



COUNCIL AGENDA: 08-17-10

ITEM: 2.9

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** John Stufflebean  
Leslye Krutko  
Jennifer Maguire

**SUBJECT:** SEE BELOW

**DATE:** 07-26-10

Approved

Date 7/30/10

**SUBJECT: APPROVAL OF TWO INNOVATOR PILOT PROGRAM AGREEMENTS WITH PG&E PROVIDING FUNDING TO THE CITY IN AN AMOUNT NOT TO EXCEED \$531,035 FOR A COMMUNITY ENERGY CHAMPIONSHIP FUND AND \$370,000 FOR A MUNICIPAL WHOLE HOUSE REHAB PILOT PROGRAM, FROM AUGUST 16, 2010 THROUGH DECEMBER 31, 2012, AND ADOPTION OF APPROPRIATION ORDINANCE AND FUNDING SOURCES RESOLUTION AMENDMENTS IN THE GENERAL FUND TO APPROPRIATE THE GRANT FUNDS OF \$626,860 FOR 2010-2011**

## RECOMMENDATION

Adoption of a resolution authorizing the City Manager to negotiate and execute agreements with Pacific Gas and Electric (PG&E) with terms covering the period August 16, 2010 through December 31, 2012 to:

1. Conduct a Community Energy Championship Fund Program and receive funding in an amount not to exceed \$531,035; and
2. Conduct a Municipal Whole House Rehabilitation Pilot Program and receive funding in an amount not to exceed \$370,000.
3. Adoption of the following Appropriation Ordinance and Funding Sources Resolution amendments in the General Fund for 2010-2011:
  - a) Establish a City-wide appropriation to the Environmental Services Department for Silicon Valley Energy Watch (SVEW) Innovator Pilots in the amount of \$626,860.
  - b) Increase the Estimate for Revenue from Local Agencies by \$626,860.

## **OUTCOME**

Execution of the two agreements with PG&E will provide staff and support for two multi-year innovative programs focused on energy efficiency outreach, education, and residential retrofits. Program activities contribute directly to moving the City's Green Vision Goals forward.

## **BACKGROUND**

The SVEW Program, funded by PG&E and administered by the City of San José, provides education, outreach, service coordination, and other targeted energy efficiency resources throughout Santa Clara County. The City has successfully implemented this program since 2004. The current cycle (2010-2012) was approved by Council on December 8, 2009, and began January 1, 2010. Program activities contribute directly to Green Vision Goals 1 (Create 25,000 Clean Tech jobs), 2 (Reduce per capita energy use by 50%), 3 (Receive 100% of electrical power from clean renewable sources), and 4 (Build or retrofit 20 million square feet of green buildings).

In September 2009, the California Public Utilities Commission (CPUC) released decision (D 08-07-021) which approved the California statewide Energy Efficiency Portfolio and Budgets for 2010-2012. The decision addressed programs that are funded through the Public Goods Charge (PGC) and administered by the state's four investor-owned utilities (IOU), including PG&E. To implement these programs, the IOUs contract with Third Parties and Local Government Partners. The City of San José is now one of 18 local government programs collaborating with PG&E to conduct community energy efficiency programs.

In addition to the standard energy efficiency outreach and incentive programs, the September 2009 decision directed PG&E to allocate \$4.3 million towards "Innovator Pilots." These programs would be run by local government entities or consortia, contribute to achieving the state's ambitious energy reduction targets using pioneering models, and provide actionable data for replication. The CPUC stated that these programs would "help progressive communities overcome existing barriers by empowering their creativity to demonstrate new approaches to energy use that align with the longer-term elements of the California Energy Efficiency Strategic Plan and Assembly Bill 32 (AB32). Ultimately, the goal is to share these approaches with other communities in California in order to reach our shared goal of GHG reduction across the state."

PG&E received 27 proposals for the Innovator Pilots from 19 applicants. Of the seven that were selected to receive funding, two were those submitted by the City of San José: the Community Energy Championship Fund and the Municipal Whole House Rehabilitation Pilot. Programs will begin in August/September 2010, and continue through the end of December 2012. Results will be shared state-wide to assist in the development, success, and expansion of similar programs in municipalities throughout California.

