

DATE ISSUED: May 31, 2002 REPORT NO: 02-124

ATTENTION: Honorable Mayor and City Council  
Docket of June 4, 2002

SUBJECT: Whole House Energy Retrofit Program

REFERENCE: Manager's Report No. 02-057, dated March 13, 2002

SUMMARY

Issue - Should City Council authorize acceptance of a \$1,448,946 award from the California Public Utilities Commission (CPUC) to fund a Whole House Energy Retrofit Program designed to encourage the installation of energy efficiency technologies in older homes and provide financial assistance for low-income citizens?

Manager's Recommendations -

1. Approve acceptance of the \$1,448,946 award from the California Public Utilities Commission (CPUC) to fund the Whole House Energy Retrofit Program.
2. Authorize the City Manager to enter into an agreement with SDG&E for the City to administer distribution of the funds and provide reporting to the CPUC on program expenditures.
3. Authorize the use of the \$1,448,946 award to pay all costs associated with the Whole House Energy Retrofit Program.

Fiscal Impact - There will be no fiscal impact to the City. The CPUC award will pay all program related expenses, including staffing, energy conservation retrofit incentives, administration, consultants, reporting, outreach materials and training City staff to implement the program. The City will receive an initial payment equal to 35% of the \$1,448.946 award to fund initial start-up costs and staffing. The remaining 65% of the project award will be distributed by SDG&E with even payments on a quarterly basis.

## BACKGROUND

In his 2001 State of the City Address, Mayor Murphy outlined ten goals for the City to accomplish. Goal Number 9 is to pursue energy independence and to make San Diego a model City in energy conservation and the utilization of renewable energy sources. In support of Goal Number 9, the Whole House Retrofit Program was designed by the Development Services Department and the Environmental Services Department's Energy Conservation and Management Division to promote implementation of energy efficiency technologies in older homes and to help low income families reduce energy consumption. The Energy Conservation and Management Division then applied for CPUC Local Program funding from the Public Purpose Charges collected from San Diego electric rate payers on their energy bills.

## DISCUSSION

This program is designed for homeowners residing in homes constructed before 1978. There are two subgroups of homeowners within the program's target market: (1) owners who submit plans for an addition to or a remodel of their home and (2) "hard-to-reach" homeowners in low-income areas of the City. Incentives will be marketed to those subgroups as a comprehensive package of benefits that includes : (1) rebates available from San Diego Gas and Electric (SDG&E), (2) information about energy efficiency, (3) design and inspection assistance from the City, and (4) additional financial incentives offered through this program and other related programs such as the Federal Housing Administration's Weatherization Program.

Under this program, applicants will be able to take advantage of two levels of incentives depending on the extent of the retrofit work selected.

- ◆ Package 1. For homeowners who insulate their attic with R-30 insulation, install double-pane windows, weather strip all exterior doors and seal and insulate heating ducts, install low-flow shower heads and wrap their water heaters (as appropriate) the retrofit incentive will be \$200 to \$600, depending on the applicant's income level.
- ◆ Package 2. For homeowners who do all of the above and also install a new, high-efficient furnace, the retrofit incentive will be \$400 to \$800, depending on the applicant's income level.

SDG&E administers the money allocated by the CPUC for all local energy efficiency programs; therefore, the City will enter into an agreement with SDG&E to receive the money awarded for this program and to account for program expenditures. The City will also contract with a consultant to develop a plan to measure and verify energy and peak demand savings, train City personnel to carry out the program, and develop outreach materials to market the program.

The CPUC award will cover program expenses for calendar years 2002 and 2003. All the costs for implementing, administration, and marketing of the program will be covered by the \$1,448,946 award. The City has a target of 500 home retrofits the first year and 750 retrofits in

the second year. If the program is successful, additional grants will be sought to continue the program at higher target levels after the second year. The ultimate goal would be to retrofit 28,750 pre-1978 homes by 2020. By reaching this ultimate goal, the City's energy savings could be 20,000 MWh with a peak demand reduction of 21 MW. That amount of energy savings would offset the estimated energy requirements for the new homes projected to be constructed in the City during the same period.

This program will be fully coordinated with the new citywide Lead Safe Neighborhood Program, which also targets the same pre-1978 housing units, by sharing outreach materials and efforts and seeking opportunities to leverage incentives and funding sources to make the retrofit projects more affordable for lower income citizens.

ALTERNATIVE

Do not approve acceptance of the \$1,448,946 award from the CPUC and implementation of the Whole House Retrofit Program. This is not recommended because it would deprive the City of an opportunity to improve energy efficiency and quality of life in pre-1978 homes. The funding would then be reallocated by the CPUC to other projects outside the City of San Diego.

Respectfully submitted,

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Energy Administrator

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Tina P. Christiansen, A.I.A.  
Development Services Director

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Richard L. Hays  
Environmental Services Director

Approved:

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George I. Loveland  
Senior Deputy City Manager

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