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Power Smart Home Loan Pilot Program: Mid-term Pilot Update for the Ministry of Energy and Mines Part II

BC Hydro Power Smart

December 12, 2013



Agenda for Discussion

- Review key questions/follow-up items from last meeting
- Ministry Objectives
- Additional Program Cost Information and Forecast
- Alternative Program Options – High level review and potential costs
- Next Steps and Decision Points

Background – PSHL Pilot

- 2 year on-bill financing pilot.
- Initiated by Provincial regulation in May 2011 followed by expanded regulation in April 2013.
- Pilot launched Nov 1, 2014 in City of Colwood.
- Expanding to Vancouver Island Jan 1, 2014.
- Program Overview:
 - Electrically heated single family homes.
 - Insulation, Air Sealing, Heating, DHW, Windows
 - Loan terms of 4-4.5% over 5-10 years.
 - Up to \$10K

Ministry Objectives

8Chydro 
powersmart

- For discussion...

Key questions arising from last meeting

- Q1 - Current pilot costs
 - Why are the lifetime costs so expensive? Key drivers
 - How can we reduce current pilot program costs? Any options?
 - What are our sunk costs if we cancel the pilot early?
- Q2 - Provincial Program rollout
 - Can we provide bookends for potential costs and uptake?
 - Are there any scenarios where the loan program 'makes sense' from a utility cost/benefit perspective?
- Q3 - Alternative Program Models
 - Are there other program models that might provide some similar benefits to the current offer with reduced costs?
 - What are the potential trade-offs with alternative models?
 - How quickly could we implement an alternative model?

Q1: Current pilot program costs

- Why are the lifetime costs so expensive? Key drivers
 - Current Admin Contractor costs are very high: > \$2000/ln/yr
 - Manual processes are required. BCH has no automated loan systems.
 - Every month, each loan is manually reviewed and adjusted if necessary.
 - Requirements are sig. more complex than basic incentive programs.
 - Ave loan application processing time currently 1-1.5 days total.
 - Loan volume is projected to be low (3% of eligible homes)
 - Fixed costs high relative to loans (labour, advertising, training)
 - Lifetime costs breakdown (%)
 - Internal labour - 21%
 - Advertising - 13%
 - Other fixed (initial set-up, training, etc) - 23%
 - Loan application and maintenance - 43%

Q1: Current pilot program costs

- How can we reduce current pilot program costs?
 - Same program and admin. model w/ potential cost efficiencies
 - Potential savings: \$481K (\$145K fixed, \$336K variable admin)
 - Impact: Lifetime costs still exceed \$1.2 M (for 60 loans)
- What are our sunk costs if we cancel the pilot early?
 - Costs to Date (end Nov): \$ 382K (F13 and F14)
 - Projected Lifetime Costs if we cut-off program as of...
 - End Dec – \$403K (\$392K plus \$11K ongoing maint)*, 2 loans
 - End Mar - \$633K (\$523K plus \$105K ongoing maint)*, 20 loans
- Other Options?

*Assumes some cost reductions in loan application and maint from actual to date

Q2 - Provincial Program rollout

- Can we provide bookends for potential costs and uptake?

Option	Summary	Potential Uptake (Low-High)	NPV (low volume)	NPV (High Volume)
Current Approach	ABS admin., manual process	130 - 390	(\$2,600,000)	(\$4,300,000)
BCH operations & ABS	Tech BCH ABS billing	130 – 390	(\$2,400,000)	(\$3,700,000)
BCH Operations	SAP upgrade BCH internal	130 – 390	\$1,200,000	\$8,700,000
Manitoba		130 – 390		\$9,800,000

*Cost assumptions: Average loan amort 7yrs, discount 7%, excludes sunk pilot costs to date

**Benefit assumptions: Gross savings 3968 kWh/yr, Persistence 18 yrs, NO freerider or other reductions to gross savings. time discount for energy 5%. avoided costs - current planning

Q2 - Provincial Program rollout

■ Cost assumptions

Option	Summary	Application (/loan)	Maintenance (/loan/year)	Comments
Current Approach	ABS admin., manual process	\$536	\$804	Improved on current 2 loan performance
BCH operations & ABS	Tech BCH ABS billing	\$135 (BCH) \$178 (ABS)	\$804	BCH - Based on preliminary internal estimate, ABS costs based on above
BCH Operations	SAP upgrade BCH internal	\$135	\$10	BCH - Based on preliminary internal estimate, no SAP data entry costs Excludes BCH staff time and resources to impl SAP upgrade
Manitoba		\$80	\$10	\$80-\$200

