



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Carl W. Mosher
Larry D. Lisenbee

SUBJECT: SEE BELOW

DATE: 3-11-04

Approved

Date

COUNCIL DISTRICT: City-Wide

SUBJECT: ADOPTION OF A RESOLUTION AUTHORIZING A GRANT AGREEMENT WITH PG&E IN THE AMOUNT OF \$516,742, FROM MARCH 30, 2004 THROUGH JUNE 30, 2006, AND ADOPTION OF APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS IN THE GENERAL FUND TO APPROPRIATE THE GRANT FUNDS OF \$75,189

RECOMMENDATION

1. Adoption of a resolution authorizing the City Manager to execute a grant agreement with Pacific Gas and Electric (PG&E) to conduct a Silicon Valley Energy Collaborative Program and to accept a grant in an amount not to exceed \$516,742 for the term from March 30, 2004 through June 30, 2006.
2. Adoption of the following Appropriation Ordinance and Funding Sources Resolution amendments in the General Fund:
 - a) Increase the Environmental Services Department's Personal Services appropriation by \$65,189
 - b) Increase the Environmental Services Department's Non-personal/Equipment appropriation by \$10,000
 - c) Increase the estimate for Revenue from Local Agencies by \$75,189.

BACKGROUND

In July 2003, the California Public Utilities Commission (CPUC) solicited energy efficiency program proposals from utilities, government agencies, companies, and non-profit organizations and set forth several parameters for that solicitation (D.03-08-067). The decision addressed programs that would be funded through the public goods charge or “PGC.”

The CPUC specifically encouraged collaborative proposals from local governments and utilities in order to foster cost-effective energy efficiency programs. In response to that request for proposals, PG&E and the City of San Jose submitted the Silicon Valley Energy Program, a collaborative program by PG&E and the City of San Jose.

With the finalization of Decision 03-12-060, the CPUC approved the PG&E/City of San Jose collaborative proposal with an award of \$1,925,859 for the Silicon Valley Collaborative Program. Key elements with that Program include:

- Small Business/Non-Residential Energy Efficiency Program
- Education and Outreach Activities
- Savings by Design programs
- Codes and Standards Research
- Municipal Audits

More detail on these programs is included in Appendix A.

ANALYSIS

The Silicon Valley Energy Program (SVEP), a collaborative project between PG&E and the City of San Jose will provide targeted energy design and energy program implementation services for cities and municipalities within the South Bay/Silicon Valley, including San Jose, Los Gatos, Milpitas, Sunnyvale and Gilroy, and businesses and community organizations located in those municipalities. Specifically, SVEP will offer education and outreach services to all customers in the participating communities, energy audits for small businesses and municipal facilities, energy design assistance for municipal facilities, support for development of enhanced codes, standards and code enforcement, and coordinated training seminars in coordination with PG&E’s Pacific Energy Center (PEC).

This program will use the strengths and existing resources of each entity to overcome participation barriers, better serve local needs and hard-to-reach customers, increase participation in PG&E statewide programs, and create a model for successful collaborative opportunities. The City, other participating local governments and PG&E have many complementary skills and resources that collectively result in a powerful alliance eager to deliver effective and efficient programs.

The objectives of this program are to:

- Coordinate PG&E's marketing power with the City's and region's local communication channels to achieve cost-effective, broad and deep penetration in the local community, especially within hard-to-reach nonresidential sectors.
- Achieve equity of access to energy efficiency services by specifically targeting marketing messages to hard-to-reach small business customers.
- Provide hard-to-reach customers with quality information about energy use in their facilities.
- Enable and encourage customers to make informed decisions to reduce energy use and improve energy management practices.
- Inform customers of rebate programs to encourage installation of energy efficient equipment.

