

CleanBC & BC Hydro Industrial Electrification (IE)

PROGRAM GUIDE

April 2024

Table of Contents

- 1. Program Overview**..... 1
- 2. Program Eligibility**..... 3
 - 21 Industrial Operator Eligibility**3
 - 22 Capital Project Eligibility**.....3
 - 23 Interconnection Studies Eligibility**.....4
- 3. Capital Projects** 4
 - 31 Capital Project Funding Parameters**4
 - 32 Application Process – Capital Projects**5
 - 33 Application Format**.....5
 - 34 Evaluation**.....6
 - 35 Capital Project Agreement**.....6
 - 36 Eligible Expense Start Date**6
 - 37 Measurement and Verification**.....7
- 4. Interconnection Study Process** 7
 - 41 Interconnection Study Funding Parameters**7
 - 42 Interconnection Study Agreement**.....8
- 5. Application Rules** 9
 - 51 Submission of Application does not Create Contract**9
 - 52 No Commitment to Award**.....9
 - 53 Reservation of Rights**9
 - 54 Application Eligibility for Government Funding Opportunities Beyond the Scope of this Program Guide**9
 - 55 Additional Information**9
 - 56 Firm Pricing**10
 - 57 Conflict of Interest**.....10
- Appendix A: Definitions**..... 11
- Appendix B: Eligible Expenses for Capital Projects**..... 14

1. Program Overview

BC Hydro and the Province of British Columbia are focused on improving the lives of British Columbians by encouraging a shift toward a low-carbon economy. To meet this intent, the CleanBC and BC Hydro Industrial Electrification program (IE) has been created to expedite large industrial low-carbon electrification projects that reduce greenhouse gas (GHG) emissions. IE creates a new, streamlined process for large electrification projects that require a new or upgraded connection to the BC Hydro integrated grid, leveraging funding from both the CleanBC Industry Fund (CIF) and BC Hydro's Large Custom Low Carbon Electrification (LCE) Program. The Application, evaluation and administration of projects applied for under this stream will be integrated and administered jointly by BC Hydro and CIF. Applications will be accepted on an ongoing basis from April 2, 2024, to December 31, 2024, or until funding is exhausted. The Application intake period may be extended depending on available funding.

The IE program is available to Operators of industrial Reporting Operations throughout British Columbia that report their emissions under the *Greenhouse Gas Industrial Reporting and Control Act* (i.e., generally those with Attributable GHG emissions above 10,000 tCO₂e per year, as prescribed in the *Greenhouse Gas Emissions Reporting Regulation*) and are a new or existing BC Hydro transmission customer.

Two streamlined funding pathways are available:

1. Capital funding for large industrial low-carbon electrification projects (Capital Projects).
2. Funding for BC Hydro Transmission Connection Studies (Interconnection Studies) associated with eligible Capital Projects.

The objective of IE is to incentivize new investment in low-carbon electrification projects that would not occur in the absence of BC Hydro LCE and CIF funding. To this end, a Capital Project or Interconnection Study commencing prior to the date the Proponent is notified in writing of its success under the program will not be eligible for funding through IE.

Capital Funding for Industrial Electrification Projects

IE offers a one-window funding application pathway to streamline access to capital funding from both CIF and BC Hydro LCE.

Capital Projects eligible for the IE program are large industrial low-carbon electrification projects that would have historically been considered eligible for the Emissions Performance stream of CIF and the BC Hydro LCE program. Capital Projects eligible for IE must now apply through this stream to receive project funding from both CIF and LCE. Projects that meet IE criteria are not eligible to apply to other CIF funding streams.

BC Hydro Interconnection Studies Funding

BC Hydro Interconnection Studies are mandatory for projects requiring a new or upgraded connection to BC Hydro's transmission system. Funding is available through IE for Interconnection Studies that support the development of a potential Capital Project that would be eligible for IE.

BC Hydro Interconnection Studies related to electrification projects are no longer eligible for the CIF FS stream and must instead apply for funding under IE. BC Hydro is now administering funding for eligible Interconnection Studies on behalf of CIF and the funding application process has been integrated into the Interconnection Study application process. Interconnection Studies for non-electrification projects remain eligible for the CIF Feasibility Studies call.

Other studies aimed at supporting the development of a potential IE project (for example, early engineering, FEED studies or project cost estimates) may be eligible for funding through BC Hydro and/or CIF's FS stream.

Any questions regarding potential project or study eligibility, and program-related questions should be directed to either the CIF Program Advisor or a BC Hydro Key Account Manager (KAM).

IE Intake: April 2, 2024 – December 31, 2024, or until funding is exhausted.