Q2 - Provincial Program rollout

- Key Break Even Points/Sensitivity
- Option 2
 - Maintenance cost
 - Low volume \$360
 - Hi Volume \$570
- CAVEAT - Results are very sensitive to changes to...
 - Program variable costs (loan appl and maint)
 - BCH avoided costs stream
 - Energy savings

Q3 - Alternative Program Models

- Are there other program models that might provide some similar benefits to the current offer with reduced costs?
 - Partnership with third party lenders
 - Option 1 – Off bill, lender fully or partly admin program as per current offer and program requirements
 - E.g. CoV HELP, MassSave
 - Option 2 – Off bill, co-promotion agreements with lenders who offer loan products meeting min. EE requirements
 - Option 3 – On bill collection, off bill financing
 - E.g. Clean Energy Works Oregon
 - Other?
- What are the potential trade-offs with alternative models?
- How quickly could we implement an alternative model?

Conclusion and Next Steps

- Additional follow-up required?
- Next Steps
- Decisions

From: Warren, Mark [mailto:Mark.Warren@fortisbc.com]
Sent: Monday, December 16, 2013 11:16 AM
To: Muncaster, Katherine MEM:EX; Smith, Sarah (FortisBC Gas)
Cc: Wieringa, Paul MEM:EX
Subject: Re: On-bill financing!

I will call soon, but I know that Sarah and I are both in favour of an orderly shutdown of our on-bill financing program due to the low participation and high cost.

Mark

From: Muncaster, Katherine MEM:EX
Sent: Monday, December 16, 2013 10:35 AM
To: Smith, Sarah (FortisBC Gas); Warren, Mark
Cc: Wieringa, Paul MEM:EX
Subject: On-bill financing!

Sarah and Mark,

After some intensive briefing with BC Hydro over the last 2 weeks, staff have decided to recommend to the Minister that the Vancouver Island pilot, in its current form, be put on hold—ie no January launch. We are concerned about the pilot's cost and its lack of contribution to the longer term system requirements for an on-bill financing scheme. In place we will recommend exploring pilot options for an alternative financing models, such as a third-party partnership, that might fulfill some of the same objectives at a lower cost.

I understand you've had some of the same challenges as BC Hydro, so we need to decide whether your pilots should proceed as planned or also be put on hold.

Please call me as soon as you are able, to discuss, hopefully this morning. Thanks.

Katherine

*Katherine Muncaster <> A/Director, Energy Efficiency Group <> Electricity and Alternative Energy Division
BC Ministry of Energy and Mines <> Email: Katherine.Muncaster@gov.bc.ca <> Tel: (250) 952-0154*

From: Warren, Mark [mailto:Mark.Warren@fortisbc.com]
Sent: Monday, December 16, 2013 11:29 AM
To: Muncaster, Katherine MEM:EX; Wieringa, Paul MEM:EX
Subject: Fw: FBC internal brief re: finance programs

May be helpful background.

Mark

From: Suhan, Carol
Sent: Friday, December 13, 2013 4:34 PM
To: Jim Nelson; Smith, Sarah (FortisBC Gas)
Cc: Margo Longland (margo.longland@bchydro.com); Ringdahl, Beth (FortisBC Gas); Warren, Mark
Subject: FBC internal brief re: finance programs

Hi,

Mark thought you would find this interesting. If you have any questions, please shout.

Carol

Carol Suhan, MBA PR

Manager, PowerSense Service

FortisBC Inc
Suite 100, 1975 Springfield Road
Kelowna BC V1Y 7V7
Ph: (250) 469-8116 Fax: 1-866-530-2966
carol.suhan@fortisbc.com

www.fortisbc.com

From: Warren, Mark [mailto:Mark.Warren@fortisbc.com]
Sent: Tuesday, December 17, 2013 11:37 AM
To: Muncaster, Katherine MEM:EX
Cc: Suhan, Carol; Smith, Sarah (FortisBC Gas)
Subject: RE: On-bill financing!

For the electric side, three months. For the gas side, 12-18 months (due to significant SAP work).

From: Muncaster, Katherine MEM:EX [mailto:Katherine.Muncaster@gov.bc.ca]
Sent: December-17-13 11:35 AM
To: Warren, Mark
Cc: Suhan, Carol; Smith, Sarah (FortisBC Gas)
Subject: RE: On-bill financing!

