SSL-Sustainable Services Ltd.
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V9B 0A5

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February 16, 2020 *via Email*

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

ATTN: Patrick Wruck, Commission Secretary

RE: BCUC – Sustainable Services Ltd. – Stream A Registration for the Westhills Thermal Energy System – Information Request No. 1

Dear Mr. Wruck,

Further to the BCUC's Information Request No. 1 of January 29, 2020, please find enclosed our responses.

Sincerely,

SSL-Sustainable Services Ltd.

Kyle Taylor, Manager

INFORMATION REQUEST NO. 1 TO SUSTAINABLE SERVICES LTD.

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A. AGREEMENT WITH THE CITY OF LANGFORD

1.0 Reference: Agreement with the City of Langford
SSL-Sustainable Services Ltd. Status as a Public Utility under the *Utilities Commission Act*, Order G-104-18, dated June 5, 2018, p. 2
Franchise agreement

Directive 2 of Order G-104-18, dated June 5, 2018 states:

> 2. SSL is directed to file with the BCUC, within 90 days of this order, an application seeking required regulatory approvals for its rates and operating system. SSL must include in its application a submission on whether or not the agreement between SSL and the City [of Langford] is a franchise agreement as defined in the [*Utilities Commission Act*], and if it is subsequently determined to be a franchise agreement, the rationale for BCUC approval of the franchise agreement allowing for inclusion of the associated fees in rates to be recovered from ratepayers.

1.1 Please provide Sustainable Services Ltd.'s (SSL) submission on whether or not the agreement between SSL and the City of Langford is a franchise agreement as defined in the *Utilities Commission Act.*

RESPONSE: **SSL has been unable to find a definition of "franchise agreement" in the Utilities Commission Act, and therefore is unable to provide a specific submission on whether or not the contract between SSL and the City of Langford dated April 14, 2010 (the "Contract") would fall under any such definition. Having said that, the Contract specifically states "This is a partnering agreement as defined in the Community Charter. It is not an agreement granting an exclusive or limited franchise of any kind and is not intended to make the City and any other party, or parties, joint venturers or partners with respect to any enterprise." Also, prior to launching the energy service provided for the City of Langford by SSL under the Contract, SSL approached and met with BCUC to determine whether any BCUC approvals were needed, and SSL was not advised, at that time or since, that the proposed arrangement under which SSL would provide the municipal energy service, nor the Contract would be seen by BCUC to be a franchise agreement, nor that BCUC approval would be needed before provision of the municipal service commenced. If BCUC is asking why – should the Contract be determined by BCUC to be a "franchise agreement" however it defines that – BCUC should now, more than 10 years after that meeting between SSL and BCUC representatives and after almost 10 years of provision of the energy service to customers began approve the "franchise agreement," SSL submits that BCUC should approve such a "franchise agreement" including the associated fees in rates because the rates are reasonable and are limited with reference to BC Hydro rates,**

and because SSL has been operating the municipal energy service for more than 10 years under City regulation without a single significant issue. Further, SSL is unclear about what the alternative to approval would look like at this point.

B. PHASING OF THERMAL ENERGY SYSTEM

2.0 Reference: Phasing of Thermal Energy System
Exhibit B-1, p. 3-4; Exhibit B-2, p. 4-5
Phasing

Page 3 of SSL's application (Exhibit B-1) to register the Westhills thermal energy system (TES) as a Stream A TES (Application) states:

> Construction of the TES began in 2008, with commissioning of the first phase and establishment of utility operations occurring in early 2010. Subsequent build-out of the TES - including both the primary energy centre and thermal energy distribution network - was phased with the Westhills development project and completed in 2017.

On page 4 of SSL's response to staff questions (Exhibit B-2) regarding the Application, SSL provides the following details on the phases of the Westhills development:

Phase Name:	**Lakeview Ridge**
Municipal Permit:	DP-08-06
Connections:	124 single-family homes
Services:	Heating, Cooling, DHW
Phase Completion:	2012
Phase Name:	**Glenvale**
Municipal Permit:	DP-08-12D
Connections:	151 single-family homes 2 town home strata (7 units & 12 units) 1 multi-family strata (68 units)
Services:	SFH - Heating, Cooling, DHW TH strata - Heating Condo strata - Heating, DHW
Phase Completion:	2014
Phase Name:	**Paradise Falls**
Municipal Permit:	DP-10-53
Connections:	134 single-family homes 2 town home strata (8 units and 5 units)
Services:	SFH - Heating, Cooling TH strata - Heating
Phase Completion:	2018

2.1 With reference to SSL's statement that the build-out of the TES was phased with the Westhills development, please confirm that the statement refers to the Lakeview Ridge, Glenvale and Paradise Falls phases.

