



Clean Energy Improvement Program Policy Discussion

**Governance and Priorities Committee
May 15, 2023**

Outline of Presentation and Discussion

- Provide overview of Clean Energy Improvement Program (CEIP)
- Provide overview of borrowing instruments, timelines and financial scenarios for COSG CEIP
- Seek Committee's direction on three key CEIP elements
 - Allocation of funds
 - Minimum and maximum allowable costs
 - Potential inclusion of financial incentives for residential properties

Overview - CEIP

(See RFD pages 1-6)

- Financing program - reduces property owner's upfront costs to install energy efficiency and renewable energy upgrades
- Municipality borrows funds
 - In Alberta, borrowing will not count against municipality debt limit or debt service limit
- Project repayments
 - Added to the owner's property tax bill over the lifespan of the upgrade
 - Tied to the property, not the owner
- Key partners
 1. Government of Canada: provides funding for residential properties through Community Efficiency Financing (CEF)
 2. Federation of Canadian Municipalities (FCM): operates and distributes CEF funds
 3. Alberta Municipalities (AM): designated program administrator by province
 4. Participating Municipalities

Provincial Context - CEIP

(See RFD pages 1-6)

- Participating provincial/territorial jurisdictions must establish a legislative framework for CEIP
- Government of Alberta's [An Act to Enable Clean Energy Improvements](#) and Clean Energy Improvement Regulation came into force in Jan 2019
 - Established framework for Alberta municipalities to establish a CEIP
- Alberta relatively ahead of other jurisdictions as it has:
 - Established legislative framework
 - 23 municipalities implementing CEIP
 - Nine have launched
 - 14 have passed a bylaw and are completing the next steps to launch

CEIP in COSG - Borrowing Instruments and Staggered Launch

(See RFD pages 2-4 and Appendixes 1-2)

1. Launch CEIP for residential properties in year one (January 2025)

- Financed through CEF (available for four years only)
 - Competitive interest rates (two-three per cent) on FCM loan (80 per cent of total program costs)
 - Significant grant (\$1.03M) for administrative costs including start up and any incentives
 - COSG must borrow 20 per cent of total program costs through other loan
 - No one-time administrative fee for property owners

(cont.) Borrowing Instruments and Staggered Launch

(See RFD pages 2-4 and Appendixes 1-2)

2. Launch CEIP for non-residential properties in year two (January 2026)

- Financed by COSG obtaining other loan for 100 per cent of program costs
 - No grant will be available as is not part of CEF and the FCM is not involved
 - COSG will charge non-residential property owners a five per cent one-time administrative fee for those applying as of year one
 - Program can run for however long Council chooses to make financing available (current borrowing calculations are based on four-year duration)

Operating Budget Sample Scenario

(Sample based on total program costs over four year program)

(Same information is in Appendix 2 - Table 1)

	Residential (FCM funded)	Non-Residential (non-FCM funded)
Number of properties funded over 4 years	140 properties	18 properties
Revenues/Funding Sources		
FCM Loan Proceeds	2,306,277	-
Other Loan Proceeds	793,723	4,500,000
CEIP Tax Payments from Property Owners	292,434	1,274,368
Interest Revenue on CEIP Debt	242,190	873,127
FCM Grant	1,033,000	-
5per cent Admin. fee	-	225,000
Total Revenues	\$4,667,624	\$6,872,495
Expenses		
Lending to Property Owners	3,100,000	4,500,000
Principal Debt Repayments - FCM Loan	241,691	-
Principal Debt Repayments - Other lender	50,743	1,274,368
Interest Expense on Debt	242,190	873,127
AM Administrative Costs	474,000	157,500
COSG Administrative Costs*	293,000	30,000
Incentives (TBC)	196,000	-
Total Expenses	\$4,597,624	\$6,834,995
Net Impact to Budget	\$70,000	\$37,500

*Includes expenses relating to \$60,000 CEIP business case.

Cashflows Sample Scenario

(Sample based on total program costs for 140 residential properties over four year program) (Same information is in Appendix 2 - Table 2)