If the province decided to go ahead with on-bill financing but skip to province wide rollout, how long would that take to get up and running?

*Katherine Muncaster <> A/Director, Energy Efficiency Group <> Electricity and Alternative Energy Division
BC Ministry of Energy and Mines <> Email: Katherine.Muncaster@gov.bc.ca <> Tel: (250) 952-0154*

From: Warren, Mark [mailto:Mark.Warren@fortisbc.com]
Sent: Tuesday, December 17, 2013 10:56 AM
To: Muncaster, Katherine MEM:EX
Cc: Suhan, Carol; Smith, Sarah (FortisBC Gas)
Subject: RE: On-bill financing!

What I meant was that an ongoing OBF program that covered the shared electric/gas service territory would cost approximately \$100K per year to operate (primarily for advertising and internal labour related to processing applications and queries). So this cost is higher than it would be for a program in the pilot area only (roughly twice as much).

With respect to the \$5K, it is the annual cost for the life of the loans to maintain the few customers we have already approved and expect to approve. It does not include costs related to adding more customers or any advertising of the program (although it would not change materially if a few more customers were added before the end of the year).

From: Muncaster, Katherine MEM:EX [mailto:Katherine.Muncaster@gov.bc.ca]
Sent: December-17-13 10:50 AM
To: Warren, Mark
Cc: Suhan, Carol
Subject: RE: On-bill financing!

When you say avoided cost is \$100,000 annually does that mean that that a 1-year pilot will cost \$100,000 total, or that it will cost \$100k each year that those loans exist (eg \$100k x 10 yrs = \$1M). Is the existing participant cost of \$5k/yr also to be multiplied by the life of the loan eg \$5k x 10 yr = \$50k? And would this same cost be applicable to any new participants for the Kelowna pilot?

*Katherine Muncaster <> A/Director, Energy Efficiency Group <> Electricity and Alternative Energy Division
BC Ministry of Energy and Mines <> Email: Katherine.Muncaster@gov.bc.ca <> Tel: (250) 952-0154*

From: Warren, Mark [<mailto:Mark.Warren@fortisbc.com>]
Sent: Monday, December 16, 2013 12:36 PM
To: Muncaster, Katherine MEM:EX; Smith, Sarah (FortisBC Gas)
Cc: Wieringa, Paul MEM:EX
Subject: Re: On-bill financing!

Further to the information I provided:

- sunk costs are approximately \$155,000
 - ongoing avoided costs are approximately \$100,000 annually for a program throughout the electric service territory and MUCH higher if it were extended throughout the province for all Gas customers.
 - ongoing costs for existing participants is about \$5,000 annually
 - five credit unions participated in the kootenay energy diets
 - getting all credit unions to participate is likely easy. Banks more difficult.
 - not sure how many 'new' customers the credit unions got, but there definitely were some.
- Waiting for more data.

Mark

From: Muncaster, Katherine MEM:EX
Sent: Monday, December 16, 2013 10:35 AM
To: Smith, Sarah (FortisBC Gas); Warren, Mark
Cc: Wieringa, Paul MEM:EX
Subject: On-bill financing!

Sarah and Mark,

After some intensive briefing with BC Hydro over the last 2 weeks, staff have decided to recommend to the Minister that the Vancouver Island pilot, in its current form, be put on hold—ie no January launch. We are concerned about the pilot's cost and its lack of contribution to the longer term system requirements for an on-bill financing scheme. In place we will recommend exploring pilot options for an alternative financing models, such as a third-party partnership, that might fulfill some of the same objectives at a lower cost.

I understand you've had some of the same challenges as BC Hydro, so we need to decide whether your pilots should proceed as planned or also be put on hold.

Please call me as soon as you are able, to discuss, hopefully this morning. Thanks.

Katherine

*Katherine Muncaster <> A/Director, Energy Efficiency Group <> Electricity and Alternative Energy Division
BC Ministry of Energy and Mines <> Email: Katherine.Muncaster@gov.bc.ca <> Tel: (250) 952-0154*

From: Wieringa, Paul MEM:EX
Sent: Monday, December 16, 2013 9:35 AM
To: Muncaster, Katherine MEM:EX
Subject: FW: On-bill financing call w BCH - Notes and Next steps

Let's make this into a BN for Decision for the minister.