Implementation of these programs supports many of the City's Policies and Strategies, specifically:

- Economic Development Strategy:
 - Support the start-up and growth of local businesses
 - Diversify San Jose's economic base and preserve/create middle-income jobs
- San José Sustainable Energy Policy:
 - Educate San Jose residents, businesses and schools about the multiple benefits of energy efficiency
 - Use innovative approaches to gain greater control of the City's energy future and retain more financial investment within the community
 - Create and sustain partnerships to promote joint action to achieve citywide energy goals

- Work with various community, business and governmental organizations to promote sustainable energy policies

Ultimately, these activities support the goals of San Jose as a Sustainable City, *“a city designed, constructed, and operated to minimize waste, efficiently use its natural resources and to manage and conserve them for the use of present and future generations.”*

Grant reimbursements and expenditure appropriations in 2004-2005 and 2005-2006 will be appropriated in the base budget for the corresponding fiscal years.

PUBLIC OUTREACH

Outreach was conducted with the City Managers of several South Bay cities to determine their interest in coordinating on the activities of the SVEP. In addition, the City reaches many architects, builders, designers, mechanical engineers and residents through the energy educational workshops conducted in cooperation with PG&E.

COORDINATION

Initial coordination activities have been conducted with the Office of Economic Development, General Services Department, Redevelopment Agency and the Planning Department as to specific program areas where the activities of the SVEP will enhance their activities. In particular, the SVEP will coordinate with the Strong Neighborhoods Initiative, Enterprise Zones, Business Assistance and other relevant programs within the City. These documents have been reviewed by the City Manager’s Budget Office and City Attorney’s Office and approved as to form.

COST IMPLICATIONS

The proposed actions are consistent with the following General Principles of the Mayor’s Budget Strategy:

- Protect our vital core city services (Environmental and Utility Services: Protect Natural and Energy Resources)
- Emphasize prevention and expenditures that reduce costs to the City and our community
- Be open to alternative ways to deliver services through appropriate community partnerships, public-private partnerships, and by outsourcing or bringing services back in-house to be delivered by City staff.

Grant reimbursements and expenditure appropriations in 2004-2005 and 2005-2006 will be appropriated in the base budget for the corresponding fiscal years. No impact to the general fund forecast will result from these actions.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	RC#	Total Appn.	Amt. for contract	2003-2004 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	0761	Personal Services	To Be Established	114,078	481,642	195	2/17/04 – Ord 27074
001	0762	Non-Personal/ Equipment	To Be Established	1,403,241	35,100	195	2/17/04 – Ord. No. 27074

CEQA

Not a project.

LARRY D. LISENBEE
Director, Budget Office

CARL W. MOSHER
Director, Environmental Services Department

I hereby certify that there will be available for appropriation in the General Fund in the Fiscal Years 2003-2004 monies in excess of those heretofore appropriated therefrom, said excess being at least \$75,189.

LARRY LISENBEE
Director, Budget Office

Attachment

APPENDIX A

Silicon Valley Energy Program Key Elements

Education and Outreach

The program will formalize and expand the successful relationship between Pacific Gas and Electric's (PG&E) Pacific Energy Center (PEC) and the City Green Building program. SVEP will conduct approximately 50 courses, to be held in San Jose, in addition to courses planned through the PEC. The South Bay location provides convenient access to students located in southern bay area cities and even Monterey Counties. PG&E and the City will work together to implement the courses; develop workshop content, recruit speakers and conduct marketing and implementation activities. PEC will advertise courses through the PG&E Pacific Energy Center calendar and track enrollment; also the City will secure the class site(s) and provide all local coordination services.

The City will leverage the knowledge and experience gained by running the 2001 San Jose Cool Roof Incentive Program to conduct marketing, outreach and education services to encourage and facilitate the participation of South Bay businesses in PG&E's Express Efficiency for cool roof incentives.

City costs for this Program Element, in an amount not to exceed \$114,128, will be reimbursed by PG&E under the SVEP Grant Agreement.