## ANALYSIS

The following provides information on the two programs funded by PG&E and administered by the City of San Jose.

### Community Energy Championship Fund (CECF)

This program will fund targeted and innovative social marketing and education campaigns designed to achieve significant behavior change regarding energy efficiency. The program will award \$350,000 in mini-grants to eligible nonprofit organizations and local government programs within Santa Clara County. This program is based on the understanding that local, community-based, and non-traditional community outreach initiatives present underutilized opportunities for government-run and utility-administered energy efficiency market transformation efforts. The CECF will build on local community “touch points,” leveraging existing outreach channels and specialized communication tools. Grantees must define a specific target community, whether defined by neighborhood, ethnicity, occupation, or otherwise. Funded programs must situate energy efficiency within broader environmental outreach initiatives to capitalize on synergies with issues such as water, recycling, or pollution. The pilot will include documentation of best practices, key challenges, and program results. In late 2012, staff will publish interim program results in order to assist other communities in implementing similar programs.

Key program objectives of the CECF are as follows:

This program will distribute \$350,000 in mini-grants to support community-based energy efficiency social marketing programs. As administrator for the Innovation Pilot, the City will provide grants to municipal outreach programs and to nonprofit community organizations to initiate or meaningfully expand social marketing and outreach programs for energy efficiency market transformation. Awards for municipal programs will range from \$15,000 - \$30,000 and from \$10,000 - \$25,000 for programs run by nonprofit organizations. The program will build capacity within funded organizations to conduct effective sustainability outreach. City staff will teach awardees important energy efficiency concepts, and conduct detailed evaluation of program results. Using the evaluation data, SVEW staff will produce overview and in-depth materials, including a Community Energy Efficiency Outreach Program Start-up Kit. The City will hold an Energy Efficiency Outreach Summit in 2012 to discuss preliminary program findings. The target audience for this summit will include program administrators, policy makers, and implementation staff from throughout California.

### Municipal Whole House Rehabilitation Pilot

The second Innovator Pilot program will fund the City’s Housing Department to conduct up to 80 performance-based energy efficiency retrofits in homes receiving services through the City’s Single Family Housing Rehabilitation program. The ultimate goal of the pilot is to expand the ability of municipal housing departments to incorporate performance or “Whole House” energy efficiency into standard rehabilitation work. Traditionally funded municipal programs are typically unable to capitalize on the tremendous energy efficiency opportunities present in most rehabilitation projects due to funding and other limitations. Standard weatherization programs,

including utility ratepayer funded programs, are one effective tool in addressing residential energy upgrade needs. However, in many cases, energy efficiency opportunities are missed because of varying income qualifications, substandard housing conditions, and limited capacity of many programs to perform extensive repairs and retrofits. To enable replicability beyond the pilot, staff will conduct modeling analyses and develop standard templates for incorporating energy efficiency into representative housing types.

This program will directly benefit low-income populations, which are the prime focus of the City's municipal housing rehabilitation efforts. Through the creation of detailed standard templates, the program will assist local governments throughout California in effectively incorporating energy efficiency into their own programs. These templates are expected to make it easier for municipal housing departments to secure additional resources for energy efficiency work in the future.

The ultimate goal of the Municipal Whole House Rehabilitation Pilot is to incorporate energy efficiency performance retrofits as an integral component within all municipal rehabilitation projects, with a minimum of 20% energy savings per project. Many projects may approach 70-90% energy savings per home.

All retrofit projects will be completed by the end of 2011. This will provide a full year to conclude documentation of cost effectiveness and energy savings, complete all models, finalize templates, and publish results. Templates will be available online through the City's Housing Department website as well as the SVEW website.

#### Overall Innovator Pilot Funds and Administration

The Innovator Pilot Program will be administered by the Environmental Services Department (ESD). The Municipal Whole House Rehabilitation Pilot will be administered by the Housing Department in coordination with ESD. The appropriation actions recommended in this memorandum allocate \$627,260 of the total grant funding to 2010-2011. The Personal Services portion of this (\$57,000) will be used to support a staff person in the Environmental Services Specialist classification series. The Non-Personal/Equipment Portion (\$570,260) will cover all program costs, including the Community Outreach Grants themselves.

