

THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: September 22, 2009 REPORT NO: 09-131

ATTENTION: Council President and City Council

SUBJECT: Energy Efficiency and Conservation Block Grant (EECBG)

REFERENCE: The Committee On Rules, Open Government, and Intergovernmental Relations of the City Council of the City of San Diego - May 13, 2009

City Council of the City of San Diego - June 15, 2009

The Committee On Natural Resources and Culture Committee of the City Council of the City of San Diego - June 24, 2009

The Committee on Natural Resources and Culture Committee of the City Council of the City of San Diego – September 9, 2009

REQUESTED ACTIONS:

- Authorizing the Mayor or his representative to make an application to the United States Department of Energy (DOE), grantor agency and to take all necessary actions to secure funding in amount of \$12,541,700.00, (grant award # DE-EE0000877), for developing and implementing energy conservation measures and programs by the City of San Diego.
- Accept the recommendations for project concepts developed by the Energy Efficiency and Conservation Block Grant (EECBG) Ad Hoc Committee established by City Council.
- Authorize the remaining energy strategy funds be reallocated for the propose of hiring a consultant to assist City staff in the development of “Requests for Proposals” for DOE approved project activities; and to ensure project activities meet the recommendation of the AD HOC committee; and to ensure the funds are allocated before the expiration of the fund allocation milestone of January 2011.
- Accept the recommendations by the Energy Efficiency and Conservation Block Grant (EECBG) Ad Hoc Committee to approve the Draft-Energy Efficiency and Conservation Strategy.

- Authorize the Mayor, or his representative, for and on behalf of the City, to submit the Energy Efficiency and Conservation Strategy (EECS) and associated project summaries to DOE, and negotiate and execute agreements for the total award of \$12,541,700.00.
- Authorizing the Chief Financial Officer to establish a special interest-bearing fund for the grant, and deposit the funds in an account established by the City Comptroller.
- Authorizing the Chief Financial Officer to accept up to \$12,541,700.00, if the grant funding is secured, appropriate and expend funds for Energy Efficiency and Conservation Block Grant activities, as determined by the Mayor or his representative, in accordance with the Energy Efficiency and Conservation Block Grant guidelines.
- Authorize the Mayor, or his representative, to take all necessary action to administer, monitor and manage the agreement with DOE, and when required, develop, advertise, negotiate and award contracts to third parties to implement the EECS approved by DOE.
- Authorize the study, classification, and creation of three (3) limited positions assigned to the Environmental Services Department to administer, monitor and implement the projects identified in the Energy Efficiency Conservation Strategy.

STAFF RECOMMENDATIONS:

- Adopt the Requested Actions.

SUMMARY:

The completed Energy Efficiency and Conservation Strategy (EECS) is due to DOE no later than November 24, 2009 and will include the list of EECBG-eligible concepts provided by the *Ad Hoc* Committee. The DOE will review and decide on the award by March 2010. All funds must be specifically allocated no later than January 27, 2011 and all projects must be completed no later than July 26, 2012.

Background

The federal government allocated \$12,541,700.00 in Energy Efficiency and Conservation Block Grant (EECBG) funds to the City of San Diego (City), with the requirement that the City develop an Energy Efficiency and Conservation Strategy that demonstrates how these funds will be used. Mayor Sanders and City Council members appointed experts in energy efficiency and renewable energy, advocates for the community, and planning experts to serve on an *Ad Hoc* Committee to review potential uses for these funds in accordance with Resolution 2009-1244 which was adopted on June 15, 2009.

The *Ad Hoc* Committee reviewed existing City policy and procedures, developed a scoring matrix and evaluated 93 “concept proposals” with rankings for possible use in the submission to the (DOE). The list of participants on the *Ad Hoc* Committee is provided in Attachment “A”. During the *Ad Hoc* Committee proceedings, significant public comment was provided on project concepts to create the EECS that balances the needs of the community with the DOE eligibility requirements.

The *Ad Hoc* Committee met six times between June 25, 2009 and August 10, 2009. The outcome was a list of recommended concepts and allocations that will guide the development of specific projects.

Approximate Amount ALLOCATED	PROJECT CONCEPT
\$3,000,000	Residential Energy Efficiency and Water Conservation Program for economically disadvantaged and pre-1978 households that includes audits, education, and upgrades.
\$2,500,000	Revolving Loan Fund for Municipal Operations and Energy Efficiency Retrofits and Water Conservation including audits and education.
\$2,000,000	City of San Diego street light retrofits.
\$2,000,000	Energy Efficiency and Water Conservation Program for buildings owned by the City of San Diego and occupied by non-profit organizations that includes audits, education, and upgrades.
\$1,500,000	Residential Energy Efficiency and Water Conservation Program that includes audits, education and upgrades.
\$ 250,000	Development of a Climate Protection Action Plan for the City of San Diego.
\$1,000,000	Administrative oversight
\$ 250,000	Previously allocated for community planning effort with the <i>Ad Hoc</i> Committee

The Assistance Agreement from DOE (Attachment “B”) confirms that the period of performance for the grant funds is July 27, 2009 through July 26, 2012.