CleanBC Industry Fund Program Advisor: CleanBCIndustryFund@gov.bc.ca

2. Program Eligibility

Industrial operator eligibility for both Capital Projects and BC Hydro Interconnection Studies is outlined in Section 2.1. Project eligibility criteria for Capital Projects is outlined in Section 2.2 and Interconnection Study eligibility criteria is outlined in section 2.3.

2.1 Industrial Operator Eligibility

To be eligible for funding:

- The Proponent must be a "Reporting Operation" under the *Greenhouse Gas Industrial Reporting and Control Act* (GGIRCA). Generally, this is facilities that emit over 10,000 tCO₂e/year.
- The Operator of each Reporting Operation identified in the application as the site of GHG emissions reductions must submit a GGIRCA emissions report for the 2023 calendar year prior to entering into a Funding Agreement, and, for the 2021 and 2022 calendar years, the Operator of each Reporting Operation identified in the application must have either submitted an emission report for the operation prior to entering into a Funding Agreement, or must have included in the application a Certification that it was at the relevant time either not the Operator of the Reporting Operation required to submit a report or that the operation was not a Reporting Operation during the relevant calendar year.
- The Proponent must have paid carbon tax in relation to fuel consumed in the 2023 year.
- The Proponent must have taken all reasonable measures to comply with its requirements under GGIRCA.
- The Reporting Operation is not in its New Entrant period under GGIRCA.
- The Proponent must be an existing BC Hydro transmission customer or will become one upon the completion of the Capital Project.
- The Proponent must be in a demonstrably viable financial position, for example:
 - Not in foreclosure or for sale.
 - A business plan and financial records show current or projected growth, profits, and/or ability to pay off short-term debts.
 - If the Proponent is determined to be at high risk, additional security measures will be required in the funding agreement.

2.2 Capital Project Eligibility

To be eligible for Capital Project funding:

- Project must reduce GHG emissions Associated with or Attributable to a Reporting Operation (generally Scope 1 or Scope 2 GHG emissions) through low-carbon electrification of existing fossil-fueled equipment.
- Capital Projects must require a new connection or incremental energy consumption increase on the BC Hydro integrated grid, resulting in the need for a BC Hydro System Impact Study.
- Projects must use commercially available technologies, defined as equipment, technology, or a product with proven commercial sales or that has been demonstrated at a commercial scale in another facility (Technology Readiness Level 9 as defined by Innovation Canada).

- The Capital Project must not have started and is not scheduled to start until after the date the Proponent is notified in writing of its success under the IE program. Investment in preliminary engineering work does not disqualify a Capital Project from consideration. Typically, Capital Projects where construction and equipment/material procurement has occurred are considered started and not eligible to apply. Other factors such as public announcements, Final Investment Decisions, or major expenditures may also cause a Capital Project to be considered started.
- The Capital Project must not be a greenfield development and is not solely in the interest of increasing capacity for new production. Capital Projects at existing facilities that have both fuel-switching and capacity increase components may be eligible, however CIF funding under IE will only be provided for the fuel-switching component.
- The Capital Project must not be required by provincial or federal laws that are in force as of the submission of the application, or, if the Proponent is required to implement the Project, the Project must involve an earlier implementation than required by law.
- Projects must be completed and fully operational by March 31, 2029, unless otherwise approved by CIF and BC Hydro.
- A BC Hydro System Impact Study Step 1 related to the Capital Project must be underway prior to application for capital funding and must be completed prior to funding approval.

2.3 Interconnection Studies Eligibility

To be eligible for Interconnection Studies funding:

- The prospective Interconnection Study is required for a Capital Project that meets eligibility requirements noted above.
- The study is a BC Hydro System Impact Study (SIS Step 1 or Step 2) or Facilities Study. Interconnection Feasibility Studies and other Feasibility Studies are not eligible.
- The Interconnection Study has not started, and an agreement has not been signed with BC Hydro.
- A Final Investment Decision has not been made for the Capital Project.
- The Interconnection Study is related to a Capital Project where the majority of the load increase results from the electrification of existing fossil-fueled equipment.

3. Capital Projects

3.1 Capital Project Funding Parameters

Operators are eligible to apply for up to 75% of eligible project costs. In cases where additional funding sources for the Capital Project exist, the Proponent and/or Project Partners must fund at least twenty-five (25%) of their Project's Budgeted Eligible Expenses.

Final funding amounts will be determined by CIF and BC Hydro following the technical evaluation process.

Capital Project funding available from BC Hydro will be determined based on the Proponent's demonstrated need for funding and the levelized incentive dollars per ton of CO₂e for the Capital Project. CIF will provide funding for up to 50% of eligible Capital Project costs, with a per project cap of \$25M. A consistent funding equation based on annual emission reductions will be used to calculate a maximum CIF funding amount. Reporting Operations may submit multiple applications, however total IE funding from CIF will not exceed \$25M per Reporting Operation.