Paul Wieringa
Executive Director
Electricity Policy and Regulations
Ministry of Energy and Mines
Telephone: 250-952-0651
Facsimile: 250-952-0258

From: Mosley, Timothy [<mailto:Timothy.Mosley@bchydro.com>]
Sent: Monday, December 16, 2013 8:51 AM
To: Muncaster, Katherine MEM:EX; Wieringa, Paul MEM:EX; Green, Dan L MEM:EX; Nowell, Rylan MEM:EX; Gosman, Nat MEM:EX
Cc: Hobson, Stephen; Longland, Margo; Nelson, Jim
Subject: On-bill financing call w BCH - Notes and Next steps

Dear all,

Here are our notes re the meeting last week.

General Meeting Notes:

- Ministry Objectives for On Bill Financing Pilot: In addition to the MEM objectives outlined in the previous meeting (which were more outcome oriented e.g. increasing EE upgrades), another MEM objective is to use the pilot as a dry run for Provincial offer. To test a format that would work from both a customer, logistical and financial perspective.
- BC Hydro presented additional details and analysis to explain current and forecast pilot program costs. While some potential cost efficiencies with the current model were identified, the cost structure of an improved non-SAP integrated pilot format would still outweigh the benefit stream.
- High level NPV analysis was presented for a Provincial program rollout for several cost and uptake scenarios. Results indicate that the only potentially cost effective option for a utility on-bill program would require very significant administrative cost reductions from the current model and an estimated

investment of \$1M for a SAP billing system upgrade. It was noted that the NPV analysis is very sensitive to the ongoing loan maintenance administrative costs, and energy savings assumptions.

Outcomes and Next Steps:

- MEM staff noted that they intend to recommend to the Minister that BC Hydro should immediately end the current on-bill financing pilot and not expand to Vancouver Island as planned on January 1st. This recommendation is based on the forecast lifetime pilot program costs and BC Hydro analysis indicating that the current program model is unlikely to be financially viable for a Provincial program.
- BC Hydro will await further notification on the outcome of the MEM briefing before any action is taken.
- MEM will work with BC Hydro and Fortis to define objectives and direction for a new financing pilot program for home energy upgrades. An improved pilot will need to identify lower program cost structures (potentially via partnerships with private lenders) and attempt to address other key barriers to program uptake (ease of application, accessibility to qualified contractors, awareness of aspects of the home in regards to its energy use, flexibility, dual fuel, contractor centric promotion).

Please can you confirm that this is a fair reflection of the discussion, and that we should await further confirmation of the MEM briefing outcome.

regards

Tim Mosley, Margo Longland

-----Original Appointment-----

From: Muncaster, Katherine MEM:EX [<mailto:Katherine.Muncaster@gov.bc.ca>]

Sent: 2013, December 03 12:23 PM

To: Muncaster, Katherine MEM:EX; Wieringa, Paul MEM:EX; Green, Dan L MEM:EX; Nowell, Rylan MEM:EX; Gosman, Nat MEM:EX; Mosley, Timothy; Hobson, Stephen; Longland, Margo; Nelson, Jim

Subject: On-bill financing call w BCH

When: 2013, December 12 12:00 PM-1:00 PM (UTC-08:00) Pacific Time (US & Canada).

Where: Teleconf / JDB Rm 3001

When: Thursday, December 12, 2013 12:00 PM-1:00 PM (GMT-08:00) Pacific Time (US & Canada).

Where: Teleconf / JDB Rm 3001

Note: The GMT offset above does not reflect daylight saving time adjustments.

~~*~*~*~*~*~*~*~*

Sorry about the lunchtime slot. Feel free to eat and talk.

Call in:

AUDIOCONFERENCE INFORMATION:

Dial-in Phone Numbers:

s.15,s.17 (Vancouver local)

s.15,s.17 (Toll Free - North America)

Participant Conference ID: 8987481 #

For assistance: conference@conf-centre.com / s.15,s.17

Tip: To mute or unmute yourself, press *6

• Step 1:

- Go to the following website: [s.15,s.17](#)

• Step 2:

- **Log in** (right hand side of the screen) by entering
- your first name
- last name
- email address
- The password (all in lower case) is: [s.15,s.17](#)

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MINISTRY OF ENERGY AND MINES

BRIEFING NOTE FOR DECISION

I PREPARED FOR: Honourable Bill Bennett, Minister of Energy and Mines

II ISSUE: On-Bill Financing Pilot Extension

III BACKGROUND:

On-bill financing (OBF) is a concept that aims to increase investment in energy efficiency retrofits by offering eligible homeowners financing with no down payment, then allowing them to pay it off on their utility bill over time. Homeowners have an option to transfer the outstanding loan obligation to the new buyer when the house is sold, if the buyer and seller consent.