The City will not directly deliver energy rebates through this program and will not subcontract to private contractors for any direct installation program element. The City will work closely with PG&E and other relevant local organizations to ensure that Santa Clara County businesses, residents and municipalities are able to take advantage of the broad range of audits, rebates and other technical support offered during the 2010-2012 programs.

The Innovator Pilots will inform and coordinate with other relevant ARRA-funded activities, including the SEP (State Energy Program) residential retrofit and energy financing programs; EECSBG (Energy Efficiency and Conservation Block Grant); and Neighborhood Preservation Program.

## **EVALUATION AND FOLLOW-UP**

Evaluation and monitoring are integral components of both Innovator Pilots, as described above. Results from both programs, including all documentation and the results of analyses conducted in coordination with PG&E, will be posted on the ESD energy website. This information may also be posted to the statewide online energy efficiency portal, which is currently being developed by the California Public Utilities Commission and the California Energy Commission. All results will be reviewed by internal City staff prior to reviews by PG&E and the CPUC.

The City will hold an energy efficiency outreach summit in 2012 to disseminate preliminary results of the CECF. The Municipal Whole House Rehabilitation Standard Templates will be made available to municipal housing departments throughout California.

## **PUBLIC OUTREACH/INTEREST**

The Innovator Pilots do not meet any of the below criteria. The City has coordinated with PG&E on both programs, and has solicited feedback with multiple community partner agencies on the formation of the CECF. ESD and Housing staff are coordinating with key local low income energy efficiency providers in the area, including PG&E Low Income Energy Efficiency (LIEE) program staff and Sacred Heart, which operates the federally funded Low Income Home Energy Assistance Program (LIHEAP) to ensure that programs are coordinated, that residents are aware of all available energy efficiency resources, and that program results are shared.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The City will not be soliciting contractors to implement any part of this Grant Agreement. The Grant Agreement does not have implications for service delivery or revised policies with the above impacts. Although this memorandum does not meet any of the above criteria, it will be posted on the City's website for the August 10 Council meeting.

The SVEW program has facilitated meetings and discussions with energy and related managers from Santa Clara County cities receiving PG&E services to ensure ongoing coordination of regional energy programs. The City reaches numerous architects, builders, designers, mechanical engineers and residents through SVEW's ongoing energy educational workshops and

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outreach programs. SVEW also focuses external policy coordination on developing relationships with key third party and supporting implementers, including Build It Green, Silicon Valley Leadership Group, Joint Venture Silicon Valley, and others.

### **COORDINATION:**

This memo has been coordinated with the City Attorney's Office.

### **FISCAL/POLICY ALIGNMENT**

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)
- 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.

### **COST SUMMARY/IMPLICATIONS**

The proposed appropriation action covers estimated grant reimbursements and program expenditures for 2010-2011. Grant reimbursements and expenditure appropriations in 2011-2012 and 2012-2013 will be appropriated in the budget for the corresponding fiscal years. As the program is fully grant funded, no impact to the General Fund forecast will result from these actions.

### **BUDGET REFERENCE**

Not applicable.

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**CEQA**

Community Energy Championship Fund: Not a Project, File No.PP10-066 (e), Agreements and Contracts for services that involve no physical changes to the environment.

Municipal Whole House Rehab Pilot: Not a Project, File No.PP10-067, Non-Project Specific Funding Mechanism



JENNIFER MAGUIRE

Director, Budget Office

/s/

JOHN STUFFLEBEAN

Director, Environmental Services

/s/

LESLYE KRUTKO

Director, Housing Department

I hereby certify that there will be available for appropriation in the General Fund in the Fiscal Years 2010-2011 monies in excess of those heretofore appropriated therefrom, said excess being at least \$626,860.



JENNIFER MAGUIRE

Director, Budget Office

For questions, please contact Mary Tucker, Energy Program Manager, at 408-975-2581