CleanBC Industry Fund	BC Hydro	Total Funding
CIF will contribute up to 50% of eligible project costs to a maximum of \$25M, per project. Reporting Operations may not exceed \$25M in total IE funding.	BC Hydro will contribute funding on a case-by-case basis.	Up to 75% of eligible project costs.

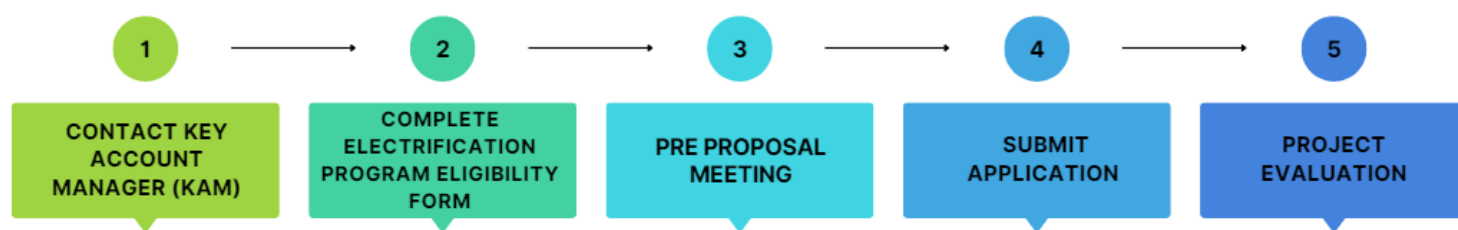
The IE stream will fund work within the facility boundary and new customer-built transmission lines from the customer facility to the BC Hydro point of interconnection. Infrastructure owned and operated by BC Hydro is ineligible. However, customer lines that are constructed and later transferred to BC Hydro may be eligible.

A BC Hydro SIS Step 1 study must be underway prior to submission of an application for capital funding. Proponents must have completed a BC Hydro SIS Step 1 related to the Capital Project prior to project funding approval.

3.2 Application Process – Capital Projects

To begin the application process, Proponents must reach out to their BC Hydro KAM. The applicant will be directed to complete the [Electrification Program Eligibility Form](#) to determine if a project meets IE criteria. Note that this tool is intended to function as a screening step and does not provide assurance of project approval. If an applicant does not have a KAM, they should proceed directly to the online eligibility tool and a KAM will be assigned to them upon completion.

After tentative eligibility has been established, a pre-proposal meeting will be scheduled with the Proponent, the KAM, BC Hydro, and CIF’s Program Advisor to review project information. Eligible applicants will then be invited to submit an integrated application form for both CIF and BC Hydro LCE funding.



3.3 Application Format

Proponents must ensure that they fully respond to all requirements for a complete application package to receive full consideration during evaluation. Application submissions will occur after the Proponent has completed the [Electrification Program Eligibility Form](#).

All application packages must include the following submissions via the online application portal called Conservation & Energy Management Hub ([CEM Hub](#)):

- Summary information requested in the [CEM Hub](#) (or IE Workbook, if applicable),
- Supporting technical information that follows the instructions in the **IE Application Technical Guideline**,
- Required application declarations in [CEM Hub](#) (or IE Workbook, if applicable).

Applications must be in English and must include all documents above. Applications must be submitted via BC Hydro's [CEM Hub](#) or as otherwise directed by the KAM and CIF Program Advisor.

3.4 Evaluation

Applications will be jointly evaluated by a team from CIF and BC Hydro and may include technical program staff, contractors of the Province or BC Hydro with specific technical or financial expertise, and other appropriate participants. Any contractors hired to evaluate applications will be required to sign confidentiality acknowledgements or agreements and provide conflict declarations as a condition of participation as an evaluator. Proponents may be disqualified if any relationship with a member of the review panel gives rise to an actual or potential conflict of interest.

3.5 Capital Project Agreement

If a Capital Project is approved, the Proponent will be invited to finalize a Project Agreement with the Province and BC Hydro. A review of the Proponent's finances will be undertaken by the Province, BC Hydro and/or contractors at this stage. To proceed to a signed Project Agreement, Proponents must provide the financial information and documentation requested by BC Hydro, the Province, and/or contractors. Security terms may be added to the Project Agreement depending on the outcome of this assessment.

CIF funding will be paid in two installments, the first when 50% of eligible expenses have been incurred, and the second at project completion. Notwithstanding the foregoing, the Province reserves the right to use a different payment schedule. All funding will be disbursed on a reimbursement basis.