RESPONSE: Confirmed. Please see SSL's February 4, 2019 response to BCUC staff question #8 (Exhibit B-2).

2.1.1 If not confirmed, please list all the phases of the development and include completion dates clearly identifying the phases that were in service prior to August 28, 2014.

2.2 Please confirm if Glenvale was in service prior to August 28, 2014 and provide the in-service date.

RESPONSE: Confirmed. Please see SSL's June 5, 2019 response to BCUC staff question #29 (Exhibit B-4).

On page 5 of Exhibit B-2, SSL also provides permitting details for the TES Primary Energy Centre;

> For the TES primary energy centre:
> Address: 3011 Langford Lake Road
> Building Permit#: 10-0436 (City of Langford, issued April 2010)

2.3 Please clarify if the TES Primary Energy Centre was initially sized and constructed to meet the demands of all phases.

RESPONSE: Confirmed – the TES Primary Energy Centre was initially sized and constructed to meet the demands of all phases referenced above. The vast majority of equipment within this facility was installed and commissioned as part of the April 2010 in-service date, with only minor equipment upgrades undertaken after that time in order to accommodate the connections brought online within the distribution system.

2.3.1 If not, please list each upgrade to the TES Primary Energy Centre and provide the following details:

i. The date each upgrade took place;
ii. The equipment and infrastructure installed and commissioned at the TES Primary Energy Centre in order to provide service to the identified phase;
iii. A breakdown of the equipment and infrastructure installed and commissioned for the distribution system in order to provide service to the identified phase; and
iv. The total capital cost for each upgrade/addition.

2.4 Please list, in detail, all TES generation and distribution facilities that are shared beyond the boundaries of the TES Primary Energy Centre site.

2.4.1 Please provide the installation and operation date for each facility listed.

RESPONSE: SSL requires clarification on the meaning of "generation and distribution facilities that are shared beyond the boundaries of the TES Primary Energy Centre site". For instance, would this include residential and/or multi-family mechanical rooms which contain SSL-owned equipment used in the generation of heating/cooling for a subject building? If the BCUC can offer clarity on the intent of this request, we would be please to provide more information.

On page 4 of the Application SSL states:

> The primary thermal energy source for the TES is a geo-exchange borefield consisting of 212 vertically drilled wells combined into a closed-loop system. The geo-exchange borefield is located underneath Goudy Field, which is part of an artificial playing surface and stadium complex owned by the City [of Langford]. The TES also utilizes natural gas boilers as an energy source for backup and peak demand energy needs. Finally, the TES is connected to Westhills Arena, a nearby ice rink facility owned by the City [of Langford], which provides supplemental energy to the TES in the form of waste heat generated by its refrigeration system.

2.5 Please confirm whether all 212 drilled wells were installed at the same time, or whether subsequent wells were added to the borefield.

RESPONSE: Confirmed. All drilled wells were installed at the same time.

2.5.1 If confirmed, please provide the start and end date for the installation of the wells, and the in-service date.

RESPONSE: **Geo-exchange well installation commenced in August 2008 and was completed in November 2008. Borefield installation pre-dated construction of the Primary Energy Centre. The borefield was connected to the Primary Energy Centre and put into service as part of the Primary Energy Centre's commissioning process in April 2010.**

2.5.2 If not confirmed, please elaborate further on:

i. the number of wells added to the borefield;
ii. the date(s) of the additions;
iii. the reason(s) for the additions;
iv. the total capital cost for the addition(s); and
v. the in-service date(s).

2.6 In addition to the natural gas boilers and waste heat from the Westhills Arena, please explain whether there are any other energy inputs connected to, or scheduled to connect to, the TES Primary Energy Centre.

RESPONSE: **There are no other energy inputs actively connected or scheduled to be connected to the TES Primary Energy Centre.**

2.6.1 If yes, please provide details, including the construction completion date, the in-service date and the total capital cost.

2.7 For the connection to the Westhills Arena, please provide the start and end dates of the work, the in-service date, and the total capital cost.