With the termination of the federal ecoENERGY retrofit program funding on March 31, 2012, and the resulting completion of most provincial retrofit grant programs, other provinces are implementing OBF as their foundational residential energy retrofit program. Manitoba Hydro launched province-wide “pay-as-you-save” energy efficiency financing in November 2012. Ontario has recently announced that its province-wide OBF program will begin in 2015 as part of their ambitious energy conservation strategy.

British Columbia has been developing an OBF program since 2011 as a replacement to the popular LiveSmart Energy Efficiency Incentive Program, which is currently planned to close at the end of F2014. OBF implementation in British Columbia has required legislative changes to enable and direct the utilities to undertake such programs. The *Clean Energy Act* authorizes the Minister of Energy and Mines to require major utilities to offer a transferable OBF program to eligible customers, and to set program parameters for the financing offer. British Columbia has implemented OBF gradually at the utilities’ request, undertaking pilots in the City of Colwood (BC Hydro) and the Regional District of Okanagan-Similkameen (FortisBC) since November 2012, with pilot expansion to Vancouver Island and Kelowna, respectively, beginning January 1, 2014.

Uptake on the pilots has to date been poor (two participants in Colwood and two participants in South Okanagan with an additional six applications that have been pre-approved). Potential reasons include the small pilot area, an uncompetitive interest rate, restrictive eligibility criteria, and the energy audit required for entry. Results from a new BC Hydro survey of Vancouver Island also suggest that financing is not the primary obstacle to energy efficiency retrofits. This information, coupled with recent cost estimates on pilot expansion, has led Ministry staff to consider alternatives to the OBF model currently being piloted.

IV DISCUSSION:

BC Hydro has spent \$327,000 on the pilot to date. Low uptake prompted the Province to expand the pilot area to Vancouver Island starting January 1, 2014. BC Hydro chose to use a labour-intensive manual entry approach for the Vancouver Island OBF pilot. This decision (likely due to uncertainty as to the timing and direction for the Province-wide OBF program) means that the estimated lifetime costs for the Vancouver Island OBF pilot is

\$1.4 million (M) for an estimated 60 loans. High costs for pilots are not unusual, given the initial setup cost. However in this case, those expenditures will not contribute towards the cost of a provincial rollout. Provincial rollout would require an estimated \$1M investment in billing system upgrades in order to proceed, with subsequent costs likely to be more reasonable. BC Hydro is not in favour of proceeding with OBF due to its concerns about administrative costs and the value to customers.

FortisBC is also anxious to see plans for OBF change. While FortisBC Electric has a billing system that will allow for on-bill loan processing, FortisBC Gas does not. Provincial rollout to gas customers would require a systems investment of at least \$1M. However, the planned expansion of the pilot to Kelowna (to customers that have both gas and electric with FortisBC) will not require any upgrades to the system. The program is nevertheless administratively burdensome, with a high transaction cost per loan to date.

There are examples of successful and cost-effective OBF programs in other jurisdictions. Manitoba's OBF program is on target to meet its objectives after the first year of operation. It is unclear whether British Columbia utilities could replicate these results. If the Province wishes to proceed with this model, staff believe it would be more cost-effective to make the necessary system upgrades now, rather than put money towards costly temporary manual processing for pilots. However, BC Hydro estimates that it would take one to two years for a full provincial rollout. FortisBC estimates it would take up to 18 months. Ministry staff also recommend redesigning the program to address barriers to entry and improve contractor involvement.

BC Hydro staff believe that an alternative model using third-party financial institutions would be more cost-effective and equally successful. Although this model would lack some of the key features of the current model—it would not be on-bill, nor would it be transferable—it may achieve the final objective of facilitating retrofit investments. FortisBC tested the efficacy of a third-party financing model in a parallel pilot. In this program, PowerSense partnered with five credit unions to offer an identical loan structure to the OBF pilot, and was able to deliver the program at 12 percent of the administrative cost. Partnering institutions were very satisfied and keen to continue the partnership. Another benefit of this approach is that it could enable BC Hydro and FortisBC Gas to offer coordinated, multi-fuel financing using a common third-party financial institution (in regions outside of FortisBC's electricity service territory). There may also be a possibility for the utility to offer loan guarantees that would improve access to low-income customers and reduce the interest rate.