Cash Flows - Residential Program (140 properties)	2023	2024	2025	2026	2027	2028	Total
Cash Beginning of Period	\$60,000	\$22,500	\$0.00	\$51,785	\$110,000	\$120,000	
Cash End of Period	22,500	0.00	51,785	110,000	120,000	130,000	
Operating Activities							
COSG - FCM Application and Prog. Dev.	(37,500)	(22,500)	-	-	-	-	(60,000)
AM - FCM Application and Prog. Dev.	-	-	(40,000)	-	-	-	(40,000)
COSG - Program Administrative Costs	-	-	(39,000)	(39,000)	(39,000)	(39,000)	(156,000)
AM - Program Administrative Costs	-	-	(108,500)	(108,500)	(108,500)	(108,500)	(434,000)
COSG - Program Completion Costs	-	-	-	-	-	(77,000)	(77,000)
COSG - Program Incentives	-	-	(49,000)	(49,000)	(49,000)	(49,000)	(196,000)
FCM Grant Proceeds	-	-	288,285	254,715	206,500	283,500	1,033,000
Net Cash Flow from Operating Activities	(37,500)	(22,500)	51,785	58,215	10,000	10,000	70,000
Financing Activities							
FCM Borrowing	-	-	576,569	576,569	576,569	576,569	2,306,277
Other Borrowing	-	-	198,431	198,431	198,431	198,431	793,723
Lending to Property Owners	-	-	(775,000)	(775,000)	(775,000)	(775,000)	(3,100,000)
FCM Debt Repayment (int & principle)	-	-	(35,001)	(70,002)	(105,004)	(140,005)	(350,012)
Other Debt Repayment (int & principle)	-	-	(18,461)	(36,923)	(55,383)	(73,845)	(184,612)
CEIP Tax from Property Owners (int&princ)	-	-	53,462	106,925	160,387	213,850	534,624
Net Cash Flow Financing Activities	-	-	-	-	-	-	-
NET CASH FLOW	(\$37,500)	(\$22,500)	\$51,785	\$58,215	\$10,000	\$10,000	\$70,000

Decision 1a - Allocation of Funds by Year (Section 10 of Bylaw)

- Under CEIP, municipalities have option to allocate available funds in a lump sum or by year
- AM recommends allocating funds in a lump sum to minimize waitlists
- Four of the five comparator jurisdictions allocate funds yearly
 - Some were among the first to launch and have subsequently indicated a lump sum allocation would have been preferable

Decision 1a - Options

(see RFD page 7 Options Table and Appendixes 2-4)

Option 1 - Allocate funds in lump sum (recommended)

Option 2 - Allocate funds by year

Decision 1b - Minimum and Maximum Costs - Capital and Incidentals (Section 8.2 of Bylaw)

- Under CEIP, municipalities can adjust the following minimum and maximum values set out in Regulation:
 - Allowable Capital Costs
 - Can increase the \$3,000 minimum (residential/non-residential)
 - Can decrease the \$50,000 maximum (residential)
 - Can decrease the \$1.0 Million maximum (non-residential)
 - Allowable Incidental Costs (related upgrades needed to undertake energy upgrade)
 - Can decrease the 15 per cent maximum of capital costs
- All five comparator jurisdictions made the maximum/minimum amounts apply to project costs (project costs = capital costs, professional fee and incidentals)
- Two of five comparator jurisdictions changed the minimum/maximum values
 - One increased the minimum threshold to \$5,000 project costs
 - One lowered the maximum for non-residential (to \$100,000 and \$500,000) project costs

Decision 1b - Options

(See RFD page 8 Options Table and Appendixes 3-4)

Option 1 - Do not make any changes from what is set out in Regulation

Option 2 (recommended)

- Make maximum and minimum values apply to total project costs (capital, professional fees, incidentals) in the bylaw
- Maintain incidental values set out in Regulation

Decision 1c - Explore Inclusion of Financial Incentives (Not in Bylaw)

- Under CEIP, municipalities can provide financial incentives to property owners to complete upgrades or undertake specific upgrades of interest
 - Incentives are typically credited against the CEIP debt of the property upon completion
- Incentives vary across comparator jurisdictions
 - \$500-\$1350 for completion of the project
 - \$650 for completion of pre and post energy evaluations (required by CEIP)
 - \$650 towards the cost of installing electric vehicle chargers
- Estimated costs for residential properties would be confirmed in subsequent decision in fall 2023
 - \$196,000 placeholder amount used based on \$1400 x 140 projects)
 - FCM borrowing instrument: FCM grant covers costs of incentives

Decision 1c - Options

(see Options Table page 9 RFD and Appendixes 2-3)

Option 1 - Direct Administration to explore provision of financial incentives and return in late 2023 with options (recommended)

Option 2 - Do not explore offering incentives

Next Steps

(See Implementation section on pages 9-10 of RFD)

- June 26, 2023 - Council (first reading bylaw)
- June 27, 2023 - July 12, 2023: Petition period for borrowing bylaw
- August 1, 2023 - August 20, 2023: Advertising for public hearing
- August 21, 2023 - Council (public hearing/second/third reading bylaw)
- Sept-Nov 2023: Undertake FCM application process (join cohort and conduct market study)
- Nov 2023: Provide Council with policy options for any remaining program elements
- Dec 2023-Jan 2024: Submit and hear back on initial application
- Feb-Aug 2024: **If initial application is successful**, submit and hear back from final application
 - **If initial or final application is unsuccessful, return to Council with alternate options to implement CEIP**
- Aug-Sept 2024: Complete necessary agreements (with FCM and AM) and secure funding
- Sept 2024: Secure funds from FCM and 20per cent COSG portion
- Sept-Dec 2024: With support from AM, assemble internal CEIP team to develop detailed program design, tax roll process, and communications plan
- **Jan 2025: Launch CEIP for residential properties**
- **Jan 2026: Annual report to Council and launch CEIP for non-residential properties**

Questions?

