

Memorandum



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lori Mitchell
Jim Shannon

SUBJECT: SEE BELOW

DATE: September 20, 2021

Approved

Date

09/23/21

**SUBJECT: SAN JOSE CLEAN ENERGY ELECT TO ADMINISTER ENERGY
EFFICIENCY PROGRAMS IMPLEMENTATION**

RECOMMENDATION

- (a) Adopt a resolution authorizing the Director of the Community Energy Department to negotiate and execute Agreement(s) between the City of San José and third-party implementer(s) to implement the Elect to Administer (ETA) energy efficiency programs approved by the California Public Utilities Commission and City Council.
- (b) Adopt the following 2021-2022 Funding Sources Resolution and Appropriation Ordinance Amendments in the San José Clean Energy Fund:
 - (1) Increase the estimate for Revenue from State of California in the amount of \$1,700,000; and
 - (2) Establish the Energy Efficiency Programs appropriation to the Community Energy Department in the amount of \$1,700,000.

OUTCOME

The recommendation facilitates the implementation of energy efficiency programs utilizing the Public Purpose Program charge funds collected and regulated by the California Public Utilities Commission (CPUC). The approved CPUC budget of \$1.7 million per year for a total of \$5.1 million over three years will fund ETA energy efficiency program offerings to San José Clean Energy customers.

BACKGROUND

On August 8, 2017, City Council approved an ordinance establishing a Community Choice Aggregation (CCA) program to be named San José Clean Energy (SJCE) and amending Title 26 of the San José Municipal Code (Code) to create the Community Energy Department (CED) of

the City of San José to manage the CCA program. Under the adopted Title 26, sections 26.40.010 and 26.40.040 of the Code, SJCE may provide any energy efficiency, rate assistance, and other energy programs as approved by the City Council. In addition, under section 2.04.4620.E, the Director of the Community Energy Department (Director) shall “develop and implement local energy efficiency, renewable energy, and other energy programs.”

In February 2018, the City of San José was one of the first U.S. cities to adopt a Paris Agreement-aligned climate action plan, named Climate Smart San José (Climate Smart). This is a data driven plan with goals and actions focused on three components: energy, mobility, and water. It details not only ways to reduce the City's carbon footprint but also to improve the quality of life for those who live and work in San José.

On May 15, 2019, SJCE provided an update to the Transportation and Environment (T&E) Committee on the community energy programs planning process.

On March 2, 2020, SJCE provided an update to the T&E Committee on SJCE’s preliminary program roadmap that detailed the initial programs SJCE recommends offering based upon guiding principles and objectives.

On October 5, 2020, SJCE provided an update to the T&E Committee on SJCE’s program roadmap that detailed a near term education and outreach program, community outreach on potential programs, and near-term programs.

On March 9, 2021, City Council adopted a resolution authorizing the Director of the Community Energy Department to prepare and submit an Advice Letter to the CPUC to administer ETA Energy Efficiency programs and authorized the City Manager to accept CPUC funds if the Advice Letter is approved by that agency.

On September 9, 2021, the CPUC approved Resolution E-5166 (see Attachment 1) that certifies the San Jose Clean Energy’s request to ETA their Energy Efficiency Program Administration Plan.

ANALYSIS

CPUC and City Council Approved Energy Efficiency Programs

Single-Family Home Energy Efficient Electric Appliances

This program will offer incentives on energy-efficiency electric appliances to moderate-income¹ residents living in single-family homes. The electric appliances will include high efficiency washing machines and dryers, smart thermostats, refrigerators or freezers, room air conditioners,

¹ Moderate-income is defined by the CPUC as household income falling between 200% and 400% of federal poverty guidelines, or \$52,400 to \$103,000 for a family of four. These limits fall under 80% Area Median Income for San José, which the State considers to be moderate-income for affordable housing purposes.

and smart power strips. The third-party implementers will use bulk buying power to drive down the cost of appliances as well as install the appliances. SJCE energy efficiency funds will provide an additional discount, further driving down the price of the appliances.

The program will target single-family home residents who do not qualify for PG&E's Energy Savings Assistance program (because their incomes are above the upper limit for those programs), but are considered moderate-income in the City of San José per California Department of Housing and Community Development income limits.² Staff estimates that approximately 32,500 households fall into this income bracket, and at least 2,000 are estimated to need to replace a non-functioning appliance each year. Staff expects to enroll an average of 250 households per year over the 3-year program at an estimated annual cost of approximately \$250,000, though the actual amount will depend on program participation.

Commercial and Schools

For commercial customers, the program will offer rebates for energy efficient heating, ventilation, and air conditioning (HVAC) systems and components as well as refrigerated display cases. For schools, the program will offer rebates for energy efficient HVAC systems and components as well as water heating system components. Implementation of this program will be contractor driven. The third-party implementer will establish a short list of "premier vendors" program manufacturers of Variable Speed Drive HVAC controls, and work with them to identify and recruit high performing HVAC contractors who are part of the vendor network and work in SJCE territory. Customers will work with program contractors for project installation or, in some cases, self-install. After project completion and submittal of all appropriate documentation, SJCE will send the rebate, funded by CPUC program funds, to the contractor or the customer as applicable.

