



November 8, 2018

Export Development Canada
Legislative Review Team 2018

Re: EDC Legislative Review 2018

Summitt Energy is a privately held Canadian company established in 2006 which operates in the retail energy marketplace. The company's origins are in the deregulation of Ontario's natural gas and electricity. Expansion within Canada in Quebec and British Columbia provided the company with a solid base of customers and a strong understanding of the various energy deregulation models. In 2011, the company had an opportunity to invest in a privately held start up in New York City that operated under a similar business model to that of Summitt Energy. Further expansion in the US from 2012-today has resulted in substantial growth such that, currently, approximately 80% of the company's customer base is located in the US.

The retail energy industry in the US is a highly competitive environment. An energy marketer/retailer interested in providing services to customers in a given state must be licensed by that state's energy regulatory authority. As part of this licensing, financial collateral requirements must be met, which can range from US\$50,000 to in excess of a million dollars. Following receipt of a license, a marketer must apply to transact with a utility which generally also requires financial collateral. In the natural gas market, further collateral requirements may be needed to establish the necessary pipeline capacity to move the natural gas from the producer to the utility to supply Summitt's customers.

Simply put, the financial collateral hurdles can become onerous when dealing with multiple utilities in a single state and even more pipelines.

Summitt Energy's first attempts at securing the needed collateral, which in some cases must be provided in the form of a letter of credit, received only negative feedback from the company's Canadian bank, RBC, with whom it had banked since inception.

In the winter of 2015, a senior staff member of the company suggested that management inquire about EDC's services to assist with the letter of credit needs for the company's growth. At that time, significant amounts of cash were already tied up in deposits. In a growth phase, this was not an ideal use of the company's cash especially when there was no expectation of the cash being returned to the company in the foreseeable future.

Through discussions with EDC, Summitt was able to obtain an initial Account Performance Security Guarantee (PSG) in support of Summitt's US growth. Interestingly, this was deemed insufficient assurance by Summitt's Canadian bank, RBC, who refused to approve a letter of credit facility for the company. EDC introduced Summitt to a local bank manager at HSBC who agreed to establish the needed letter of credit facility. In time, Summitt moved its primary banking relationship away from its unsupportive banker to HSBC.

The PSG facility has allowed Summitt to grow its business in the US such that it is now a North American leader in the retail energy industry. Without the ongoing support of EDC, the company would not be as successful as it is today in just three years. EDC has taken the time to understand Summitt's industry, business and strategy for growth and become a real business partner to the company.

Another area that has been discussed with EDC is its Commercial Accounts Receivable Insurance product. It is expected that further analysis and discussions will be ongoing to assist the company in mitigating against risks related to commercial customer default. In a highly competitive marketplace, with slim margins on commercial contracts, management is always looking for ways to ensure that it does not suffer a financial setback as a result of commercial customer delinquency.

In relation to EDC's themes and mandates, we are not able to address all nine areas however, we do provide the following perspectives relative to the above support that Summitt Energy has received from EDC over the past 3 years:

Theme 1: EDC's complementary role with the domestic private sector

It is our view that EDC provides a very valuable product base to support private companies such as Summitt Energy which is not able to access the financial services and supports required to expand beyond Canada's borders. The Canadian banking system made it abundantly clear that they would not provide the needed credit facilities as Summitt Energy grew and expanded within its borders and outside.

Theme 3: Meeting Canada's evolving business needs

Theme 4: Role of EDC in the changing global context

These two themes are very interrelated. Summitt Energy found a true business partner in EDC in 2015. Its support has enabled the company to expand without tying up cash and other assets to allow it to enter new markets while effectively meeting those markets' financial collateral requirements. Should the company have been constrained by having to make cash deposits for all collateral requirements, its expansion would have been limited to, at most, two states within the US. Instead, it has been able to expand into 8 states with more than one brand and become a market leader in the US. As we move forward, whether in the US or in other countries in which energy deregulation is in place, such as England, Mexico, Japan and Germany, Summitt Energy knows that it will have the support of EDC. Ongoing communication between the company and EDC allows for that continued partnership which is built on trust and support as well as new ideas for other services and products offered by EDC.

Theme 5: Corporate Social Responsibility and Human Rights

Summitt Energy's own corporate social responsibility and desire to be a good corporate citizen within the communities in which it operates aligns it well with this EDC mandate. Summitt Energy actively participates in regulatory activities which further the addition of value-added products such as its green initiatives in all US markets. Summitt Energy also, through its US growth, has provided jobs to more than 200 individuals who, through third party agencies, sell its products.

We appreciate the opportunity to address how EDC has assisted our private company to grow and expand in the US markets. As a privately held company operating in a highly competitive industry, it is comforting to know that EDC is supporting us, and actively playing a role, to offer products and services conceived in Canada from our Mississauga-based head office and providing them to our ever-growing customer base in the US.

Yours very sincerely,



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Chief Financial Officer