RESPONSE:

Capital Cost:	**Approx. $64,000**
Project Start:	**November 2011**
Project End:	**November 2012**
NOTE:	**This is specifically in relation to the TES connection from Langford Lake Road into the Westhills Arena facility.**

C. SSL IN-BUILDING SERVICES

3.0 Reference: **SSL In-building Services**
Exhibit B-2, BCUC staff questions 6, 8, 18, p. 2-3, 7; Exhibit B-4, BCUC staff question 28, p. 3; Exhibit B-5, BCUC staff question 30, Figure #1, p. 3; BCUC Retail Markets Downstream of the Utility Meter Guidelines, dated April 1997 In-building System Services

In response to BCUC staff question 6 (Exhibit B-2), SSL states:

> SSL owns the on-site water-source heat pumps. This equipment is provided to Customers under a lease agreement, whereby "SSL at its own expense, shall service, maintain and ensure the WSHP is in good operating condition and repair, and at SSL's sole discretion, replace the WSHP when necessary, except where repair or replacement is required due to willful acts or the negligence of the Customer."

In response to BCUC staff question 8 (Exhibit B-2), SSL provided the following information regarding the Westhills TES development:

Phase Name: **Lakeview Ridge**

Municipal Permit:	DP-08-06
Connections:	124 single-family homes
Services:	Heating, Cooling, DHW
Phase Completion:	2012
Phase Name:	**Glenvale**
Municipal Permit:	DP-08-12D
Connections:	151 single-family homes 2 town home strata (7 units & 12 units) 1 multi-family strata (68 units)
Services:	SFH - Heating, Cooling, DHW TH strata - Heating Condo strata - Heating, DHW
Phase Completion:	2014
Phase Name:	**Paradise Falls**
Municipal Permit:	DP-10-53
Connections:	134 single-family homes 2 town home strata (8 units and 5 units)
Services:	SFH - Heating, Cooling TH strata - Heating
Phase Completion:	2018

In response to BCUC staff question 28 (Exhibit B-4), SSL states:

> For customers with forced air systems: when heating load cannot be met by the heat pump, peak and backup space heating is provided by an electric resistance duct heater. This component is owned and maintained by SSL.
>
> For customers with DHW [domestic hot water] heating from the TES: peak and backup DHW heating is provided by an electric hot water tank. This component is not owned by SSL.
>
> For the [GlenHeights] condo building specifically: space and DHW peak/backup heating is provided by natural gas boilers, which are owned by SSL (see question #26)

In response to BCUC staff question 18 (Exhibit B-2), SSL provides the approximate capital costs for the TES, which includes residential heat pumps and meters:

Approximate TES Capital Cost

TES Utility Plants (Buildings):	$1.3M
TES Utility Plants (Equipment):	$2.5M
TES Distribution Network:	$5.1M
Residential Heat Pumps & Meters:	$2.5M
TOTAL:	$11.5M

3.1 Please explain whether the TES for which SSL is applying for a Stream A exemption includes any of SSL's in-building equipment and in-building services, where "in-building" refers to any equipment or services located or provided within a customer's property, and provide a description of the in-building equipment and services included.

RESPONSE: **SSL is not seeking any "exemption" at this time, it has applied for approval as a Stream A TES on the basis of its in-service date, as directed by the TES Guidelines. Reference to exemption aside, SSL does not understand this question. It is SSL's understanding that any application to be approved as a TES, by definition, includes all of the utility's infrastructure and services. Therefore, SSL believes that all of the equipment and services described in prior answers to BCUC's questions, including the in-home heat pumps, would be included in the TES. If we have misunderstood the question, please provide clarification and we would be pleased to explain further.**

3.2 For each phase connection and service identified in the response to BCUC staff question 8, please describe each of the in-building heating, cooling, DHW pre-heat and/or DHW peaking system owned by SSL.

RESPONSE: **This information has been provided among SSL's previous responses to BCUC staff questions, particularly in Exhibits B-5, B-5-1, but also Exhibit B-2 (questions #9 & #10) and Exhibit B-4 (questions #26 & #28). If we have misunderstood this question, please provide clarification on what further details are being requested.**

3.3 For each in-building system described in the response to information request (IR) 3.2, please describe:

i. The scope of ownership and services provided by SSL;

RESPONSE: **This information has been provided among SSL's previous responses to BCUC staff questions, particularly in Exhibits B-5, B-5-1, but also Exhibit B-2 (questions #9 & #10) and Exhibit B-4 (question #26). If we have misunderstood this question, please provide clarification on what further details are being requested.**

ii. The in-building system operating costs, including electricity and/or gas supply, paid by SSL and those paid by the customer;

RESPONSE: **In-building operating costs for electricity and/or gas supply are paid by the customer; the direct costs of equipment maintenance/servicing/repairs/replacements are paid by SSL.**

iii. The customer agreement that provides for the use of SSL equipment and provision of SSL in-building services; and

RESPONSE: **Please see upcoming response to question #3.5 and Appendix A.**

iv. The rationale for SSL ownership.

