



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: January 18, 2006 REPORT NO. 06-005

ATTENTION: Council President and City Council
Docket of January 23, 2006

SUBJECT: Participation in San Diego Energy Management Partnership

REFERENCE: Council Resolution No. 299567
Manager's report No. 04-170
CPUC Decision D0509043

SUMMARY

Issues – Should City Council authorize the Mayor, or designee, to:

1. Enter into an agreement with SDG&E to manage programs and projects under the San Diego Energy Management Partnership (The Partnership), and
2. Authorize the City Auditor and Comptroller to accept, appropriate and expend CPUC Energy Efficiency Programs funds to pay for expenses associated with energy efficiency programs and projects under the Partnership for calendar years 2006-2008?

Staff Recommendations -

1. Authorize the Mayor, or designee, to enter into an agreement with SDG&E for the management of energy efficiency programs and projects under the San Diego Energy Management Partnership.
2. Authorize the Mayor, or designee, to take all actions to secure CPUC Energy Efficiency Programs funds in the amount of \$2,883,768.
3. Authorize the City Auditor and Comptroller to accept, appropriate, and expend CPUC Energy Efficiency Programs funds to pay for expenses associated with energy efficiency programs and projects under the Partnership.

4. Authorize the Mayor, or designee, to execute the required agreement with SDG&E under the terms and conditions set forth in the agreement.
5. Authorize the Mayor, or designee, to amend or extend the Partnership agreement if additional funding for the partnership becomes available.
6. Authorize the City Auditor and Comptroller to establish all required fund numbers, department numbers, and expense and revenue accounts to facilitate the record keeping associated with the Partnership.

Other Recommendations – None.

Fiscal Impacts - CPUC Energy Efficiency Programs funds will fund all program management and project expenses via SDG&E. The CPUC has approved \$2,883,768 to cover all related expenses for the City's participation in the San Diego Energy Management Partnership during calendar years 2006, 2007, and 2008. The City will receive an initial payment of \$460,000 in January, to fund start up costs, staffing, and other Partnership expenses incurred during the first six months of the Partnership. The City will receive an additional payment of \$230,000 in April, another payment of \$230,000 in July, and subsequent payments of \$245,471 every three months, with the last payment taking place on July 2008.

BACKGROUND

In September 2003, the City of San Diego, the San Diego Regional Energy Office, the County of San Diego, the City of Chula Vista, the City of Oceanside, the City of Carlsbad, and the City of Escondido formed the San Diego Regional Energy Partnership to aggressively reduce energy consumption and demand in the Southern California region. The CPUC awarded that partnership \$11,540,000 to manage programs offering incentives to regional residents, small businesses and local governments to install energy efficiency measures to reduce energy consumption in the region during calendar years 2004 and 2005.

During the 2004-2005 Cycle, the City received a \$660,000 benefit from the partnership to manage energy efficiency improvement projects in City owned facilities, install energy management systems to monitor energy consumption, and to provide energy education programs for City of San Diego residents. To continue receiving this funding from the CPUC, program implementers are encouraged to be more effective and competitive in the next cycle. To increase the probability of continued funding for energy efficiency improvements and to be directly involved in offering programs for their residents and businesses, local governments are partnering with SDG&E for the 2006-2008 cycle.

DISCUSSION

The San Diego Energy Management Partnership is a new partnership between the City of San Diego and SDG&E that continues the more successful features of the San Diego Regional Energy Partnership that concludes in December 2005. The new partnership

offers the following four programs: The San Diego Condo Conversion Program, Residential Outreach/Education Program, Peer-to-Peer Education Program, and City Energy Project Facilitation Program. The City of Chula Vista and the County of San Diego will have similar partnerships with SDG&E for the 2006-2008 Cycle, while smaller local government agencies will receive assistance from other energy efficiency programs offered by SDG&E.

The City and SDG&E prepared the concept paper for this partnership during May 2005. On June, SDG&E submitted the final concept paper for the partnership to the CPUC for funding approval. The CPUC approved the concept paper on September 22. The City and SDG&E will be working out an implementation plan for each of the programs under the partnership to be submitted to the CPUC by December 8. The CPUC's final approval of the partnership programs and their implementation plan is expected on January 2, 2006.

Condo Conversion Program

The City will receive \$1,381,250 to implement and manage the activities of this program for the 2006-2008 Cycle. The City is experiencing a surge in condo conversions, and most of these condo conversions involve buildings built prior to 1978 when the City did not have Title 24 standards in place for new construction. This program is designed to provide incentives to developers who install energy efficiency measures in their condo conversion units by giving them the opportunity to participate in the City's Sustainable Building Expedite Program free of charge. The program will pay for the expected \$550 (incentive) per dwelling cost of participation in the Sustainable Expedite Program for those developers that install one of the packages described on Attachment A in each of the units of participating condo conversion projects.

If the number of applications for condo conversions is not sufficient to fully utilize the available funds, then the program will be modified to include new construction and remodels of existing residential buildings which meet the Expedite Program requirements so that the program may produce energy savings.

Residential Outreach/Education Program

The City will receive \$583,449 to implement and manage the activities of this program for the 2006-2008 Cycle. This program will make use of City facilities to provide outreach to City residents. The City will dispense energy conservation, efficiency, and renewable energy source information and encourage activity in those areas by informing the public of current energy efficiency programs available to them. A large number of low-income and elderly residents need information about available energy efficiency incentives and energy efficiency technologies, as evidenced by phone calls the City receives from residents asking about available programs for energy efficiency.

Peer-to-Peer Education

The City will receive \$161,886 to implement and manage the activities of this program for the 2006-2008 Cycle. The City will provide training and assistance to local governments in the region to implement their own programs for energy conservation, efficiency, and management. Local agencies will learn from the City's experience in

implementing policy to promote energy efficiency and conservation at existing and new facilities, installing energy management systems to participate in demand reduction programs, using existing community outreach infrastructure to educate and promote energy efficiency among residents, and working with contractors and developers to promote energy efficiency in new residential developments. This will help the Southern California region conserve energy because many local governments operate in old energy inefficient buildings, but don't have the staffing to dedicate to establishing a comprehensive energy efficiency program.

City Energy Project Facilitation

The City will receive \$757,183 to implement and manage the activities of this program for the 2006-2008 Cycle. The program will allow the City to perform comprehensive energy efficiency retrofits and installation of energy management systems at City facilities. The City expects to derive significant energy savings from these retrofits. The installation of energy management systems at these locations will allow the City to better manage its consumption and demand, maximize the potential energy savings, and participate in demand reduction programs during critical peak hours.

CONCLUSION

This partnership provides an opportunity to improve the quality of life for San Diego residents by conserving energy, which translates into less air pollution, less expensive energy, energy independence, and a greater reliability of supply. The partnership achieves that opportunity by offering incentives to developers to install energy efficiency measures in many energy inefficient buildings where the City has no requirements to install energy efficiency measures, providing information on energy efficiency to hard-to-reach residents to develop a long-term culture of energy conservation, expanding upon the City's success in energy efficiency to other jurisdictions in the region, and providing funding for the City to continue to manage energy savings at all its facilities.

ALTERNATIVES

None.

Respectfully submitted,

Tom Blair
Energy Administrator

GARDNER/ HEAP/ TBB/JC

- Attachment(s):
1. CPUC Decision D0509043. The attachment is a summary of CPUC D0509043, which approves the energy efficiency portfolio plans and funding levels for 2006-2008 energy efficiency programs.
 2. Attachment A - Condo Conversion Program Energy Efficiency Packages