There are risks to proceeding with a third-party financing model. The cost to provide loan guarantees may be high, and it is unknown whether Province-wide partners can be found. No major jurisdiction in North America uses this model as the main platform to deliver residential energy retrofits. By contrast, the City of Vancouver's Home Energy Loan Program (HELP) used third-party financial institutions and had only six participants after two years in market, and closed operations as a result.

Utilities estimate that third party financing pilots for Vancouver Island and Kelowna could be up and running within three to six months, with 'something to announce' within two months. However, finding Province-wide financial partners may be challenging.

A third option is to work with utilities to redirect OBF funds towards continuation and/or enhancement of the popular and successful LiveSmart Efficiency Incentive Program. Incentive programs have to date proven more effective at encouraging home retrofits than financing has. Utilities are currently evaluating options for LiveSmart given the Province's withdrawal at the end of F2014. The prospect of a release from OBF obligations may provide the Province with the leverage required to gain a commitment from the utilities to continue the program.

Any one of these options—proceeding to system upgrades in preparation for provincial OBF rollout, adopting a third party model, or redirecting funds towards LiveSmart—will require the Province to put current plans for pilot expansion on hold. This would require that the Ministry immediately issue a letter allowing utilities to not fulfil the requirements of the OBF regulation, and to make plans to amend the current regulation.

A significant amount of Ministry effort and promotion has gone into the concept of OBF, including several press releases about the pilots and a commitment in the 2013 Estimates debate. Environmental groups, contractors, manufacturers of energy-efficient products and energy advisors want to see increased access to energy efficiency opportunities. There will be negative stakeholder reaction from these groups if the OBF pilots do not launch on January 1, 2014 and there is no viable alternative in place after the LiveSmart program closes on March 31, 2014. However, a change in course is likely to be accepted if the reasons are justified and an effective alternative is offered in a timely manner.

V RECOMMENDATION:

Ministry staff recommend that current plans to expand the OBF pilots be put on hold until other options can be explored with utilities, with a goal of having an alternative in place by March 31, 2014. Staff can work with Government Communications and Public Engagement to craft appropriate messaging to assure stakeholders that the Province continues to be committed to facilitating home energy retrofits and simply wishes to find the most effective avenue to meet this objective.

Approved / Not Approved

Honourable Bill Bennett
Minister of Energy and Mines

Date

DRAFTED BY:
Katherine Muncaster
250-952-0154

APPROVED BY:
Paul Wieringa, ED, EAED ✓
Les MacLaren, ADM, EAED ✓
Dave Nikolejsin, DM ____

From: MacLaren, Les MEM:EX

Sent: Monday, December 30, 2013 7:31 AM

To: 'joanna.sofield@bchdro.com'; 'Hobson, Stephen'; 'Nelson, Jim'; 'Smith, Sarah'; 'Warren, Mark'

Cc: Wieringa, Paul MEM:EX; Gosman, Nat MEM:EX; Muncaster, Katherine MEM:EX; McNeil, Kevin MEM:EX

Subject: On-bill financing expansions

Joanna, Steve, Jim, Sarah and Mark:

Sorry for the lateness of this message. We just received approval for this course of action over the weekend.

Based on low enrollment to date and costs recently identified, the Ministry does not expect BC Hydro and FortisBC to implement planned expansions of your on-bill financing pilots effective January 1, 2014.

Suspending these planned expansions will allow for further consultation between the Ministry, BC Hydro and FortisBC to develop alternative options, including potential changes to the regulation, for the Minister to consider later in January.

Hope you all are having a great holiday season.

Les MacLaren

Assistant Deputy Minister

Electricity and Alternative Energy Division

BC Ministry of Energy and Mines

Office: 250-952-0204

Cell: s.17

From: Muncaster, Katherine MEM:EX
Sent: Monday, January 20, 2014 10:26 AM
To: 'Mosley, Timothy'; 'Smith, Sarah'; 'Warren, Mark (FortisBC Electric)'
Cc: Wieringa, Paul MEM:EX
Subject: Minister on OBF

Hi Tim, Sarah and Warren,

The Minister was briefed again last week on OBF and confirmed his agreement that we should pause the pilots until we investigate our options. I will be in touch with you this week about next steps—probably a high-level meeting with our ADM.