RESPONSE: **The rationale for SSL ownership is primarily related to maintaining the integrity of the closed-loop TES. In particular, such ownership allows for better control of consistent operational parameters (e.g. supply/return temperatures and pressures to the TES distribution loop) as well as oversight and timely resolutions to equipment servicing end repair issues (e.g. system leaks).**

3.4 Please explain whether SSL provides any services for in-building systems owned by the customer.

RESPONSE: **No, SSL does not typically provide services for any in-building system components that are owned by the customer. With that said, SSL does try to provide customer support and guidance for certain issues beyond our scope of TES infrastructure wherever possible (e.g. help with thermostat programming, forced-air vent balancing, DHW tanks, etc.)**

3.4.1 If yes, please describe:

i. The scope of services provided by SSL;
ii. The in-building system operating costs, including electricity and/or gas supply, paid by SSL and those paid by the customer; and
iii. The customer agreement that provides for the provision of SSL in-building services.

3.5 Please provide copies of each agreement identified in response to IRs 3.3 and 3.4, including terms, conditions and fee schedules.

RESPONSE: Copies of SSL's Application for Service and Equipment Lease Agreement for standard residential customers have been attached as Appendix A. These terms, together with those contained in the applicable City of Langford bylaw, form the customer's Service Agreement with SSL. Note we have not interpreted this request to mean fully executed versions of the service application/agreement for each customer, as this would mean SSL submitting the personal information of several hundred households.

3.6 If not included in response to IR 3.5, please provide a copy of the SSL thermal energy service agreement, including terms, conditions and fee schedules.

RESPONSE: We believe this information has been provided in our previous submissions, but if this is not the case, please clarify what is meant by "the SSL thermal energy service agreement, including terms, conditions and fee schedules."

3.7 For sites where SSL currently owns in-building equipment, please explain whether the customer may purchase any of the SSL in-building equipment or replace with their own equipment.

3.7.1 If yes, please describe any fees or charges that the customer would be required to pay.

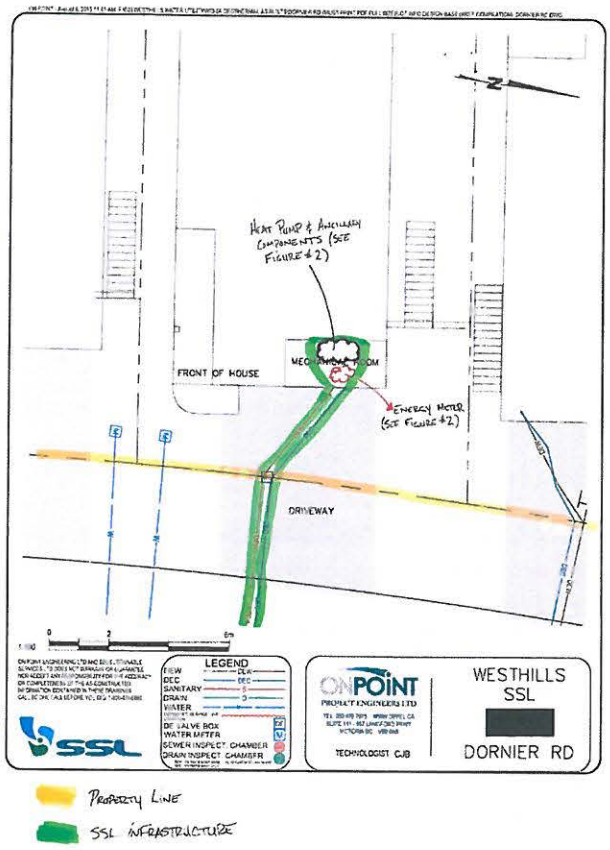
3.7.2 If yes, would SSL continue to provide ambient loop thermal energy services to this customer, if requested?

3.7.3 If not, why not?

RESPONSE: There are no current provisions for customers to purchase any of SSL's equipment. The applicable City of Langford Bylaw does contemplate service connections to the TES using "customer-owned" equipment. SSL would evaluate any such applications for service, but has not received any formal connection requests of this nature to date.

