

File No. 156574

Committee Item No. 2

Board Item No. 4

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee BUDGET AND FINANCE

Date 1/27/10

Board of Supervisors Meeting

Date 2/2/10

Cmte Board

<input type="checkbox"/>	<input type="checkbox"/>	Motion
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Resolution
<input type="checkbox"/>	<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	<input type="checkbox"/>	Legislative Digest
<input type="checkbox"/>	<input type="checkbox"/>	Budget Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Legislative Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Introduction Form (for hearings)
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Department/Agency Cover Letter and/or Report
<input type="checkbox"/>	<input type="checkbox"/>	MOU
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Grant Information Form
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Grant Budget
<input type="checkbox"/>	<input type="checkbox"/>	Subcontract Budget
<input type="checkbox"/>	<input type="checkbox"/>	Contract/Agreement
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Award Letter
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Application
<input type="checkbox"/>	<input type="checkbox"/>	Public Correspondence

OTHER

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Completed by: Gail Johnson

Date 1/22/10

Completed by: 49

Date _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

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1 [Accept and Expend Grant – Department of the Environment - \$11,540,000]

2
3 Resolution retroactively authorizing the Department of the Environment to accept and
4 expend a grant in the amount of \$11,540,000 from the California Public Utilities
5 Commission, through Pacific Gas and Electric Company, to implement an Energy Use
6 and Demand Reduction Through Energy Efficiency Program in the City and County of
7 San Francisco.

8 WHEREAS, California Public Resources Code Section 381 requires electrical
9 companies to collect a surcharge on all retail sales, called "the Public Goods Charge," and
10 turn that money over to the California Public Utilities Commission ("the CPUC"); and

11 WHEREAS, Section 381 authorizes the CPUC to allocate that money to fund programs
12 that enhance system reliability and provide in-state benefits, including cost-effective energy
13 efficiency, renewable energy technologies, and public interest research; and

14 WHEREAS, The City, through the Department of the Environment, and the Pacific Gas
15 and Electric Company ("PG&E") have, since 2003, entered into a series of contracts and
16 contract modifications to conduct energy efficiency programs in the City using Public Goods
17 Charge funds allocated for this purpose by the CPUC through PG&E; and

18 WHEREAS, The CPUC, at its regular meeting of September 24, 2009 made an initial
19 award of \$12,000,000 of Public Goods Charge revenues to fund the partnership program
20 between PG&E and the City for additional energy efficiency programs; and

21 WHEREAS, The Department of the Environment has negotiated a new revenue
22 contract with PG&E ("the Contract"); and

23 WHEREAS, In Resolution No. 481-09, the Board of Supervisors authorized the Director
24 of the Department of the Environment pursuant to Charter Section 9.118 to enter into the
25 Contract; and,

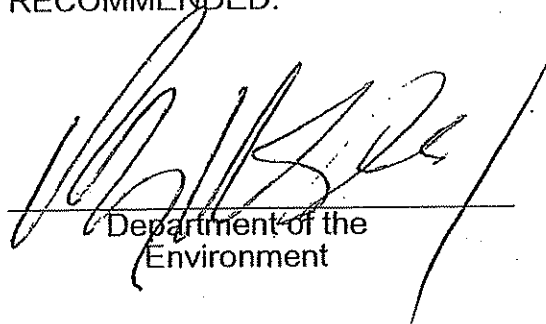
1 WHEREAS, The grant does not require an Annual Salary Ordinance amendment and
2 partially reimburses the Department of the Environment for 12 existing positions; and,

3 WHEREAS, The Department of the Environment is seeking retroactive approval
4 because initial approval via Resolution No. 481-09 proved to be insufficient to appropriate
5 funds; and,

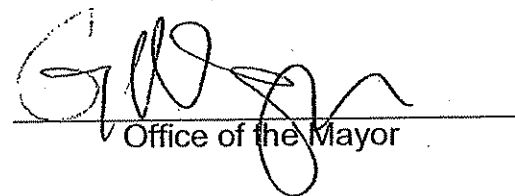
6 WHEREAS, The budget includes indirect costs of \$948,640; now, therefore, be it

7 RESOLVED, That pursuant to Administrative Code section 10.170-1, the Board of
8 Supervisors retroactively authorizes the Department of the Environment to accept and expend
9 a grant in the amount of up to \$11,540,000 from California Public Utilities Commission,
10 through the Pacific Gas and Electric Company, to effectuate the Contract and implement an
11 Energy Use and Demand Reduction Through Energy Efficiency Program in the City and
12 County of San Francisco.

