



SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, BC V6Z 2N3 CANADA
web site: <http://www.bcuc.com>

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-162-12**

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by British Columbia Hydro and Power Authority
Regarding Electric Tariff Amendments for the Power Smart Home Loan Pilot Program

BEFORE: L.F. Kelsey, Commissioner October 30, 2012

O R D E R

WHEREAS:

- A. The *Clean Energy Act*, section 17.1, requires prescribed public utilities to offer financing to eligible persons for improving the energy efficiency of a building, or a part of a building. British Columbia Hydro and Power Authority (BC Hydro), FortisBC Inc. and FortisBC Energy Inc. are prescribed public utilities for the purposes of section 17.1 of the *Clean Energy Act*;
- B. Section 17.1 (3) of the *Clean Energy Act* states that a prescribed public utility may establish, in accordance with the prescribed requirements, if any, the criteria, terms and conditions on which offers under the program are to be made;
- C. On July 24, 2012, the Improvement Financing Regulation was issued and subsequently amended on September 13, 2012 (Regulation), providing further requirements and prescriptions for the financing program to be established by a prescribed public utility. The Regulation specified the scope and certain terms and conditions of the home improvement financing BC Hydro must offer to eligible persons in the City of Colwood, British Columbia for a two-year period beginning November 1, 2012;
- D. On October 1, 2012, BC Hydro filed the Power Smart Home Loan Pilot Program Application (Application) pursuant to the *Clean Energy Act*, section 17.1(9) and sections 58 to 61 of the *Utilities Commission Act*, seeking incorporation of BC Hydro's form of financing agreement (Improvement Financing Agreement) into BC Hydro's rates as a tariff supplement, as contemplated by that section of the *Clean Energy Act*. The Application also sought British Columbia Utilities Commission (Commission) approval to amend the BC Hydro Electric Tariff Terms and Conditions in relation to the Power Smart Home Loan Pilot Program;
- E. On October 5, 2012, FortisBC Inc. and FortisBC Energy Inc. (collectively FortisBC) filed the On-Bill Financing Two-Year Pilot Program in the South Okanagan Area Application. The FortisBC pilot program differs from BC Hydro's pilot program in terms of scope and utility financing arrangements;

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- F. BC Hydro filed a Power Smart Home Loan Pilot Program Amendment on October 10, 2012;
- G. On October 15, 2012, the Commission issued a request for comment on the Application. The Commission requested that stakeholders specifically consider the elements of the program that are prescribed by the *Clean Energy Act* and the Regulation and those which are subject to the discretion of BC Hydro;
- H. Comments were received from the British Columbia Pensioners' and Seniors' Organization;
- I. The Commission has considered the evidence and submissions of the parties; and
- J. The Commission considers that the Power Smart Home Loan Pilot Program complies with the section 17.1(2) of the *Clean Energy Act* and the Regulation. The Commission considers that differences between BC Hydro and FortisBC pilot programs are advantageous in providing an opportunity for an enriched assessment of the pilot programs.

NOW THEREFORE the Commission orders as follows:

1. The Improvement Financing Agreement form, as amended and refiled on October 10, 2012, is accepted as BC Hydro Electric Tariff Supplement No. 84, effective November 1, 2012.
2. The amendments to the BC Hydro Electric Tariff Terms and Conditions set out in Appendix B to the Application are approved, effective November 1, 2012.

DATED at the City of Vancouver, in the Province of British Columbia, this 30th day of October 2012.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner

Attachment

Application by British Columbia Hydro and Power Authority
Regarding Electric Tariff Amendments for the Power Smart Home Loan Pilot Program

REASONS FOR DECISION

On October 1, 2012 (and amended on October 10, 2012) the British Columbia Hydro and Power Authority (BC Hydro) applied to the British Columbia Utilities Commission (Commission) for approval of its pilot program to offer energy efficiency improvement financing (the Application). (Exhibits B-1, B-1-1)

BACKGROUND

An energy efficiency improvement financing program is required by section 17.1(2) of the *Clean Energy Act (Act)* and the Improvement Financing Regulation (Ministerial Orders No. M163 and M191). This *Act* and Regulation require BC Hydro, FortisBC Inc. and FortisBC Energy Inc. to offer financing to specific customers for energy efficiency improvements within a class of prescribed improvements from November 1, 2012 to November 1, 2014. The Regulation requires BC Hydro to offer the program in the City of Colwood and FortisBC Inc. and FortisBC Energy Inc. to offer the program in the Regional District of Okanagan-Similkameen.

To fulfill the requirements of the *Act* and the Regulation, BC Hydro has applied for approval of a “Power Smart Home Loan Pilot Program” which specifically includes:

- (i) a new BC Hydro Electric Tariff Supplement No. 84 which sets out the Improvement Financing Agreement form; and
- (ii) amendments to the BC Hydro Electric Tariff Terms and Conditions.