BC Hydro funding will be paid upon completion of the Project and after Post-Implementation Review (PIR), or as set out in the Project Agreement. Capital Project completion is demonstrated by the submission of Evidence to confirm the project has reached normal operations such that the project is deemed capable of achieving its GHG emission reductions and anticipated incremental energy consumption increase.

CIF will require a Performance Reimbursement Amount based on the performance of the Capital Project compared to the GHG Target Emission Intensity in the application. The standard final Performance Reimbursement Amount is equivalent to 10% of the CIF funding but could be up to 20% for Projects with higher risk profiles. If the Recipient fails to achieve the final Performance Milestone, the Recipient will be required to repay to the Province the final Performance Reimbursement Amount calculated in accordance with the Project Agreement.

Total payments will not exceed the maximum amount of funding as set out in the Project Agreement.

The Project Agreement includes terms that require repayment of some or all funds if the Recipient fails to substantially complete a milestone by the milestone deadline, if a Capital Project is abandoned, or if assets improved or acquired under the Project Agreement do not continue to be operated in the manner contemplated in the application. Proponents may wish to consider these potential liabilities in projecting emission reductions in the future.

3.6 Eligible Expense Start Date

Proponents are only eligible to receive funding after the date on which a Project Agreement is signed, and only for Capital Project Eligible Expenses that are incurred after the date the Proponent is notified of its success under the IE program.

The Province and BC Hydro will not fund a share of any expense incurred by successful Proponents prior to the date the Proponent is notified in writing that it is a successful Proponent unless pre-approval is provided by the funding parties. If requested and with sufficient justification, CIF and BC Hydro will consider issuing a letter allowing a Proponent to begin procurement for long lead equipment after application, prior to approval. The Proponent is solely responsible for these costs in the event that the Proponent is not successful or if a Project Agreement is not finalized. If purchases are incurred

without the issuance of a pre-approval to purchase equipment, the Capital Project will be considered started and no longer eligible for IE funding.

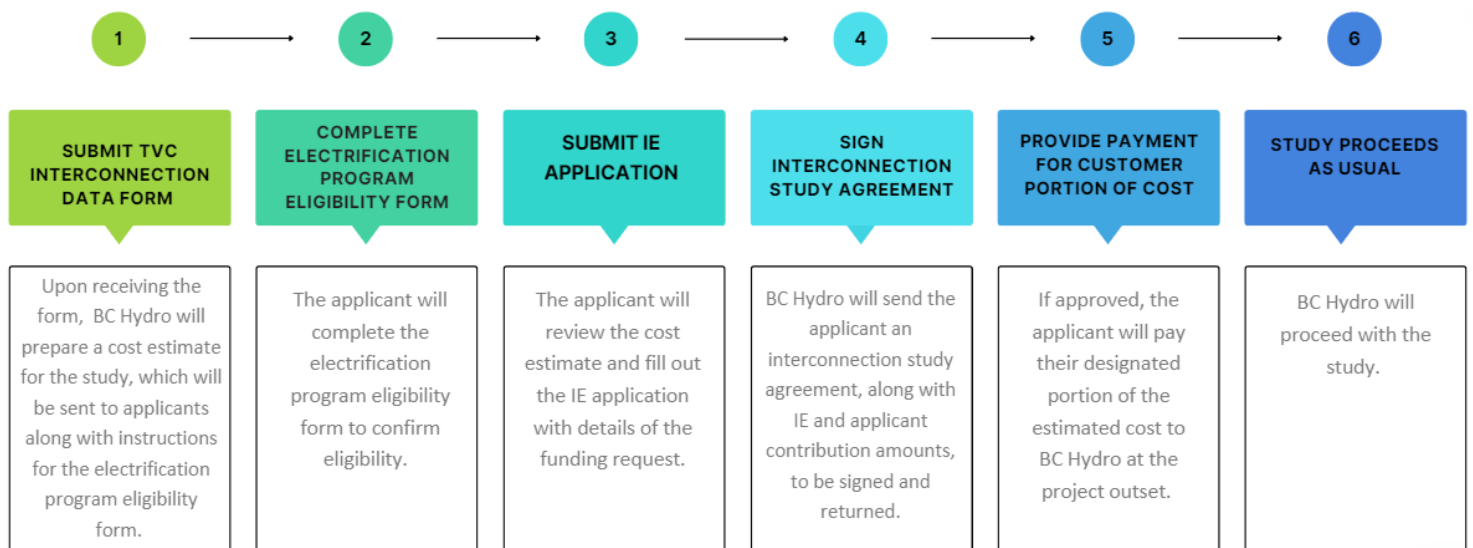
See Appendix B for more information regarding Eligible Expenses.