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14 RECOMMENDED:

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Department of the
Environment

APPROVED:


Office of the Mayor


Office of the Controller

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: The Department of the Environment
DATE: 1/15/10
SUBJECT: Accept and Expend Resolution
GRANT TITLE: PG&E Energy Efficiency Contract

Attached please find the original and 4 copies of each of the following:

- ☒ Proposed grant resolution; original signed by Department, Mayor, Controller
- ☒ Grant information form, including disability checklist
- ☒ Grant budget
- ☒ Grant application
- ☒ Grant award letter from funding agency
- ☒ Other (Explain): Budget Analyst Reference Guide questions

Special Timeline Requirements:

Departmental representative to receive a copy of the adopted resolution:

Name: joseph Salem

Phone: 355-3721

Interoffice Mail Address: Dept of Environment (22) 11 Grove Street

Certified copy required Yes ☐

No X

(Note: certified copies have the seal of the City/County affixed and are occasionally required by funding agencies. In most cases ordinary copies without the seal are sufficient).

File Number: _____
(Provided by Clerk of Board of Supervisors)

Grant Information Form
(Effective January 2000)

Purpose: Accompanies ASO amendment including proposed Board authorization to accept and expend grant funds.

The following describes the grant referred to in the accompanying ordinance:

1. Grant Title: Energy Efficiency Program
2. Department: Department of the Environment
3. Contact Person: Joe Salem Telephone: 415-355-3721
4. Grant Approval Status (check one):
☒ [X] Approved by funding agency ☐ [] Not yet approved
5. Amount of Grant Funding Approved or Applied for: \$11,540,000

- 6a. Matching Funds Required: No
- b. Source(s) of matching funds (if applicable):

- 7a. Grant Source Agency: California Public Utilities Commission
- b. Grant Pass-Through Agency (if applicable): Pacific Gas & Electric Co.

8. Proposed Grant Project Summary:

This contract provides implementation, support, and rebate reimbursements for energy-efficiency upgrades on small and medium business properties, multi-family homes and single family homes.

The project ultimately reduces the City's overall greenhouse gas emissions by reducing energy demand.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:
Start-Date: January 1, 2010 End-Date: December 31, 2012

10. Number of new positions created and funded: 0

11. If new positions are created, explain the disposition of employees once the grant ends?

- 12a. Amount budgeted for contractual services: \$7,970,000

- b. Will contractual services be put out to bid?

Yes, Contracts to consultants will be awarded based on the standard City contracting process of issuing an RFP and selecting contractors based on responses.

- c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? Yes

- d. Is this likely to be a one-time or ongoing request for contracting out? One-time

13a. Does the budget include indirect costs? ☒ Yes ☐ No

b1. If yes, how much? \$948,640

b2. How was the amount calculated? Total Administration costs divided by the number of FTE's assigned to the grant.

c. If no, why are indirect costs not included?

☐ Not allowed by granting agency

☐ To maximize use of grant funds on direct services

☐ Other (please explain):

14. Any other significant grant requirements or comments:

****Disability Access Checklist****

15. This Grant is intended for activities at (check all that apply):

☒ Existing Site(s)

☒ Existing Structure(s)

☒ Existing Program(s) or Service(s)

☐ Rehabilitated Site(s)

☐ Rehabilitated Structure(s)

☐ New Program(s) or Service(s)

☐ New Site(s)

☐ New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: 

SUSAN MIZNER, MAYOR'S OFFICE ON DISABILITY
(Name)

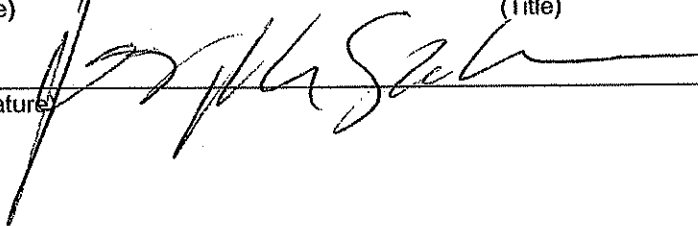
Date Reviewed: 1/19/10

Department Approval:

Joseph Salem
(Name)

Manager of Finance and Administration
(Title)

(Signature)