FortisBC Inc. (FBC) and FortisBC Energy Inc. (FEI) (collectively FortisBC) have also applied for approval of an On-Bill Financing Two-Year Pilot Program in the South Okanagan Area. The FortisBC pilot program differs from BC Hydro’s pilot program in terms of scope and financing arrangements.

REVIEW PROCESS

On October 15, 2012, the Commission notified all registered interveners in the BC Hydro F2012 Revenue Requirements Application of the pilot program Application. Comments were requested by October 23, 2012.

Comments were received from the British Columbia Pensioners and Seniors Organization (BCPSO) who submit that the Commission should seek further clarification and/or rationale from BC Hydro for various aspects of the pilot, including: a requirement that the customer must own and occupy the residential building; not offering financing for all prescribed improvement measures; the minimum and maximum amounts of financing available; treatment of recent home occupiers; whether air source heat pumps are eligible investments for customers wishing to fuel switch; requirement that monthly payments be less than the owner’s average monthly bill for the previous 12 months; notice period for voluntary payments; and BC Hydro’s right of approval for transfer of agreement upon sale. (Exhibit C1-1)

BCPSO also submit that the Terms and Conditions should make reference to the overall \$500,000 cap the Regulation sets for the program.

BCPSO have also identified an apparent inconsistency between the Application and the Tariff Supplement with regard to how loan payments will be applied against outstanding balances. The Tariff Supplement stipulates that any loan payment received by BC Hydro will be applied first to amounts owing under the financing agreement, while the Application states that payments received from the Homeowner will be applied first against the oldest outstanding item. (Exhibit B-1, Appendix A, p. 4; Exhibit B-1, p. 7)

COMMISSION DETERMINATION

The Commission approves the Power Smart Home Loan Pilot Program as applied for by BC Hydro, including:

- (i) the new BC Hydro Electric Tariff Supplement No. 84 which sets out the Improvement Financing Agreement form; and**
- (ii) amendments to the BC Hydro Electric Tariff Terms and Conditions.**

The Commission notes that this pilot is a prescribed program under the *Act*, and considers that BC Hydro should be provided a certain amount of flexibility in designing the pilot provided the requirements of the *Act* and Regulation are met. The Commission agrees with BC Hydro that the pilot program meets the requirements of the *Act* and the Regulation.

BCPSO has submitted that, in contrast to FortisBC's pilot program, the BC Hydro pilot program is narrower in scope than that allowed by Regulation. For example, not all prescribed improvements under the Regulation are eligible for incentives and the customer is required to own and occupy the residential building.

BC Hydro's states in its Application that section 17.1 of the *Act* does not require BC Hydro to offer financing for every prescribed improvement measure, and that a requirement that the homeowner also occupy the building is intended to mitigate the risk of breaches to the *British Columbia Freedom of Information and Protection of Privacy Act* and to reduce administrative costs. BC Hydro also argue that differences between its pilot program and that offered by FortisBC are advantageous as the feedback and experience from the pilots may be considered by government in determining whether and how the utilities should undertake future energy efficiency improvement financing programs.

The Commission agrees with BC Hydro's position that differences between its pilot program and that offered by FortisBC are advantageous in providing an opportunity for an enriched assessment of the programs. The Commission does not consider that BC Hydro's pilot program has been narrowed in scope to the point where it will not be able to serve its purpose of obtaining feedback and experience on improvement financing programs. The Commission also considers a narrowing of scope may provide a benefit by reducing the risk of financing being used primarily for only one type of improvement measure. However, BC Hydro is encouraged to consider the comments of BCPSO when evaluating the pilot.

Regarding BCPSO's comments on \$500,000 program cap, the Commission considers that Section 14 of the Tariff Supplement, which states that BC Hydro may terminate this pilot program at any time, allows BC Hydro to comply with the program cap.

Regarding BCPSO's comments on the apparent inconsistency with regard to how loan payments will be applied to outstanding balances, the Commission notes that whether late payments are applied to the loan balance or against electricity supplied does not affect the customer's risk of disconnection under the pilot; however, this

issue may affect the accounting treatment of bad debts for customers under this program (how much of the bad debt is considered Demand Side Management (DSM) compared to an operational expense).

For the purpose of the pilot, the Commission considers that there will not be a significant difference to ratepayers between either of these approaches as the total dollar amount of unrecoverable bad debts is expected to be small – BC Hydro states in its Application that the Province is expected to establish a Loan Loss Reserve Fund which can be accessed by BC Hydro and FortisBC for loan defaults. However, the approach proposed in the Tariff Supplement is considered conservative in its allocation of bad debts to DSM as payments will be applied first to amounts owing under the financing agreement. The Commission approves the treatment proposed in the Tariff Supplement.