The completed EECS is due to DOE no later than November 24, 2009, and will include project activity sheets for the list of EECBG-eligible concepts recommended by the *Ad Hoc* Committee. DOE will review and decide on the award by March 2010. All funds provided in the award must be encumbered no later than January 27, 2011 and all projects must be completed no later than July 26, 2012.

Environmental Services Department (ESD) Energy, Sustainability, and Environmental Protection Division staff will be responsible for incorporating the concepts from the *Ad Hoc* Committee recommendations into the EECS. Upon approval by DOE, staff will take all necessary action to administer, monitor and manage the agreement with DOE, and when required, develop, advertise, negotiate and award contracts to third parties to implement the EECS approved by DOE. ESD will establish three (3) limited positions assigned to administer, monitor and implement the projects. These positions will be 100% cost-recoverable under the EECBG.

Discussion

The Energy Efficiency and Conservation Strategy (EECS) (Attachment “C”) will support existing goals and objectives that are based on previous Council actions. This includes, but is not limited to: the City of San Diego’s General Plan, approved in March 2008; the commitment to a 50 megawatt (MW) increase in renewable energy use by 2013; and the City Climate Protection Action Plan, approved by Council in 2004. ESD takes a leadership role in coordinating the City’s energy efficiency and renewable energy projects, as well as tracking the greenhouse gas

emissions inventory (1990, 2004 and 2007) and developing the associated Climate Protection Action Plan.

The project concepts selected by the *Ad Hoc* Committee include the following six items:

1. Residential Energy Efficiency and Water Conservation Program for economically disadvantaged and pre-1978 households that includes audits, education, and upgrades.
 - a. Estimated allocation: \$3,000,000
 - b. Eligibility category from DOE: Residential and commercial building energy audits.
 - c. Results Expected: In conjunction with San Diego Gas and Electric's (SDGE) existing weatherization program, approximately 10,000 eligible homes will receive appropriate energy audits, education of potential savings and updates with an expected energy reduction between 15 and 25 percent per household.
2. Revolving Loan Fund for Municipal Operations Energy Efficiency Retrofits and Water Conservation including audits and education.
 - a. Estimated allocation: \$2,500,000
 - b. Eligibility category from DOE: Financial incentive programs and mechanisms for energy efficiency improvements, such as energy savings performance contracting, on-bill financing, and revolving loan funds.
 - c. Results Expected: Ongoing funding through a reimbursement process of loans for energy efficiency upgrades with a 10-year expected energy savings of about 25 percent.
3. City of San Diego streetlight retrofits.
 - a. Estimated allocation: \$2,000,000
 - b. Eligibility category from DOE: Energy efficient traffic signals and street lighting.
 - c. Results Expected: Replace approximately 4000 fixtures resulting in a savings of 2 million kilowatt-hours annually and \$240,000 in energy savings per year and \$200,000 in maintenance savings.
4. Energy Efficiency and Water Conservation Program for buildings owned by the City of San Diego and occupied by non-profit organizations that includes audits, education, and upgrades.
 - a. Estimated allocation: \$2,000,000
 - b. Eligibility category from DOE: Energy efficiency and conservation programs for buildings and facilities.
 - c. Results Expected: Energy audits indicate a potential for over 5 million kilowatt hours (\$750,000) of energy saving annually.
5. Residential Energy Efficiency and Water Conservation Program that includes audits, education and upgrades.
 - a. Estimated allocation: \$1,500,000
 - b. Eligibility category from DOE: Residential and commercial building energy audits
 - c. Results Expected: Extensive community outreach covering all of San Diego with an estimated 5,000 homes receiving upgrades. Potentially, the program may be enhanced if coordination is possible with the City's AB 811 program.

6. Development of a Climate Protection Action Plan for the City of San Diego.
 - a. Allocation: \$250,000
 - b. Eligibility category from DOE: Planning
 - c. Results Expected: Technical review of the City's greenhouse gas emission inventory and update of the Climate Protection Action Plan, including public forums, and a long-term coordinated plan for the City's compliance with "The Global Warming Solutions Act of 2006 (AB 32).

Additionally, the EECGB Ad Hoc Committee developed a long term Draft-Energy Efficiency and Conservation Strategy that seeks to reduce the consumption of natural resources and fossil fuels; reduce the emission of greenhouse gases; generate local, long-term career track green jobs related to energy and water sustainability; and create new markets and industries in energy and water efficiency and renewable energy. On September 9, 2009, the Committee on Natural Resources and Culture Committee of the City Council of the City of San Diego, adopted the final EECGB Ad Hoc Committee Report and approved the Draft-Energy Efficiency and Conservation Strategy.