3.7 Measurement and Verification

Measurement and Verification (M&V) of the project will occur as stipulated in Schedule D: Specifications for Emissions Intensity Measurement, Verification and Reporting in the Project Agreement. Schedule D of the Project Agreement will describe the methods for measuring post-project emissions and specifications for verification. Verification of emissions and emissions intensity (both baseline and project cases) will be performed by a third-party verification body following the ISO 14064-2:20191 standard. BC Hydro will also collect annual project electrical energy use and capacity for reporting purposes. For complete details on the program’s emission reduction quantification guidelines, see “**IE Application Technical Guideline.**”

4. Interconnection Study Process

CIF funding for eligible BC Hydro Interconnection Studies is available through IE. BC Hydro will administer funding for eligible Interconnection Studies on behalf of CIF and the application intake process is integrated into the BC Hydro interconnection processes outlined below.



Steps 2 to 5 are repeated for SIS Step 2 and Facilities Study.

4.1 Interconnection Study Funding Parameters

Interconnection Study funding parameters are listed below:

- CIF will fund up to 75% of the Interconnection Study cost, with a per study cap of \$250,000.
- CIF will not cover any cost increases for any reason including re-studies or scope changes.
- Reporting Operations may submit multiple applications, however total Interconnection Study funding from CIF will not exceed \$250,000 per Reporting Operation.
- In the event of a study cancellation, the customer is responsible for all study costs incurred by BC Hydro.

¹ ISO 14064-2:2019: Greenhouse gases Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements: <https://www.iso.org/standard/66454.html>

- Securities required by BC Hydro for the Facilities Study are not eligible for IE funding, cash contributions only.

The following example scenarios to outline the above funding parameters using hypothetical study costs. Please note, actual study costs will vary by study and will be calculated by BC Hydro.

Scenario	Original Study Cost	Initial Cost Breakdown Estimate	Final Cost	CIF Pays	Notes
Standard Study	\$100	75% CIF 25% Proponent	\$100	\$75	The Proponent transfers 25% to BC Hydro before study begins. CIF will fund 75% of final costs.
Standard Study w/ cost decrease	\$100	75% CIF 25% Proponent	\$80	\$60	The Proponent transfers 25% to BC Hydro before study begins. CIF will fund 75% of final costs. The customer will receive a refund equal to amount paid in excess of 25% of final costs if the study is less than expected.
Standard Study w/ cost increase	\$100	75% CIF 25% Proponent	\$120	\$75	The Proponent is responsible for all cost increases above the original amount. CIF will not increase funding beyond the original 75%.
Study is in-flight and Proponent triggers re-study	\$100	75% CIF 25% Proponent	\$120	\$75	The Proponent is responsible for all cost increases above the original amount, including for re-studies. CIF will not increase funding beyond the original 75%, however the approved amount will be allocated to the re-study.
Study is complete and Proponent triggers re-study	n/a	n/a	n/a	n/a	CIF does not fund re-studies.
Proponent cancels Study partway though	\$100	75% CIF 25% Proponent	\$50	\$0	Proponent pays 100% of the costs incurred by BC Hydro.

4.2 Interconnection Study Agreement

If Interconnection Study funding is approved, the Proponent will be invited to finalize an Interconnection Study Agreement with BC Hydro. Study funding will be managed by BC Hydro as a direct payment towards the cost of the Interconnections Study. Total payments will not exceed the maximum amount of funding as set out in the Interconnection Study Agreement.

5. Application Rules

5.1 Submission of Application does not Create Contract

Submission of an application for Capital Projects or Interconnection Studies does not create any contractual or equitable rights in relation to the conduct of the program guide. Proponents should not submit an application unless they are willing to enter into a Project Agreement or Interconnection Study Agreement.

5.2 No Commitment to Award

The document should not be construed as an agreement to provide funding and does not commit the Province or BC Hydro in any way to award a Project Agreement or Interconnection Study Agreement.

5.3 Reservation of Rights

In addition to any other reservation of rights set out in the Program Guide, the Province reserves the right, in its sole discretion:

- a) to modify the terms of the Program Guide at any time;
- b) to cancel the Program at any time prior to entering into a Project Agreement with a Proponent;
- c) in accordance with the terms of the Program Guide, to accept the application or applications that it deems most advantageous to itself;
- d) to waive any non-material irregularity, defect or deficiency in an application;
- e) to request clarifications from a Proponent with respect to its application, including clarifications as to provisions in its application that are conditional or that may be inconsistent with the terms and conditions of the Program Guide, without any obligation to make such a request to all Proponents, and consider such clarifications in evaluating the application;
- f) to reject any application due to unsatisfactory references or unsatisfactory past performance under contracts with the Province, or any material error, omission or misrepresentation in the application;
- g) to reject any application where the Operator of the Reporting Operations associated with the Project is out of compliance with GGIRCA or is determined to not be a Reporting Operation;
- h) to reject any application which the Province determines in its sole discretion contains a false Certification;
- i) at any time, to reject any or all applications; and
- j) at any time, to terminate the competition without award and provide funding by other means or do nothing.