PGE Energy Efficiency Contract 2010-2012

Subobject	Sub Object	Index Code: 220162 Grant: EVPGEB 10 Fund: 2S ENV GNC Program: CIP
	SALARIES:	
	0962 Director @ .03 FTE	
	5644 Environmental Unit Manager @ 1.56 FTE	
	5642 Senior Environmental Specialsit @ 1.0 FTE	
	5640 Environmental Specialist @ 5.4 FTE	
	5638 Energy Assistant @1.0 FTE	
001	1630 Accounting Clerk @ 1.0 FTE	\$ 1,621,281
013	BENEFITS	\$ 872,997
**0931G	OTO to General for Indirect	\$ 948,640
02101	TRAVEL COSTS PAID TO EMPLOYEES	\$ 4,282
02103	AIR TRAVEL (add 13% for carbon offset)	\$ 8,000
02201	TRAINING COSTS PAID TO EMPLOYEES	\$ 7,800
02302	LOCAL FIELD EXP	\$ 5,000
02401	MEMBERSHIP FEES	
02799	OTHER PROFESSIONAL SERVICES	\$ 7,970,000
03011	PROPERTY RENT	
03552	PRINTING	\$ 10,000
03581	ADVERTISING	\$ 4,000
03599	OTHER CURRENT EXPENSES	\$ 4,000
03801	CITY GRANT PROGRAMS	
04000	MATERIALS & SUPPLIES-BUDGET	\$ 2,000
04699	FOOD	\$ 2,000
04999	OTHER MATERIALS & SUPPLIES	\$ 4,000
081CT	GF-CITY ATTORNEY - LEGAL SERVICES (AAO)	\$ 12,000
081PM	GF-PURCH-MAIL SERVICES (AAO)	\$ 60,000
081PR	IS-PURCH-REPRODUCTION (AAO)	\$ 4,000
081?	SFGOV TV	
081MO	MAYORS DEPT. OF HOUSING	
081PT	MUNI	\$ -
081ED	GF-BUS & ECN DEV	
	SUB-TOTAL EXPENSES	\$ 11,540,000
	CONTRACT REVENUE	\$ 11,540,000
	SUB-TOTAL REVENUE	\$ 11,540,000
	VARIANCE (MUST EQUAL ZERO)	\$ -

** This is accounted for as an OTO in index code EVEVAABH931G

LOCAL GOVERNMENT PARTNERSHIP PROGRAM ABSTRACT FOR 2009-2011

PART 1. PARTNER INFORMATION

- a) Name of Partner proposing the work: City and County of San Francisco
- b) Type of Partnership:
 - 1. Existing Local Government Partner w/IOU
- c) Main contact name, address, phone number, fax number and email address.

Ann Kelly
San Francisco Department of the Environment
11 Grove St, San Francisco, CA 94102
Phone: 415-355-3720; FAX: 415-554-6393; Email: ann.kelly@sfgov.org

PART 2. PROPOSAL SUMMARY AND BUDGET ALLOCATION

a) Scope and Objective

San Francisco's Local Government Partnership, known as SF Energy Watch (SFEW), is implemented by San Francisco's Department of the Environment (SFE). For 2009-11, the City proposes to continue--with refinements and enhancements--its current resource programs, and to add several new programs that will extend the breath and depth of our efforts. This will include targeting municipal gas projects. As some of these facilities are located outside the city limits, they would be the only exceptions to the SFEW geographic area, which will continue to be within San Francisco's boundaries.

For non-resource programs, SFEW will likewise build upon and expand its successful activities: conducting energy audits, providing technical assistance to customers, researching and testing new technologies to add to the program's measure list, working on local codes and standards, and using multiple city and community channels to do marketing, outreach, and education. During 2009-11, SFEW will undertake new, innovative initiatives that complement and support a host of local "green" activities that have been enthusiastically embraced by San Francisco's Mayor and its citizens and, in large part, are administered by SFE.

Collectively these programs support the City's overarching objective of achieving sustained, comprehensive, and cost-effective energy savings over the long term. San Francisco's proclaimed goals for greenhouse gas reduction and clean energy are more aggressive than those set by the State. For energy-efficiency alone, the City's stated goal is to reduce carbon emissions by 400,000 tons annually. For transportation, that number more than doubles. Clearly, the City is committed to devoting resources to achieve these goals, and to leveraging these resources with others to achieve the greatest impact. The PGC fees collected from San Francisco ratepayers are one source of funds that can be directed back to these ratepayers as benefits through locally designed and managed programs. When these funds are leveraged with resources for local renewable, green building, and CO2 reduction initiatives, and coordinated locally, the impacts

will be much more powerful than if the PGC funds were implemented in isolation. Ultimately, all achievements gained locally accrue to the State, just as the energy savings from LGP programs accrue to the IOUs and add to their portfolio goals.