In response to BCUC staff question 30 (Exhibit B-5), SSL provides a civil plan view of the TES servicing configuration for a typical single-family residential property in Figure #1:

FIGURE #1



Page 24 of the BCUC's Retail Markets Downstream of the Utility Meter Guidelines (RMDM Guidelines) dated April 1997 outlines a set of principles and guidelines to be used to help the BCUC make determinations regarding utility and related non-regulated businesses' (NRBs) participation in the retail market downstream of the utility meter. Principles i) to iv) state:

(i) If a natural monopoly exists for the good or service, it should be provided as a regulated tariff item (Corporate Structure 1 in Figure 4).

(ii) Utility participation in the unregulated downstream market by completely stand-alone NRBs using no utility resources is the preferred option since it provides the maximum protection to utility ratepayers (Corporate Structure 4 in Figure 4). Variations from this option should be undertaken only when it can be shown that this option would result in substantial stranded costs for the utility and/or that a transfer pricing policy mechanism will act to provide sufficient protection for ratepayers.

(iii) The onus should always be on the utility to prove that the benefits associated with use of utility resources are sufficient to warrant the changed structure and that the transfer pricing policy mechanism will provide sufficient protection to ratepayers.

(iv) If the Commission decides to allow the use of utility resources in the provision of the unregulated good or service, the preferred option is through a related-NRB (Corporate Structure 3 in Figure 4). Direct participation by the utility in the provision of an unregulated good or service should be allowed only when the costs associated with forcing the provision through the related-NRB structure would significantly offset the benefits associated with the use of the utility's

resources and it can be shown that a transfer pricing policy mechanism will provide sufficient protection for ratepayers (Corporate Structure 2 in Figure 4).

3.8 Please explain, with rationale, whether, in SSL's view, a natural monopoly exists at Westhills for in-building heating, cooling and DHW systems, and operating and maintenance services downstream of the customer utility meter.

3.8.1 If SSL views that a natural monopoly exists, please confirm, or otherwise explain, that these in-building systems and services are currently not being provided as a regulated tariff item.

3.8.2 If SSL does not view that a natural monopoly exists, please discuss whether SSL considered establishing a related-NRB to provide these systems and services.

3.8.2.1 If so, please discuss why SSL did not establish a related-NRB to provide these systems and services.

3.8.3 If SSL does not view that a natural monopoly exists, please explain whether SSL has a transfer pricing policy mechanism for SSL's use of utility resources to provide these systems and services.

3.8.3.1 If so, please provide a copy of the SSL transfer pricing policy.

3.8.4 If SSL does not view that a natural monopoly exists, please explain the benefits associated with SSL's use of utility resources that SSL believe are sufficient to warrant it providing these systems and services and, if applicable, that the transfer pricing policy mechanism will provide sufficient protection to ratepayers.

3.8.5 If SSL does not view that a natural monopoly exists, please discuss whether the establishment of a related-NRB structure would significantly offset the benefits associated with the use of the SSL's utility resources.

RESPONSE: **In reviewing BCUC's RMDM Guidelines, SSL observes that a "natural monopoly is said to occur if the provision of a good or service can be provided at lowest cost by a single firm, rather than by two or more firms; i.e., there exist substantial economies of scale." SSL does not feel that the term, as defined in those guidelines, applies to SSL's circumstances with respect to in-building heating, cooling and DHW systems, and operating and maintenance services downstream of the customer utility meter. The only downstream system or service in the SSL energy system is the heat pump in each single-family home or strata building (town homes and the multi-family GlenHeights condo). The initial heat pump is paid for by SSL and then installed in each building by and at the cost of, the developer, Westhills, as part of the home construction and then is owned by SSL. District energy customers pay SSL a monthly heat pump rental fee, and in exchange SSL then maintains, repairs, and replaces (at the end of the its life) the heat pump in each single-family home at SSL's cost, and at no charge to the customer. SSL has never considered establishing a related-NRB to provide the downstream services and systems (being only the heat pump) and does not see what the benefit to either SSL or its customers would be in doing so.**

In response to the Commission's question about "whether SSL has a transfer pricing policy mechanism for SSL's use of utility resources to provide these systems and services" (which SSL has taken to refer back to "in-building heating, cooling and DHW systems, and operating and maintenance services downstream of the customer utility meter"), SSL advises that it does not. Prior to being referred, in this information request, to the 1997 RMDM Guidelines, SSL had never heard of a transfer pricing policy, nor had BCUC nor anyone else suggested the SSL should have one. Having said that, as mentioned above the only downstream system or service in the SSL energy system is the heat pump in each single family home, and SSL is

unclear why it would need a transfer pricing policy, but would be happy to comment further on this issue should the Commission wish to clarify specifically what it is looking for comment on. On this note, SSL has done its best to review and understand the 1997 RMDM Guidelines in responding to these information requests. However, as the Guidelines are a 30-page document with a number of unique and complex concepts, it has been very difficult to do so in the time provided to respond to these information requests. SSL continues to review these Guidelines and reserves the right to make further submissions on this issue should it seem appropriate to do so.

