

## **CLEAN ENERGY IMPROVEMENT PROGRAM**

### **Issue**

The Clean Energy Improvement Program has had a successful launch and Council direction is required regarding how Administration should move forward with the program.

### **Motion Proposed by Administration**

That the Clean Energy Improvement Program be reopened indefinitely to permit the intake of waitlisted and new applications.

### **Report, Analysis and Financial Implications**

#### Current Program Summary

Since its launch on January 23, 2024, the Okotoks Clean Energy Improvement Program has received a total of 45 pre-qualification applications, 17 of which are waitlisted. Just one (1) week after the initial launch date the program was deemed full for the year with 28 pre-qualification applications by January 29<sup>th</sup>. (Table 1) Consequently, the program was paused in January due to reaching the pre-determined number of applications for 2024 capacity. Incoming applications, moved to the waitlist, slowed down significantly afterward, with eight (8) pre-qualification applications in February, one (1) in March, two (2) in April, and one (1) in May. The program initially anticipated 82 applications over a 4-year period translating to approximately 20 applications per year.

*Table 1*

| <b>Application Status</b> | <b>Applications/Status</b> |
|---------------------------|----------------------------|
| In Progress               | 24                         |
| Cancelled                 | 3                          |
| Declined                  | 1                          |
| Waitlisted                | 17                         |
| <b>Total Applications</b> | <b>45</b>                  |

Of the 25 applications in progress, one (1) upgrade project has been fully approved for financing and five (5) are currently waiting for additional information from the homeowner before the estimated funding can be approved. The remaining applications are still in the pre-qualification stage where the homeowners are obtaining quotes from eligible contractors in order to fill out the project application form. Once the project application is received, Alberta Municipalities and the Town of Okotoks will assess each application for the estimated cost and financing of the upgrade before approving the homeowner to proceed with their project. After each upgrade is complete, the homeowner will submit an upgrade completion form for approval by Alberta Municipalities and the Town of Okotoks. If and/or when the upgrade costs are approved for the project, the financing is added to the homeowner's tax roll. Administration will need to oversee the Clean Energy Improvement Program until payment completion, up to 20 years. See Figure 1 for program process.

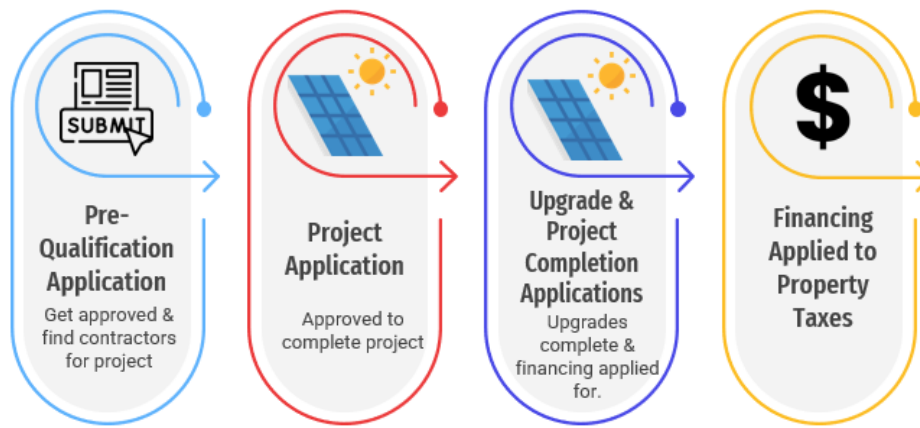


Figure 1

Alberta Municipalities has indicated that after Lethbridge, the Okotoks program had the second busiest initial program intake of all programs in smaller municipalities in Alberta. Out of the current 19 programs in Alberta, only three (3), including Okotoks, are paused or taking a staggered approach to application approval. The remaining 16 programs are completely open and taking applications continually without a waitlist. The relative number of applications they are receiving is less than Okotoks.

To date only one (1) application has been processed at the Upgrade Completion stage and two (2) at the Project Application stage. It is estimated that the time for Administration to process an application from Pre-Qualification to applying financing to property taxes is approximately 1-3 hours. This does not account for the time it will take the tax administrator to annually apply each upgrade financing amount to the tax roll during property tax accounting season in June.

The CEI program allows nine (9) months from Pre-Qualification (3 months) to the Upgrade Completion (6 months) stages for the homeowner to finish having their upgrades installed. The Town is currently experiencing many requests for extensions at the pre-qualification stage, pushing the final deadline for Project Completion into October. As a result of the extensions, the administrative work for each application has been spread out, as opposed to the initial expectation that many applications would come in at once.