The SFEW staff at the Department of the Environment are in a particularly advantageous position to coordinate and integrate the programs outlined below with the many other services the department provides.

(1) The Small Business Direct Install (SBDI) Program is directed primarily at the clusters of merchants in San Francisco's many neighborhood commercial districts. It provides small businesses with free energy assessments and discounted installation of high-quality energy-efficient lighting and refrigeration measures. SBDI is implemented by Ecology Action, under contract with the City, and overseen by SFE staff. SBDI is surpassing its monthly goals for the 2006-08 program cycle. We propose that SBDI continue at its current elevated level, and that further funding be made available later this year to continue the program without any interruption in services and loss of savings opportunity.

The program structure has been very effective in providing comprehensive services to hard-to-reach small businesses and non-profit organizations. Auditors go door-to-door and can conduct an audit and sign up a customer in one step. The project is then turned over to locally-based lighting and refrigeration contractors working under agreement with Ecology Action. All installations are inspected and paperwork and savings data managed by Ecology Action, who then pays the contractors directly and quickly. The emphasis on quality control and the use of local service providers (including the auditors) has helped to ensure customer satisfaction.

SFE staff also assigns customers to the SBDI program element after determining that this program is the one that best meets their needs.

SBDI is the third small business program the City has implemented since 2002. Yet, this market has not reached a saturation point and will not during the 2009-11 cycle. Nonetheless, we are well aware that it may be more difficult to find customers to participate. As in our current program, we are constantly alert for opportunities where a new or advanced technology is appropriate for this sector. For 2009-11, we will continue to explore emerging technologies suitable for small businesses and get the measures added to the program. We will also develop innovative ways to serve these businesses, such as the "Small Commercial Equipment" initiative described under ITEM H.

(2) Commercial PLUS is a vendor-driven program that offers technical services and a wide range of measures--including lighting, refrigeration, food services, HVAC, motors, hot water, and controls--to property owners and businesses. Essentially this serves many of the market sectors in San Francisco not served by the SBDI. These include, but are not limited to offices, warehouses, schools, hotels, institutions, retail stores, and restaurants.

This program is structured to capture lost opportunities by allowing customers to do both standard retrofits and many redesign and customized retrofits that are not eligible in rebate programs. The PLUS program uses vendors who have met eligibility requirements, attended a

program training session, and have signed a Participating Contractor agreement. These contractors offer the program to their own customers and, after meeting a higher set of requirements, are provided referrals from SFE staff. Payments are made directly to the Contractor after the customer has signed off on the project.

As with SBDI, there is great attention to quality control. SFE staff and a consultant to SFE conduct both pre- and post-inspections of project sites. Contractors who do not meet standards are dropped from the program.

The PLUS programs were not launched until September 2007 and are only now hitting their stride. The many months spent on program design and integration into PG&E's new measure map system should still prove to be a valuable investment by the end of this year, but a truly wise investment should the program continue seamlessly into the next program cycle. With some 40 contractors now in the program and more trainings planned, including two dedicated to Chinese contractors, we expect the PLUS programs to bring in robust savings each month through 2011 and beyond.

The program is flexibly designed to accommodate a variety of business types. It can now easily be updated with new measures and more customized calculators, which will be needed as market transformation gradually narrows the current choice of measures offered.

(3) Non-Residential Retrofit-Demand Response (NRR-DR). This performance-based program is offered as part of PG&E's core programs, and is often the only choice for complex energy upgrades. SFE auditors will continue to refer these customers to PG&E. In 2009-11, we will work with the energy staff at SFPUC to target municipal gas projects, as the City is a PG&E gas customer and is eligible for gas incentives. [See ITEM D below]

(4) Commercial Benchmarking. SFEW will market Energy Star Portfolio Manager per AB1103 to commercial building owners. SFEW will form a partnership with BOMA, and other organizations representing commercial building owners. The partnership will develop a specific program that will include marketing and technical assistance, utilize existing incentive programs, and recognize participation. SFEW will assist building owners to benchmark their buildings and provide water usage data from the City's Water Department. SFEW will provide technical assistance to building owners choosing to upgrade their building to attain a higher rating. The building owners will be enrolled into an SFEW incentive program or referred to other incentive programs as appropriate. This program will provide some method of recognition that will include an annual event.

(5) Multifamily PLUS. This program is the residential component of the Commercial PLUS program described above. It is essentially the same except for some of the measures offered and the level of incentives. Contractors who enlist in the PLUS programs receive the same training and can work on multifamily, commercial and mixed-use buildings.