In the meantime, we need you to be gathering as much info on alternatives as possible. The 3 alternatives being: 3rd party financing (what partners? Can we do province-wide? How would we tie in the audit and contractors? What terms are likely and how much would it cost to backup loans so that there is access for those with credit challenges, and/or backup to reduce interest rate? How quickly could this be up and running?); Province-wide rollout (what would the system upgrade cost and how quickly could it be done?); and repurposing funds from financing towards retrofit incentives (what would the most effective use of funds be?).

Katherine

*Katherine Muncaster <> A/Director, Energy Efficiency Branch <> Electricity and Alternative Energy Division
BC Ministry of Energy and Mines <> Email: Katherine.Muncaster@gov.bc.ca <> Tel: (250) 952-0154*

-----Original Message-----

From: Muncaster, Katherine MEM:EX
Sent: Monday, March 17, 2014 11:50 AM
To: Gosman, Nat MEM:EX; Wieringa, Paul MEM:EX
Subject: RE: BN 82972 On Bill Financing Pilot

I don't have a lot to report. I will put in some phone calls today to get more updates. Last I checked FBC electric was doing some exploration with the credit unions to explore the implications of an interest rate buydown. BCH was still at early stages talking with 3rd party financiers but needs more info from us on whether they can use the loan loss reserve fund (so I need to do some research). FortisBC gas has been pretty complacent given their recent deal with a bank to do financing. All of them seem willing to incorporate into HERO but this will take some time.

Katherine Muncaster <> Senior Policy Advisor, Energy Efficiency Branch <> Electricity and Alternative Energy Division BC Ministry of Energy and Mines <> Email: Katherine.Muncaster@gov.bc.ca <> Tel: (250) 952-0154

-----Original Message-----

From: Gosman, Nat MEM:EX
Sent: Monday, March 17, 2014 11:44 AM
To: Wieringa, Paul MEM:EX; Muncaster, Katherine MEM:EX
Subject: RE: BN 82972 On Bill Financing Pilot

We are still hammering out details with the utilities. Also looking to introduce financing as an option in the joint utility HERO program. Katherine, do we have any further updates?

From: Wieringa, Paul MEM:EX
Sent: Monday, March 17, 2014 11:29 AM
To: Muncaster, Katherine MEM:EX; Gosman, Nat MEM:EX
Subject: FW: BN 82972 On Bill Financing Pilot

Have we made any further progress?

Paul Wieringa
Executive Director
Electricity Policy and Regulations
Ministry of Energy and Mines
Telephone: 250-952-0651
Facsimile: 250-952-0258

From: McNeil, Kevin MEM:EX
Sent: Monday, March 17, 2014 10:37 AM
To: Wieringa, Paul MEM:EX

Cc: Symes, Leslie MEM:EX
Subject: FW: BN 82972 On Bill Financing Pilot

Hi Paul, do you know if there were any updates on this issue since January? thanks

Kevin McNeil
Executive Coordinator
Assistant Deputy Minister's Office
Electricity & Alternative Energy Division Ministry of Energy and Mines Phone (250) 952-0673 Fax (250) 952-0258

From: Symes, Leslie MEM:EX
Sent: Monday, March 17, 2014 10:30 AM
To: McNeil, Kevin MEM:EX
Subject: FW: BN 82972 On Bill Financing Pilot

Hi, can you please follow-up as to status on this? Thanks.

Leslie Symes
Executive Coordinator
Deputy Minister's Office
Ministry of Energy and Mines
Ministry of Natural Gas Development
and Minister Responsible for Housing
Phone: 250 952-0683

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From: McNeil, Kevin MEM:EX
Sent: Wednesday, January 29, 2014 10:34 AM
To: MacLaren, Les MEM:EX
Cc: Symes, Leslie MEM:EX; Wieringa, Paul MEM:EX
Subject: FW: BN 82972 On Bill Financing Pilot

Les, do you have any updates on this from recent MBB briefings?

Kevin McNeil
Executive Coordinator
Assistant Deputy Minister's Office
Electricity & Alternative Energy Division Ministry of Energy and Mines Phone (250) 952-0673 Fax (250) 952-0258

From: Wieringa, Paul MEM:EX
Sent: Wednesday, January 29, 2014 10:14 AM

To: Symes, Leslie MEM:EX
Cc: McNeil, Kevin MEM:EX
Subject: RE: BN 82972 On Bill Financing Pilot

We never completed it during the briefing; the Minister was going to think about it. I think Les has raised it with the Minister in a subsequent meeting. Kevin: can you check?

