

**Management's Response to the Auditor General's Review of  
Facilities Management Division Energy Efficiency Office - Management of  
Energy Loans and Grants Funded by the Ontario Power Authority**

<b><u>Rec No</u></b>	<b><u>Recommendation</u></b>	<b><u>Agree (X)</u></b>	<b><u>Disagree (X)</u></b>	<b><u>Management Comments:</u></b> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<b><u>Action Plan/ Time Frame</u></b>
1.	<b>The Director, Energy and Strategic Initiatives, ensure that project results on individual loans are accurate and complete based on third party evaluations where available or a detailed analysis of energy savings information submitted by organizations.</b>	X		The cost of conducting an independent verification of all project results has proved to be a significant cost burden.	ESI has assigned Professional Engineers who are City staff, to complement 3 <sup>rd</sup> party contractors for measurement and verification of projects, on an on-going basis.
2.	<b>The Director, Energy and Strategic Initiatives, ensure that annual reports are submitted to City Council on the achievements of each energy loan program. The annual report should include greenhouse gas reductions generated by the loan programs, success or failure in meeting targets, the number of loans and their dollar value.</b>	X		The EEO has to date not reported to Council on the SEF program results as it takes approximately 18 to 36 months for projects to be completed after SEF loans have been disbursed. In addition, there is no requirement to report to Council on the results of the Better Building Partnership Loan program.	The first annual report will be prepared for Council's consideration during 2011-Q4.

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3.	<b>The Director, Corporate Finance, should implement a formal documented credit screening process for energy loans that includes an analysis of cash flow, debt capacity and the ability to repay the loan. In addition, the credit screening analysis should be forwarded to the Energy Efficiency Office to be placed in individual loan files.</b>	X			Management has taken steps and allocated additional resources to provide formal documentation for the credit evaluation process and will forward all future credit screening analysis to the Energy Efficiency Office. Cash flow analysis, a review of audited financial statements and other relevant financial information continues to be performed for every loan application to assess the creditworthiness of each applicant before an approval is provided by Corporate Finance.
4.	<b>The Director, Energy and Strategic Initiatives consider developing a project ranking system in the event that loan demand exceeds funds available.</b>	X		At this time the need to develop a project ranking system is not necessary.	In the event that the demand for loans approaches the available funds a project ranking system will be developed based on the market issues present at that time, along with other current factors.

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5.	The Director, Energy and Strategic Initiatives, ensure that briefing notes presented for loan approval specify loan security terms and include accurate and complete project data supported by an appropriate level of verification by an energy consultant or engineering firm.	X		The SEF & BBP Loan security terms are documented in each Loan Agreement. Technical building and energy information is received by the EEO as the project progresses through the various stages including Energy Audit, Feasibility Report, Engineering Design, Construction and Commissioning. The timeliness of information on file depends on the stage of the project.	The EEO/ESI will commence including in briefing notes, credit screening analysis for all applicable loans including applications currently being reviewed.
6.	The Director, Energy and Strategic Initiatives, ensure that each project file clearly documents the project for which the loan is being approved and the energy savings attributable.	X			The EEO/ESI will commence a review of project files to more clearly link the loans to the measures implemented and the outcomes.
7.	The Director, Energy and Strategic Initiatives, in consultation with the City Solicitor, give consideration to amending the standard loan agreement to include the charging of interest on late loan payments.	X			The Director, Energy & Strategic Initiatives will consult with the City Solicitor regarding the charging of interest on late loan repayments by June 2012.

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8.	<b>The Director, Accounting Services, in consultation with the Director, Energy and Strategic Initiatives, monitor the loan repayments on a regular basis and take timely action to follow up late loan payments.</b>	X		Currently all loan repayments have been made by borrowers. There have been no loan defaults since the inception of the BBP loan program in 1997.	The Director of Energy & Strategic Initiatives will consult with Director of Accounting Services and will develop a system to monitor loan repayments on a regular basis and for timely follow action to be taken no later than December 2011.
9.	<b>The Director, Energy and Strategic Initiatives, require that future loan agreements include a clause relating to the ownership of carbon credits. The wording of the clause should be developed in consultation with the City Solicitor.</b>	X			The Director, Energy & Strategic Initiatives will request the City Solicitor to develop a Clause by December 2012.
10.	<b>The Director, Energy and Strategic Initiatives, request that, where appropriate, future agreements with funding partners require that the City be provided with reports arising from relevant program evaluations or audits undertaken by the funding partners.</b>	X		It is important to note there is no certainty that funding organizations will provide Audit Reports as requested by the Director of Energy & Strategic Initiatives.	The Director of Energy & Strategic Initiatives will consult with external funding partners and give formal notice of the City wish to have program evaluation documents provided to the City.