5.4 Application Eligibility for Government Funding Opportunities Beyond the Scope of this Program Guide

In exceptional circumstances, including if future funding becomes available, the Province may award funding outside of the scope of this Program to a submitted application. In such an instance, the Province reserves the right to publish project information, funding amount and the basis for providing the project funding. The intent of awarding funding in this manner is to allow submitted applications to be eligible for other funding opportunities which may be time limited and/or were unanticipated at time this Program Guide was issued.

5.5 Additional Information

All Addenda will be posted on the CIF website, BC Hydro website, or sent to Proponents at the contact information provided in the application. Proponents are strongly encouraged to ensure that contact information is up to date.

5.6 Firm Pricing

During the finalization of Project Agreements, BC Hydro and the Province will not agree to any increases in total funding above the amount requested in the respective application. Project Agreements may include changes from application in relation to the timing of when funding is provided.

5.7 Conflict of Interest

A Proponent may be disqualified if the Proponent's current or past corporate or other interests, those of an employee, director or officer of the Proponent, or a proposed Project Partner or Sub-contractor, may, in the opinion of the Province or BC Hydro, give rise to an actual or potential conflict of interest in connection with the funding described in the Program Guide. This includes, but is not limited to, involvement by a Proponent in the preparation of the application or a relationship with any employee, contractor or representative of the Province or BC Hydro involved in preparation of the application, preparation of evaluation guidelines, participating on the evaluation committee or in the finalization or administration of the Funding Agreements. If a Proponent is in doubt as to whether there might be a conflict of interest, the Proponent should consult with their KAM or the CIF Program Advisor prior to submitting an application. By submitting an application, the Proponent represents that it is not aware of any circumstances that would give rise to a conflict of interest that is actual or potential, in respect of the application.

A Proponent must not attempt to influence the outcome of the application process by engaging in lobbying activities. Any attempt by the Proponent to communicate for this purpose directly or indirectly with any employee, contractor or representative of the Province or BC Hydro, including members of the evaluation committee and any elected officials of the Province, or with the media, may result in disqualification of the Proponent.

The Proponent should contact their KAM or the CIF Program Advisor to discuss project applications and to seek clarification and guidance on requirements of the application process. Neither the KAM nor the Program Advisor is involved in the evaluation of applications.

Appendix A: Definitions

Throughout this Program Guide, the following definitions apply:

“Addenda” means additional information regarding this Program Guide, including amendments;

“Application” means a submission from the Proponent for IE Capital Project or Interconnection Study funding;

“Application Portal” means the digital platform through the BC Hydro website that will receive application documents for IE. The Application Portal will include two parts: (1) the “Electrification Program Eligibility Form” and (2) the “Application Submission”;

“Associated with”, in relation to emissions and a Reporting Operation, means emissions, other than emissions of carbon dioxide from Schedule C biomass, that are not Attributable to the Reporting Operation but originate from the operation, or from mobile equipment or on-road vehicles used by the Reporting Operation;

“Attributable”, in relation to emissions and a Reporting Operation, means emissions that are Attributable to the Reporting Operation under GGIRCA for the purpose of emission reporting, excluding emissions from Schedule C biomass;

“Budgeted Eligible Expenses” means:

- (i) in respect of a Budget Item, Eligible Expenses that do not exceed the amounts set out in the Budget or Adjusted Budget for that Budget Item, and
- (ii) in respect of the Project, means the total of amounts referred to in subparagraph (i) for the Project.

“Capital Project” means various related capital expenditures, facility improvements or software improvements that, based on calculations made in accordance with the IE Application Technical Guideline, will lead to a reduction in the quantity, measured in tCO₂e, of GHG emissions that are Attributable to or Associated with the Reporting Operation identified in the application;

“CIF” means CleanBC Industry Fund;

“Evidence” means post-implementation submission requirements to confirm the project has reached normal operations such as that the project is deemed capable of achieving its GHG emissions reduction and anticipated incremental energy consumption increase. Evidence includes:

- (iii) completed Schedule B,
- (iv) completed Schedule C, together with all supporting documentation for purchase and installation of the equipment installed in connection with the Project; and,
- (v) other Project related records, including but not limited to accounting and permit documentation that BC Hydro or CIF may request.