Given all of the foregoing, SSL does not know how to respond to questions 3.84 and 3.85.

Encl. – APPENDIX A – SSL Application for Service and SSL Equipment Lease Agreement

SSL-Sustainable Services Ltd.
957 Langford Parkway
Victoria, BC, V9B 0A5

OFFICE USE ONLY	
Customer #: _____	
Property Ownership Date: _____	**Date Received:** _____

SERVICE APPLICATION			
APPLICATION FOR:	**ENERGY and WATER SERVICE** ☐		**WATER ONLY SERVICE** ☐
Applicant: Last Name:			**Home Phone #**
First Name:			**Business Phone #**
Service Address:			**Cell #**
			FAX #
Billing Address:	Street		**Email**
	City	Postal Code	
Emergency Contact:			**Phone #**
Preferred method of Invoicing:	**Email (recommended)** ☐		**Letter mail** ☐

Billing of service will commence beginning on day the Customer's ownership of the premises commences.
Provision of the service to the Customer constitutes approval of this application, and upon such approval, the provisions of this application together with the terms and conditions in the applicable City of Langford Bylaw will form the Service Agreement.

If this application is accepted, the Customer may be required to provide a Security Deposit of $ nil.

The initial term of this Agreement shall be 5 years (the "Term") with no termination by the Customer except where the Customer ceases to own the Service Address, in which case:

(a) the Service Agreement shall be deemed cancelled if the new resident applies for and is granted a transfer on the terms and conditions specified in the applicable City of Langford Bylaw; or

(b) if the new resident does not apply, or is not approved for energy service, the Service Agreement may be terminated by the Customer upon payment of the cancellation fee as provided in the applicable City of Langford Bylaw.

Upon expiry of the initial or any subsequent Term, energy service will continue on the terms and conditions of this Service Agreement, including a renewal of the Term, unless cancelled by the Customer by giving written notice of cancellation to SSL not less than six months prior to the expiry of a given Term.

Whether this property is occupied by the owner, a tenant, or some other occupant, the homeowner acknowledges that any overdue balance (over 30 days) as of December 31st may be transferred to the City of Langford to be collected as real property taxes in arrears. All billing will be addressed to the property owner but copies may be provided to the tenant upon request.

The Applicant consents to SSL using the Applicant's personal information, including financial information, (1) when it is necessary in order to serve the Applicant as a customer, to meet legal and regulatory requirements, and for internal audit, statistical and record keeping purposes; and (2) for obtaining any reports, including any credit information about the Applicant that SSL requires from third parties, including credit bureaus and reporting agencies or other credit grantors, and the Applicant consents to the disclosure and exchange of such information by and among SSL and such third parties (including credit agencies and bureaus and other credit grantors) for the purposes of evaluating the Applicant's eligibility for services or products that are requested by the Applicant.

Signed: _____ Date: _____

Print Name: _____

END OF DOCUMENT

Lessor: SSL-Sustainable Services Ltd.
957 Langford Parkway
Victoria, BC, V9B 0A5

OFFICE USE ONLY	
Customer #: _____	
Property Ownership Date: _____	**Date Received:** _____

LEASE AGREEMENT			
Customer: Last Name:			**Home Phone #**
First Name:			**Business Phone #**
Service Address:			**Cell #**
		Postal Code	**FAX #**
Billing Address:	Street		**Email**
	City	Postal Code	
Signature:			**Date**

1. Equipment:
SSL-Sustainable Services Ltd. ("SSL") hereby leases to the Customer, a Water Source Heat Pump (WSHP) for a monthly fee of $54.00 plus applicable taxes (the "Monthly Fee") and on the following conditions, which conditions the Customer acknowledges it has read and fully understands.

2. Term of Agreement:
Unless otherwise specifically provided in this Agreement, or any service agreement between SSL and the Customer, the term of this Agreement and obligation to pay the rental payments pursuant to this Agreement shall commence:

(a) in the case of Premises requiring physical connection or re-connection of energy service, on the day when SSL's energy service is connected to the Premises for the purpose of supplying energy; or
(b) in the case of already connected Premises, on the day the Customer's ownership of the Premises commences;

and shall continue for a term of 5 years with no termination by the Customer (the "Term") unless the Customer ceases to own the Service Address. Upon expiry of the initial or any subsequent Term, the lease of the WSHPs will continue on the terms and conditions set out in this Agreement including a renewal Term, unless cancelled by the Customer by giving written notice of cancellation not less than 6 months prior to expiry of a given Term, or by SSL in accordance with this Agreement.