Codes and Standards Support

On August 8, 2003, the California Energy Commission released the Public Interest Energy Strategies Report in support of the 2003 Integrated Energy Policy. This report outlined a series of actions that could be taken by public agencies to reduce energy use among various sectors of the community. The City of San Jose and PG&E will identify areas of specific need and conduct research and analysis in the following areas:

- Training needs regarding the 2005 Title 24 Energy Efficiency Standards
- Working with South Bay cities to encourage their participation in the PG&E's Code Enforcement Support study to help identify potential improvements to existing code enforcement practices currently in use.

City costs for this Program element, in an amount not to exceed \$57,596, will be reimbursed by PG&E under the SVEP Grant Agreement.

APPENDIX A

Silicon Valley Energy Program Key Elements

Targeted Savings By Design (SBD) Program

PG&E's SBD program will designate a full time analyst to work with the City and other South Bay cities to encourage them to register all new municipal capital projects in the SBD program. SBD provides financial incentives to building owners and design teams to offset some of the incremental cost of incorporating energy efficiency measures. San Jose alone has approximately \$1.0 billion of new projects planned over the duration of this program including libraries, community centers, police and fire buildings, an airport project and a new city hall, scheduled for completion in 2005.

The SVEP will also work with other South Bay municipalities to identify additional projects eligible for SBD and other rebate programs.

City costs for this Program element, in an amount not to exceed \$112,335, will be reimbursed by PG&E under the SVEP Grant Agreement.

Small Commercial Energy Efficiency Program

The Small Commercial Energy Efficiency program component will provide lighting retrofit services to small commercial customers (defined as businesses with electricity loads less than 20kW as indicated by their PG&E rate schedule) within targeted economically depressed business districts in San Jose and two-three nearby cities. PG&E and San Jose will implement the Small Commercial Energy Efficiency Program jointly, establishing minimum cost-effectiveness criteria for proposed energy efficiency measures. These targeted measures will have higher rebate levels than the current statewide programs, thus making their purchase and installation more attractive to the small business owners.

The City and PG&E will train local contractors who want to participate in the program, identify the target districts, and run the day-to-day program management. The Small Commercial Energy Efficiency Program will leverage PG&E's energy audit and Express Efficiency program infrastructure to conduct audits and process rebate applications and payments.

Small Commercial Energy Efficiency Program marketing materials will direct customers to a toll-free telephone number where general site and customer information will be collected and provide information on the program.

City costs for this Program element, in an amount not to exceed \$208,432, will be reimbursed by PG&E under the SVEP Grant Agreement.

APPENDIX A

Silicon Valley Energy Program Key Elements

Municipal Building Energy Audits

The City recently completed a series of comprehensive audits on twenty-four city facilities, which included looking at a full range of options (lighting, HVAC, water heating, and appliances.) Savings identified through that process indicated a potential of more than 10 percent reduction on average for each of the facilities. Additional savings may be achieved on the next group of city facilities, based on the initial audits of the first twenty-four. That group would include the Police Administration and Communications building, and fifteen additional city facilities. SVEP will conduct approximately 25 comprehensive additional audits.

City costs for this Program element, in an amount not to exceed \$24,251 will be reimbursed by PG&E under the SVEP Grant Agreement.

Coordination with other entities

Coordination is an inherent feature of this program, by virtue of its design. Seminars are conducted in concert with PG&E's training centers, ensuring all participants are aware and have access to the wide range of resources, including design assistance, a resource library, and specific guidance to achieve quality installations. In addition, the program will use PG&E's existing infrastructure to process applications and track data, eliminating the need for duplicative administrative activities and expenses.

SVEP will coordinate with other programs by using existing local and regional communication channels (such as the Chamber of Commerce, local board of realtors, local community, and ethnicity-based organizations, the City Building Permit Department, and business associations) to achieve high levels of local participation in both the services offered directly by this program, as well as high levels of local participation in the other statewide and local programs offered by PG&E.

SVEP will coordinate some outreach and education activities with events conducted by the City's Strong Neighborhoods Initiative. Strong Neighborhoods is about cleaner, safer neighborhoods and connecting those neighborhoods to resources and to each other. SVEP is one such resource that provides both energy efficiency information and retrofit assistance to qualifying customers.