Alberta Municipalities has indicated that all other municipalities delivering a CEI Program are experiencing similar timing for the application process. Pre-qualification applications are easily submitted, but the process begins to slow down and become more staggered as applicants arrange for contractors to complete the work. For other municipalities, this has meant that while the pre-qualification applications exceed the pre-determined incoming quota for the year, the actual number of applications that get to the point where financing is applied to their tax roll is within the predicted range for the year. Similar trends are being noted with the Okotoks program, though with a great number of initial pre-qualification applications.

### Future Direction of the Clean Energy Improvement Program

Administration is proposing two (2) possible scenarios for Council's consideration in how to continue to administer the Clean Energy Improvement Program to the community with the recommendation to go forward with the second scenario.

Scenario 1 includes carrying on with the current method of operating the program. The program would continue to be managed by pausing the intake of applications based on the original estimated number of project applications (18-20) for Okotoks. By continuing this approach, there is a greater possibility of managing the capacity of Administration to handle incoming applications, as that number would be capped. This would mean reopening the program in January of 2025. By capping the number of applications per year, the grant funding and financing from the Federation of Canadian Municipalities (FCM) would likely last into the fourth year of the program. This would allow four (4) years for Administration and Council to decide whether to continue the program once the FCM financing is depleted. Alberta Municipalities has indicated that there is a risk in capping the intake applications per year. Pausing the CEI Program in other smaller municipalities has, on the whole, resulted in stalling the momentum of program uptake among homeowners. It should be noted that the Loan and Grant Agreement with the FCM states that the 'entire Principal Amount of the Loan must be requested in time for FCM to disburse on or before the 4-year anniversary of the Effective Date' of the agreement. All financing and grant funding must be used by November 29, 2027 or it will no longer be available to Okotoks' program. There is also the risk that homeowners on the waitlist will move forward with their projects without securing financing through the program. Due to these risks, most programs in Alberta have been opened up to year-round applications.

Scenario 2 involves removing the pause on the program and opening it to those on the waitlist and to new applications. The program administrator, Alberta Municipalities, has indicated that while municipalities may see a large number of pre-qualifications initially, there does not appear to be an inundation of project applications at one time due to the timing involved in applicants needing to get quotes from contractors, and address any issues that arise during installation. This trend has also been observed in Okotoks' applications. Reopening the program would enable Administration and Council to better gauge the demand and popularity of the program among residents, providing a clearer understanding of its potential future once the FCM grant funding and loan financing are depleted. Another benefit for reopening the program is it would allow the opportunity to further lower the community greenhouse gas emissions to meet the GHG reduction goal of 25% as set out in the Climate Action Plan.

There are two (2) main risks associated with reopening the program. First, the financing from FCM could be utilized more quickly than the anticipated four (4) years, potentially requiring Administration and Council to make decisions about the program's future sooner than expected. However, this could also provide valuable insights into the program's demand and popularity within the community.

Second, the capacity of Administration to handle more than 20 applications per year remains uncertain, given that the program launched only four (4) months ago, and few applications have progressed beyond the initial pre-qualification stage.

**Strategic Plan Goals**

|                          |                            |                                     |                                       |
|--------------------------|----------------------------|-------------------------------------|---------------------------------------|
| <input type="checkbox"/> | Responsibly Managed Growth | <input checked="" type="checkbox"/> | Demonstrated Environmental Leadership |
| <input type="checkbox"/> | Strong Local Economy       | <input type="checkbox"/>            | Enhanced Culture & Community Health   |
| <input type="checkbox"/> | Organizational Excellence  |                                     |                                       |

**Equity/Diversity/Inclusivity Impacts and Strategy**

The Clean Energy Improvement Program is available to all residential homeowners and landlords in Okotoks.

**Environmental Impacts**

Residential utilities account for approximately 28% of greenhouse gases generated by Okotoks’ corporate and community emissions. The Clean Energy Improvement Program is a financing tool to help Okotoks residents reduce the amount of greenhouse gas emissions used to provide electricity and heat to their homes.

**Governing Policies/Bylaws/Legislation or Agreements**

Bylaw 29-23 Clean Energy Improvement Tax Bylaw

**Public Participation Strategy**

n/a

**Alternatives for Consideration**

n/a

**CAO Comments**

I support Scenario 2 which is removing the pause on the program. It is important to determine the actual need for this type of program and the ‘controlled’ intake does not allow for the true demand to be known. This is important information from a public policy perspective and to influence other levels of government funding and program decisions.

**Attachment(s)**

n/a

Prepared by:  
 Jinny Toffelmire  
 Environment Team Leader  
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