3. Rental Payments:
The Customer must pay the monthly fee for the WSHP which will be included on a monthly or bi-monthly billing statement.
In consideration of the rental payment, SSL, at its own expense, shall service, maintain and ensure the WSHP is in good operating condition and repair, and at SSL's sole discretion, replace the WSHP when necessary, except where repair or replacement is required due to willful acts or the negligence of the Customer.

SSL may adjust the rent on May 31 of any year, if SSL so elects.

4. Title, Ownership, Maintenance, Use, etc.:
Title to, ownership of, and all property in the WSHP and any associated equipment shall at all times be and remain exclusively in SSL. The Customer's rights are to use of the equipment on the terms and conditions of this Agreement while not in default. The hot water tank is not owned by SSL and is not included in the terms of this agreement. Replacement of the hot water tank is the responsibility of the Customer.

5. Access to Premises:
(1) At all reasonable times, SSL's agents and employees shall have free access to the WSHP, and to SSL's meters, wires and apparatus on the Customer's premises, for the purpose of reading meters and testing, installing, removing, repairing or replacing any of SSL's

equipment. If access to meter rooms or other locations where SSL equipment is installed is restricted, the Customer shall supply SSL with lockbox keys or other keys or means of access as may be necessary to provide SSL with ready access to those locations.

(2) If access to SSL's equipment on the Customer's premises is denied or obstructed in any manner, including by debris, unsafe walkways or other means of access, or the presence of animals, and the Customer does not remedy the problem upon being requested by SSL to do so, service may be suspended until the problem is corrected.

6. Default:

It shall be a default under this Agreement if:

(a) A Customer fails to pay any rental payment within 10 days of its due date;

(b) Any representation or warranty of the Customer made herein or in any instrument or document delivered to SSL in connection herewith is false or materially incorrect or misleading;

(c) A Customer breaches any other obligation, or any obligation under any other agreement with SSL or any affiliate of SSL, and such default continues for 10 days after notice by SSL or such affiliate, as applicable, to a Customer;

(d) Any act of bankruptcy takes place respecting a Customer, or any proceeding, petition or notice, voluntary or involuntary, is commenced, made, given or filed, as the case may be, by a Customer or any other person, under any present or future statute or law relating to bankruptcy, insolvency, or relief from or compromise or arrangement with creditors of SSL.

(e) The Customer or tenant tampers with any part of the WSHP, its ancillary pipes or meters, wires and apparatus.

7. SSL's Remedies on Default:

Upon default, SSL shall be entitled to do one or more of the following, subject to applicable law;

(a) declare this Agreement to be in default (with or without terminating this Agreement) whereupon all obligations, including all Monthly Fees for the remainder of the then-current Term, shall be immediately due, payable and enforceable without any notice or demand whatsoever;

(b) terminate this Agreement;

(c) terminate service.

8. Customer's General Indemnities and Waiver of Liability:

The Customer shall indemnify and save harmless SSL from and against all existing or future loss, costs, charges, expenses, liabilities, claims, demands, penalties, damages, suits, actions and causes of action of every nature and kind whatsoever sustained or suffered by SSL or for which SSL may become liable, resulting from or arising out of:

(a) SSL's lawful exercise or performance of its rights or obligations under this Agreement;

(b) Any default by the Customer;

(c) Any impairment or pollution of or damage to the environment caused by or arising from misuse of the WSHP, or by unauthorized service of or otherwise tampering with any SSL equipment, or any fault of the Customer;

(d) SSL's inability to access its equipment.

9. Notices:

Any notice, demand, consent or other communication required or permitted hereunder ("Notice") shall be in writing and may be delivered, or sent by prepaid registered mail, or by electronic means which produces a permanent written record. Mailed Notice shall be deemed to have been given two business days after mailing provided there is no disruption or stoppage of postal services; delivered Notice shall be effective upon delivery during business hours to an apparently responsible adult and transmissions shall be deemed to have been received at the opening of the next Business Day. Addresses for Notice shall be those addresses stated on the face hereof and may be changed by written notice.

