediately

Sample Submission Detail Report

Single Use Dry Cell Batteries

Reported By Steward	Document	Reporting Status	Your SSA Qty	Total Program Quantity	UOM	Your SSA %	Quarterly Material Category Cost	Your Amount Owing
John Smith Ltd.	Sales Order #001	Reg. 11/12 Transition	10,000.000	2,500,000.00	KG	0.400%	\$ 1,000,00.00	\$ 4,000.00
John Smith Ltd.	Sales Order #002	Q2 Report Submitted	15,000.000	3,000,000.00	KG	0.500%	\$ 1,500,000.00	\$ 7,500.00
John Smith Ltd.	Sales Order #003	Q3 Report Submitted	20,000.000	4,000,000.00	KG	0.500%	\$ 3,000,000.00	\$ 15,000.00
John Smith Ltd.	Sales Order #003	Q4 Report Submitted	35,000.000	6,000,000.00	KG	0.583%	\$ 3,500,000.00	\$ 20,416.67
Total Material Category			80,000.000	15,500,000.00	KG		\$9,000,000.00	\$ 46,916.67

Annual True Up - Single Use Dry Cell Batteries	
Your Total Quantities reported	80,000.000
Total Quantities reported by all Stewards	15,500,000.000
Your ATU% when calculated on full year (i.e., Annual Share)	0.516%
Total Annual Cost for this Material Group	\$ 9,000,000.00
Your Amount Once Trued Up	\$ 46,451.61
Amount Invoiced To Date	\$ 46,916.67
Amount Owing	
Amount Credited	\$ (465.05)

Your ATU% is calculated by dividing **Your Total Quantities reported** by **Total Quantities reported by all Stewards** (80,000/15,500,000 resulting in an ATU% of 0.516%)

Your ATU% is then multiplied by the **Total Annual Costs for this Material Group** (\$9,000,000)

This results in **Your Amount Once Trued Up** of **\$46,451.61**

This is then subtracted from the Amount Invoiced to Date (46,916.67), which results in a credit of **\$465.05**