The program will target small to medium-sized businesses and organizations such as dental, nursing, and medical offices; small to medium retail stores; restaurants; and convenience stores. Staff expects to enroll an average of 100 commercial entities per year over the 3-year program. The program will also target approximately three schools per year from school districts in San José. The estimated annual cost for commercial and schools is approximately \$1,450,000, though the actual amount will depend on program participation.

Marketing and Outreach

Single-Family Home Energy Efficient Electric Appliances

SJCE will conduct a trilingual marketing and outreach campaign to reach residents who may qualify for the program. Staff will utilize Geographic Information System (GIS) maps with demographic information including income and language to target outreach on a neighborhood level. In addition to using traditional marketing tactics such as direct mail; email; social media; and outdoor, radio, and digital advertising, SJCE will leverage existing relationships with

² Santa Clara County, Moderate Income per <https://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits/docs/income-limits-2021.pdf>

neighborhood associations, Council offices, schools, churches, and other local neighborhood groups. Staff will use CPUC program funds to enlist community-based organizations (CBOs) to help reach residents who do not have internet access through phone banking, texting, and/or holding virtual events accessible by cell phone (and in-person events in future years). SJCE will also leverage the relationships developed by other departments, including those the Environmental Services Department (ESD) developed with community groups through their Better Buildings Program San José and Building Decarbonization Roadmap development process. Further, SJCE will aim to partner with BayREN to conduct joint marketing and outreach to offer customers a streamlined option of incentives for different appliances and energy efficiency upgrades.

Commercial and Schools

Commercial customers and schools will be recruited and enrolled in the program through direct outreach, namely contractor outreach to their networks and SJCE outreach to their existing channels and partner networks. During their launch, SJCE built relationships with numerous school districts, local business districts, chambers of commerce, and other business organizations. SJCE can leverage ESD's relationships and experience working with businesses and schools on energy efficient projects. These projects included working with various businesses through San José Energy Watch and with schools in partnership with Ecology Action.

Program Not to Exceed Annual Amounts and Projected Impact

The Director of the Community Energy Department will negotiate and execute agreement(s) with one or more selected third-party implementers. However, the total agreement amounts to third-party implementers will not exceed the aggregated approved budget limits, approved to implement the energy efficiency programs including, but not limited to, the initial funding approved by the CPUC.

	Projected Annual Net kWh Savings	Projected Annual Net Therm Savings	Projected Annual MT CO ₂ e Savings
Single-family program	42,765	2,758	26
Commercial and schools	2,761,660	47,041	879
Combined portfolio	2,804,425	49,799	905

CONCLUSION

The programs are expected to annually reduce 2.8 million kilowatt-hours (kWh) of energy and help avoid 905 metric tons (MT) of carbon dioxide equivalent (CO₂e) of emissions, as well as reach 250 residential households and 103 businesses and schools annually.

EVALUATION AND FOLLOW-UP

If City Council approves the proposed actions, staff will proceed with negotiating and executing agreements between the City of San José and third-party implementers. The energy efficiency programs will become available to SJCE customers as early as the third quarter of fiscal year 2021-2022 (January – March 2022). No additional follow up action with the City Council is expected for implementation of these energy efficiency programs.

CLIMATE SMART SAN JOSÉ

The recommendation in this memo aligns with one or more Climate Smart San José energy, water, or mobility goals including strategies 2.2 and 3.2 to reduce household energy use and accelerate electrification.

PUBLIC OUTREACH

This memorandum will be posted on the City's website for the October 5, 2021 City Council meeting.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

This memorandum does not have input from the Clean Energy Community Advisory Commission (CECAC). However, the CECAC voted at its meeting on February 11, 2021 to support the staff recommendation to ETA energy efficiency program design and implementation. The CECAC requests quarterly updates on program progress.

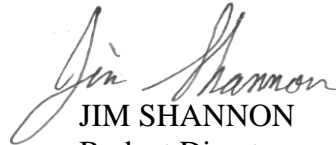
COST SUMMARY/IMPLICATIONS

ETA energy efficiency programs will leverage external funding of approximately \$1.7 million per year administered by the CPUC and are anticipated to cover all costs of ETA program administration. The \$1.7 million of CPUC approved grant funding will be appropriated each year for three years beginning in fiscal year 2021-2022 through 2023-2024 to the San José Clean Energy Fund. Budget actions to recognize and appropriate CPUC funding for fiscal years 2022-2023 and 2023-2024 will be brought forward for City Council consideration as part of the annual budget process. These funds will be used to support the energy efficiency programs that align with SJCE's Programs Roadmap, including eligible staffing costs.

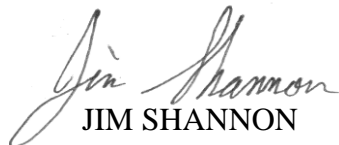
CEQA

Not a Project, File No. PP17-008, General Procedure & Policy Making resulting in no changes to the physical environment.

/s/
LORI MITCHELL
Director of Community Energy


JIM SHANNON
Budget Director

I hereby certify that there will be available for appropriation in the San José Clean Energy Fund in the Fiscal Year 2021-2022 moneys in excess of those heretofore appropriated there from, said excess being at least \$1,700,000.


JIM SHANNON
Budget Director

For questions, please contact Joe Flores, Deputy Director of Community Energy, at Joe.Flores@sanjoseca.gov.

Attachment 1 – Public Utilities Commission of the State of California Resolution E-5166