10. Heat Pump Removal

WSHP may be removed upon termination of the lease agreement at the discretion of SSL. The cost to remove the WSHP, at the request of the Customer and upon approval by SSL, is determined at the time of removal. Charges are calculated based upon actual costs for HVAC technician labour rates as well as the cost to transport and store the heat pump once removed. Information regarding cost of removal provided prior to work being undertaken are estimates only and further charges relating to unforeseen physical constraints at the property or additional work required may be imposed. Customer also agrees to pay any taxes and unbilled or unpaid utility charges at the time of removal.

11. Customer's General Representations, Warranties and Covenants:

The Customer represents and warrants to and covenants with SSL that;

(a) if Customer is a corporation, it is and will continue to be a corporation or other legal entity duly and validly incorporated or otherwise established, organized and existing in good standing under the laws of its jurisdiction of incorporation or establishment, with all necessary power and authority to execute, deliver and perform this Agreement;

(b) if Customer is a corporation, all of its actions have been and will be duly authorized by its officers, and will not be in conflict with its constating documents or by-laws or any indenture, instrument, agreement or undertaking to which it is or will be a party or by which it or its assets are or may become bound;

(c) this Agreement is and will continue to be the legal, valid and binding obligation of Customer, enforceable against it in accordance with its terms;

(d) all information provided by a Customer to SSL is accurate; and

(e) all payments to SSL are and will be derived from legal sources.

12. Forbearance, Indulgence and Waivers:

Forbearance or indulgence by SSL in any instance shall not constitute a general waiver of the obligation to which the same applies. Any waiver by SSL of its rights must be in writing and shall not extend to any other obligation or right waived.

13. Information:

The Customer hereby consents and authorizes SSL and its affiliates, agents, contractors and representatives, at any time;

(a) to collect, verify, use, communicate with and disclose to third parties (including credit reporting agencies, financial institutions, creditors, vendors and other persons) any credit, financial and other information, including personal information (as applicable) and information related to the credit rating, financial capacity and payment history, with respect to the Customer ("Information"), as SSL deems necessary to process, complete, service and enforce the transactions hereby contemplated and any other existing or potential transactions, or as required of otherwise permitted by law;

(b) to respond to inquiries from, and exchange any information with, third parties concerning Customer's credit rating, financial capacity and payment history;

(c) to provide information to persons to whom SSL considers assigning, granting a participation or otherwise disposing of rights or obligations under the transactions hereby contemplated; and

(d) to provide to any person copies of this Agreement.

(e) to utilize data concerning energy use for statistical purposes.

This consent is in addition to and does not replace any other consent given by Customer to SSL.

14. Successors and Assigns:

This Agreement shall inure to the benefit of and be binding upon the Customer and SSL, their respective heirs, executors, administrators, personal representatives, successors and permitted assigns and sub-lessees. The Customer may not assign this Agreement. SSL may assign or transfer in whole or part its rights under this Agreement, and/or pledge its rights hereunder and any assignee, transferee or beneficiary of such pledge ("Assignee") shall be unrestricted in the exercise of such rights. The Customer shall recognize any such assignment, transfer or pledge upon notice from the Lessor or its Assignee.

15. Remedies Cumulative:

All rights and remedies of SSL hereunder are cumulative and not exclusive or alternative and may be exercised by SSL successively, separately or together, in any order, sequence or combination.

16. Time:

Time is and shall remain of the essence of this Agreement.

17. Entire Agreement:

There are no representations, warranties, covenants, agreements or acknowledgments affecting this Agreement other than expressed herein in writing. SSL may amend this Agreement from time to time.

18. Severability:

Any term, condition or provision of this Agreement which is deemed void, prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be severed herefrom and ineffective to the extent of such invalidity, prohibition or unenforceability, without in any way invalidation the balance hereof.

19. Governing Law:

This Agreement shall be governed, construed, performed and enforced in accordance with the laws of the Province of British Columbia.

20. Currency:

Unless otherwise stated on the face of this Agreement, all sums of money payable shall be paid in Canadian dollars.

21. Joint and Several Liability:

If more than one person executes this Agreement as Customer, their obligations are joint and several and, where the context so admits, each reference in this Agreement to Customer shall include reference to any one or more of all of such persons and the acts or omissions of any such persons shall bind all of them.

22. Landlord/Tenant:

Whether the homeowner chooses to live in the property him or herself or rent out the property or otherwise have the property occupied by someone other than the owner, the SSL billing will remain in the name of the homeowner with any outstanding and overdue account balance as of December 31st being transferred to real property taxes to be collected by the City of Langford. All billing will be addressed to the property owner but copies can be provided to the tenant upon request.

END OF DOCUMENT