“Financial Review” means the financial evaluation of the Capital Project and its Proponent. This will include both evaluation of the proposed project budget and the financial stability of the Proponent. The Financial Review may be performed by BC Hydro, the Province, and/or contractors;

“GGERR” means the *Greenhouse Gas Emission Reporting Regulation*, B.C. Reg. 249/2015, as amended from time to time;

“GGIRCA” means the *Greenhouse Gas Industrial Reporting and Control Act*, S.B.C. 2014, c. 29, as amended from time to time;

“Greenhouse Gas” or **“GHG”** means the gases listed in the Schedule to the *Carbon Neutral Government Regulation*, B.C. Reg 392/2008, as amended from time to time;

“IE” means the CleanBC and BC Hydro Industrial Electrification program;

“Ineligible Expenses” means Ineligible Expenses as defined in Section 1.7 of Appendix B;

“Interconnection Study” means a BC Hydro Transmission Connection study, which is mandatory for projects requiring a new or upgraded connection to BC Hydro’s transmission system. This includes System Impact Study (Step 1 & 2) and Facilities Studies;

“Interconnection Study Agreement” means the contract between BC Hydro and the IE Proponent for the distribution of CIF funding to support an Interconnection Study;

“LCE” means Low Carbon Electrification: the BC Hydro funding program offered for industrial electrification prior to IE. LCE continues to be offered for projects or proponents that are not eligible for IE funding;

“must”, or “mandatory” means a requirement that must be met in order for an application to receive consideration;

“M&V” means “Measurement and Verification”

“Normal Operations” means the project has been implemented and is deemed capable of achieving its GHG emissions reduction and incremental energy consumption increase;

“Electrification Program Eligibility Form” refers to the first step of the application process for proponents. The eligibility form is hosted digitally on choose.bchydro.com and determines if projects applying for funding are eligible for IE funding. It is important to note that this tool is intended to function as a screening step and does not provide assurance of project approval;

“Operator” means an operator as defined under GGIRCA;

“Project Agreement” means the contract between CleanBC, BC Hydro, and the IE proponent for the execution of the Capital Project. The Funding Agreement terms last for 10 years after the project’s in-service date;

“Proponent”, with respect to an application, means the person or entity (excluding its parent, subsidiaries, or other affiliates) with the legal capacity to contract, named as the Proponent in the application;

“Province” means His Majesty the King in Right of the Province of British Columbia;

“Recipient” means a Proponent who has entered into a Project Agreement or Interconnection Study Agreement;

“Reporting Operations associated with the Project” means Reporting Operations identified in the application as the site of Attributable GHG emission reductions and Reporting Operations identified in the application as being Associated with GHG emission reductions;

“Reporting Operation” means a Reporting Operation as defined under GGIRCA;

“Review” means action taken by BC Hydro and the CIF team after project applications have been submitted. The Review includes the Technical Review and the Financial Review;

“Scope 1 GHG Emissions” means direct GHG emissions that occur from sources that are controlled or owned by an organization (e.g., emissions from fuel combustion in boilers, furnaces, and vehicles);

“Scope 2 GHG Emissions” means indirect GHG emissions that occur from purchased electricity, steam, heat, and cooling;

“Sub-contractor” means a person or entity retained by the Proponent to implement some or all of the Project;

“tCO₂e” means metric tonnes of carbon dioxide equivalent;

and “**Technical Review**” means the evaluation of a project application by qualified person(s) to determine (1) if it meets technical criteria of the IE stream and (2) the maximum funding amount to be offered related to estimated emission reductions. The Technical Review will be led by BC Hydro with support from CIF.

Appendix B: Eligible Expenses for Capital Projects

1.1 Eligible expenses for Projects include those that are:

- (a) incurred by the Recipient between the Eligible Expense Start Date and the Project End Date;
- (b) incurred for the sole purpose of the completion of the Project;
- (c) for Eligible Employment Expenses under section 1.3, incurred in relation to time an employee spends carrying out work solely for the purpose of completing the Project;
- (d) reasonably necessary to carry out the Project, in the opinion of the Province and BC Hydro;
- (e) within one of the following classes of expenses:
 - (i) Eligible Contractor/Professional Expenses under section 1.4 or Eligible Employment Expenses under section 1.3 that are expended for an Eligible Service under section 1.2,
 - (ii) Eligible Material Expenses under section 1.5, or
 - (iii) Eligible Incidental Expenses under section 1.6; and
- (f) are not Ineligible Expenses under section 1.7.
- (g) for work within the facility boundary and new customer-built transmission lines from the customer facility to the BC Hydro point of interconnection. Infrastructure owned and operated by BC Hydro is ineligible. However, customer lines that are constructed and later transferred to BC Hydro may be eligible.

1.2 Eligible Services.

Eligible Services are:

- (a) engineering and design costs for the Capital Project;
- (b) management/supervision of the Capital Project;
- (c) construction, installation, or implementation of the Capital Project;
- (d) preparation of reports required in this Agreement; and
- (e) other services the Province agrees in its sole discretion and in writing are necessary for the successful implementation of the Project.