During the Natural Resources and Cultural Committee discussion on September 9, 2009, it was suggested that the remaining portion of the \$250,000 allocated the energy strategy development be used to conduct a performance audit to benchmark the productivity of the project activities. The Department of Energy (DOE) staff has responded that this "does not appear to be an appropriate use of funding under this activity". In her response (Attachment "D"- DOE Correspondence), Project Officer Johanna Sevier notes that the City "will be subject to monitoring and oversight" and Project Officers will be reviewing a number of required reports "to assess the City of San Diego's progress toward meeting goals and objectives."

However the DOE staff made several recommendations regarding the use of the remaining funds:

1. Create another project activity.
2. Allocate the remaining funds amongst the proposed project activities.
3. "Use the remaining energy strategy funds for program administration costs as long as the cost doesn't exceed the 10% EECBG administrative requirement."
4. "Hiring of a consultant to assist the City of San Diego in developing "Requests for Proposal." The consultant costs should be included in whatever activity the consultant will be working for."

It is staff's recommendation the remaining energy strategy funds be reallocated for the propose of hiring a consultant to assist City staff in the development of "Requests for Proposals" for DOE approved project activities; and to ensure project activities meet the recommendation of the AD HOC committee; and to ensure the funds are allocated before the expiration of the fund allocation milestone of January 2011.

FISCAL CONSIDERATIONS:

Project implementation is intended to reduce energy consumption at City facilities and in the community. As a result, General Fund expenditures for energy may decrease. All administrative and operational costs for the EECBG projects described in this report are provided through the EECBG Program.

PREVIOUS COUNCIL AND/OR COMMITTEE ACTION:

The Committee on Rules, Open Government, and Intergovernmental Relations of the City Council of the City of San Diego- May 13, 2009. ACTION: Motion by Councilmember Frye, second by Councilmember Young, to direct staff to apply for \$250,000 of EECBG funds to develop an energy efficiency plan; and to add a standing Monday Council agenda item regarding updates on the American Recovery and Reinvestment Act. VOTE: 5-0; Hueso-yea, Faulconer-yea, Frye-yea, Gloria-yea, Young-yea

City Council of the City of San Diego- June 15, 2009. Item 150; ACTION: Adopted as Amended (R-2009-1244) Authorizing the Application for Energy Efficiency and Conservation Block Grant Program. VOTE: Unanimous; all present

The Committee On Natural Resources and Culture Committee of the City Council of the City of San Diego- June 24, 2009. Item 7; ACTION: Information only. No action taken.
Reports from the MAYOR'S OFFICE regarding: New EECBG Ad-Hoc Committee

The Committee on Natural Resources and Culture Committee of the City Council of the City of San Diego - September 9, 2009. ITEM-5: Report from the Environmental Services Department regarding FINAL REPORT OF THE ENERGY EFFICIENCY CONSERVATION BLOCK GRANT AD HOC COMMITTEE

ACTION: Motion by Councilmember Emerald, second by Chair Frye, to approve the requested action and to set up a working group to track AB 811 and the home retrofit program. Approve the energy strategy developed by the Ad Hoc Committee. All programs established with these monies should be consistent with State guidelines and to use some of the \$250,000 that was previously allocated by the City Council for establishing the Ad-Hoc Committee for a performance audit to assess how well the strategy was met and to provide updates on this program to the NR&C Committee.

VOTE: 3-1; Frye-yea, DeMaio-yea, Lightner-nay, Emerald-yea

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The EECBG Ad Hoc Committee met six times between June 25, 2009 and August 10, 2009. Prior to that, the Mayor sponsored three public meetings in April and May. Additionally, the City's "Stimulus Tracker" is a link on the City website which allows interested parties to track the progress of the EECGB Ad Hoc Committee and provides a complete listing of project concepts.

ENVIRONMENTAL REQUIREMENTS:

This activity is not a “project” and is there not subject to CEQA pursuant to State CEQA Guidelines Section 15060(c) (3). Projects will be proposed to be developed using these funds. At such time as these projects are developed, they will be reviewed for potential impacts.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

Successful program implementation will benefit all sectors of San Diego because of gains in energy efficiency and conservation, jobs creation, and a reduction in greenhouse gas emissions.



Chris Gonaver
Environmental Services Director



David Jarrell
Deputy Chief Operating Officer
Public Works

Attachments: Attachment “A” - Ad Hoc Committee
Attachment “B” - Assistance Agreement from DOE
Attachment “C” - Draft Energy Efficiency and Conservation Strategy (EECS)
Attachment “D” - DOE Correspondence