Paul Wieringa
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From: Symes, Leslie MEM:EX
Sent: Wednesday, January 29, 2014 10:05 AM
To: Wieringa, Paul MEM:EX
Cc: McNeil, Kevin MEM:EX
Subject: BN 82972 On Bill Financing Pilot

Paul: the attached BN was on the agenda for discussion at the Minister/DM/ADM briefing on January 7th, which you attended on behalf of Les. Can you please advise status of that discussion – did the Minister sign it, take it away for review?

I have the file outstanding and would like to update my notes so I know where it's at.

Thanks.

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On-Bill Financing Pilot Extension

Paul

[cid:image003.png@01CF1CDA.D6E517A0]

Leslie Symes
Executive Coordinator
Deputy Minister's Office
Ministry of Energy and Mines
Ministry of Natural Gas Development
and Minister Responsible for Housing
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-----Original Message-----

From: Muncaster, Katherine MEM:EX
Sent: Wednesday, March 26, 2014 1:21 PM
To: Green, Dan L MEM:EX; MacLaren, Les MEM:EX
Cc: McNeil, Kevin MEM:EX; Wieringa, Paul MEM:EX; Eichenberger, Kathy MEM:EX; Gosman, Nat MEM:EX; Nowell, Rylan MEM:EX; McMurchy, Brooke MEM:EX
Subject: RE: OBF Loan Loss Fund
Importance: High

I'd like to put the breaks on this suggestion for a moment.

Use of the Loan Loss Reserve Fund is not time-sensitive—these funds are set aside in a separate drawdown account which carries over from year to year (in fact we are obligated to keep enough of the fund intact to cover liabilities from the existing OBF pilots). So there is no rush to spend it in the next three days. I also doubt that any new program elements could be added to HERO by the April 1st soft launch—the Sept hard launch is probably a more realistic goal.

The LLRF was set aside for the purpose of on-bill financing, which is currently on-hold. No decision has been taken to abandon OBF, and we are actively considering options for financing. Utilities have approached us asking if the LLRF could be used with 3rd party financing institutions. This might allow them to offer better terms for customers (lower interest rate, longer term) and/or lower the credit requirements so that we can target those with lower FICO scores, like cash-strapped first-time homebuyers and low-income homeowners. Paul and I discussed this last week and were going to request your approval to give permission for utilities to include this in their preliminary negotiations with financing institutions (based on the idea that \$1M is small enough to avoid going to TB for approval again, especially for something that is so close to the original intent). We don't know yet how valuable this \$1M will be to that process—it may be too small. But it is a starting place, and may be an opportunity to leverage utility dollars to match it.

The LLRF must remain intact if we want to keep OBF as an option for the future. Since no decision has been made on this yet, I think it's too early to consider repurposing it just yet. I recommend that we continue to investigate options for financing as planned. If we come to the conclusion that we don't need the \$1M for any type of financing, and we decide to abandon OBF altogether, then we can pursue other options for the funds.

Katherine

From: Green, Dan L MEM:EX
Sent: Wednesday, March 26, 2014 9:58 AM
To: MacLaren, Les MEM:EX
Cc: McNeil, Kevin MEM:EX; Wieringa, Paul MEM:EX; Eichenberger, Kathy MEM:EX; Gosman, Nat MEM:EX; Muncaster, Katherine MEM:EX; Nowell, Rylan MEM:EX; McMurchy, Brooke MEM:EX
Subject: OBF Loan Loss Fund

Hi Les

Here are a few ideas developed so far that we could propose for using the \$1 million loan loss fund:

- 1) Top up the utility Small Business Program to have a LiveSmart component – up to 5 additional BEAs which would give the program almost the same provincial coverage as 13/14. Brooke estimates we could spend up to \$500,000.
- 2) Provide an incentive for conversion from oil heating to electric heat pumps. There is a call with BCH staff this afternoon to discuss their proposed plans in this area. After that call we'll be having an internal discussion to assess whether LiveSmart could provide a top-up or fill another role to support these conversions (e.g., building envelope upgrades).
- 3) LiveSmart could anchor its participation in the proposed HERO program by providing a subsidy for the "exit" home energy assessments required as part of the bonus upgrades.

The amounts associated with 2) and 3) still need to be worked out, and that may impact a recommendation for 1). Will get you a more formal proposal ASAP, but I think we could take on at least two of these ideas within the \$1 million.

Dan

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Withheld pursuant to/removed as

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