

Re: COMFIT Eligibility Entity Equity and Ownership Requirements

1. PURPOSE. The following policy directive provides guidance on equity and debt arrangements for COMFIT eligible entities.

2. POLICY RATIONALE. The policy intent of the government is that the COMFIT program creates tangible financial benefits to communities from renewable electricity projects.

The Nova Scotia Utility Review Board based COMFIT rates on models that included significant equity investment on behalf of eligible entities. Financing and partnerships arrangements that vary from this model may result in low returns to the community-based organization where low cost capital is not available. In considering debt arrangements, it is possible for an eligible entity to maintain majority (50+ percent) ownership without contributing project equity/capital and therefore not securing financial returns to the community. Thus, requiring a minimum equity capital contribution by eligible entities ensures financial returns. In the absence of significant equity contribution by said entities the Department will undertake careful consideration of business plans to ensure returns to the community. This directive does not preclude alternative financing arrangements, but requires evidence of significant financial return to the eligible entity.

This policy directive establishes that 20 percent of total equity or debt contributed by the eligible entity as a threshold for ensuring significant financial return.

3. LEGAL AUTHORITY. The Minister's authority is established in Section 2A and 2B of the *Electricity Act*. The Minister is provided with the authority to "establish and administer policies, programs, standards, guidelines, objectives, codes of practice, directives and approval processes under this act".

4. DRAFT DIRECTIVE.

1. The COMFIT model supports projects that have at least 20 percent total equity or debt contributed by eligible entities (Not-for-profits, Co-operatives, Community Economic Development Investment Funds). These projects are considered to meet the policy intent of the program.
2. Projects that propose financing structures outside of what the model has accommodated will be examined on a case-by-case basis, to establish that the proposal allows for significant financial returns to the eligible entity.
3. The authority of the Minister to issue such direction has been established in the *Electricity Act and Regulations*, and therefore the Notice of COMFIT Regulation change, May 25 2011 is rescinded.
4. Eligible entities must possess at least a 51 percent share of legal voting control. Failure to meet this requirement throughout the course of the project may result in the termination of

the COMFIT project approval, in accordance with Section 46 (1) of the Renewable Electricity Regulations.

5. In the event of non-compliance, applicants may be granted a temporary waiver of requirements at the Ministers discretion subject to discussion and plans to return to compliance.