1.3 Eligible Employment Expenses.

Eligible Employment Expenses are compensation payments made by the Recipient to employees providing an Eligible Service, limited to a pro rata share of the cost of compensation based on time spent providing the Eligible Service as compared to total time employed, as follows:

- (a) employees' base salary or hourly pay rate (excluding any commissions, overtime, bonuses or pay for performance component); and
- (b) the Recipient's cost of providing employer EI and CPP contributions, medical and health benefits and vacation pay, up to a maximum of 20% of the amount referred to in (a), provided that:
- (c) the number of hours devoted to the Eligible Service reflect the number of hours that would be required to accomplish the same work by an appropriately qualified and experienced individual working reasonably and efficiently;
- (d) the expenses are evidenced by Timesheets and Proof of Payment; and

- (e) the Recipient can reasonably demonstrate that the use of employees to provide the Eligible Service is cost effective and any compensation provided to the employee is consistent with compensation provided for similarly situated employees providing like services.

1.4 Eligible Contractor/Professional Expenses.

Eligible Contractor/Professional Expenses are payments paid to contractors of the Recipient or professionals retained by the Recipient to provide Eligible Services provided that:

- (a) the expenses relate solely to the provision of an Eligible Service that is essential for the completion of the Capital Project;
- (b) the professional or contractor is retained in accordance with section the Fair Market Value provision of the Project Agreement; and
- (c) the expenses are evidenced by Timesheets, invoices, and Proof of Payment.

1.5 Eligible Material Expenses.

Eligible Material Expenses are expenses for materials, equipment, software, and supplies purchased or leased by the Recipient or its contractors, subcontractors, and professionals (and payable by the Recipient under contract) for the sole purpose of completion of the Project, provided that:

- (a) the expenses are supported by an invoice from the material supplier and Proof of Payment; and
- (b) the materials, equipment or supplies were procured in accordance with section the Fair Market Value provision of the Project Agreement.

1.6 Eligible Incidental Expenses.

Eligible Incidental Expenses are expenses for accommodation, transportation and meal services incurred by or for employees, contractors, subcontractors, or professionals of the Recipient while providing Eligible Services, provided that the expenses

- (a) are incurred by an employee, contractor, subcontractor, or professional that was solely providing Eligible Services;
- (b) are payable by the Recipient under terms of employment or contract with a contractor or professional;
- (c) are in relation to travel for more than 32 kilometers from a contractor's, subcontractor's, or professional's normal place of business, and, in the case of an employee, the employee's normal place of work; and
- (d) do not exceed the amounts paid by the Province to its Group II Employees while on travel status.

1.7 Ineligible Expenses:

The following expenses are not Eligible Expenses:

- (a) Administrative and Overhead Expenses;
- (b) costs of purchasing land, an interest in land, or license to land, and real estate fees;
- (c) costs of purchasing equipment used for construction or installation of the Capital Project, unless the Recipient can demonstrate that the purchase was more cost effective than rental of equipment;
- (d) in kind contributions, such as provision by the Recipient of land, equipment, or materials for the completion of the Project that are already owned by the Recipient, but excluding Eligible Employment Expenses;
- (e) GST and/or PST on or included in any Eligible Expense, or any other tax or government levy for which the Recipient is eligible for a refund or credit;

- (f) interest or financing charges, including security requirements for BC Hydro infrastructure/system reinforcements;
 - (g) costs incurred if the Capital Project or element of the Capital Project is Abandoned;
 - (h) other than as provided in clause 1.3(b), deductions and withholdings, including any taxes, union dues, employee Canada Pension Plan contributions, or employee employment insurance contributions;
 - (i) legal fees;
 - (j) expenses associated with submitting the application or negotiating this Agreement;
 - (k) fees paid to Governmental Authorities;
 - (l) expenses related to meeting with or the lobbying of any Governmental Authority, except meetings between the Contract Start Date and Project End Date that are specifically focused on the Capital Project;
 - (m) expenses associated with the use or purchase of computers or personal devices (e.g. costs relating to mobile or landline phones, costs of desktop or laptop computers or internet service provider fees, etc.) except where the computer is an integral part of the Capital Project;
 - (n) expenses of meals, travel, or lodging that are not in compliance with section 1.6;
 - (o) expenses incurred that are not evidenced by Proof of Payment; and
 - (p) expenses that exceed the amounts budgeted for a Budget Item and any expenses that, in the Province's view, materially deviate from the application unless pre-approved by the Province in writing.
 - (q) Infrastructure owned and operated by BC Hydro is ineligible.
- (4) Security requirements for BC Hydro infrastructure/system reinforcements are ineligible.

This program is funded by the Province of British Columbia and BC Hydro