This program has been marketed primarily to property owners and managers. We have teamed up with our waste management division, who are engaged in a campaign to enroll multifamily buildings into their composting program. These joint efforts will continue for the foreseeable

future [including 2-4 unit buildings, there are 45,000 multifamily buildings in the City] and should greatly benefit the SFEW participation rate.

In 2009-11, we plan to add a tenant education and a direct install element to Multifamily PLUS through the California Youth Energy Services (CYES) program. This program has been working successfully in the Marin and East Bay Partnerships. The program provides job training and employment for local youth, generates a substantial rate of energy savings per dollar, and spreads awareness of technologies and behavior that have energy impacts. The program will operate for the summer months of each year of the next cycle.

Also in 2009-11, we intend to target properties for lower-income residents who may not be eligible for the Statewide low-income programs. We will work with PG&E to ensure coordination and to collaborate on areas where there may be opportunities for referrals.

(6) Marketing, Outreach, and Education. The objectives of these activities are:

- 1 Increase participation in SFEW and PG&E incentive programs including upstream programs
- 2 Build the market for experts that perform Energy Star assessments and retrofits
- 3 Stimulate behavior change by residents and employees to conserve energy

To increase program participation, SFEW staff will continue to actively market the partnership program; however, where appropriate will include the 'Climate Action' message.

SFEW will continue to market through direct mail and phone calls to customer contacts taken from multiple city databases, give presentations at professional association and neighborhood meetings, promote the program at conferences, tradeshow and other events, and take referrals from other city programs. SFEW staff is in the same division as the climate and renewable energy staff and constantly share common channels to do integrated marketing. They also work directly on joint marketing with the department's waste management, recycling, green building, green business certification, toxic reduction [specifically on mercury issues of fluorescent bulbs] outreach, and school education staff. There is an ongoing relationship to help promote SFEW with the Mayor's Office, the Small Business Commission, and the Water, Planning, and Building Inspection Departments.

To build the local market for Energy Star assessments, presentations will highlight the benefits of these assessments for the respective sectors and include the 'Climate Action' message. For commercial owners and managers, SFEW will focus on the Energy Star Portfolio Manager benchmarking requirement and the operational and profit benefits to follow from pursuing the recommended retrofits. For the residential market, SFEW will highlight the opportunities for improvement in comfort, combustion safety, air quality, and energy bill savings.

To stimulate behavior change in the commercial sector, SFEW will offer materials (signage, email notices, etc.) with energy saving 'Climate Action' tips for employees. This will be made available to all businesses; however, the primary focus will be businesses participating in SFEW incentive programs. The business must appoint a person responsible for an in-house 'Climate

Action' employee campaign and will include a recognition element and link to a citywide recognition program.

To stimulate behavior change in the residential sector, SFEW will target high usage census tracts or neighborhoods for educational and outreach activities that may include:

- a) personal letters to owner occupied buildings in targeted census tracts informing them of their performance in comparison to other similar buildings (homes)
- b) neighborhood workshops where free materials and exclusive incentives may be offered, e.g. coupons for goods or services from local stores and contractors
- c) door-to-door education program similar to the California Youth Energy Services (CYES) program employing local young adults to educate multi-family building tenants on 'Climate Action' best practices

(7) Training. SFEW will organize training for building inspectors and Planning Department staff on compliance requirements for state and local energy codes and standards. Also we will organize trainings on residential energy savings, Energy Star assessments, and the new home ratings system. This training will be provided to remodelers, other building professionals, maintenance professionals, home inspectors, and realtors.

(8) Audits and Technical Assistance. SFEW staff is extremely familiar with San Francisco's market sectors and their needs. They will continue to conduct commercial and multi-family energy audits, provide technical assistance, and assign each customer to the SFEW program element or statewide program that best meets the customer's specific needs.

(9) Research and Emerging Technologies. Research on new technologies and techniques will continue. SFEW will locate pilot sites for testing emerging technologies and will monitor projects and publish results.

(10) Codes and Standards. Local codes are planned to support market transformation in many of the market sectors addressed by SFEW including Single Family, Multi-family, Small Business and Commercial buildings.

For the residential sector, the current Residential Energy Conservation Ordinance (RECO) needs updating to address electricity consumption. It also fails to support a performance approach critical to solving energy problems in the SF housing stock. Further, to build the contractor infrastructure, SFEW is about to introduce a new time-of-sale disclosure requirement for Energy Star for Homes, and will begin to grow the market for this procedure. To avoid a sudden balloon of demand, there will be an alternate of using a prescriptive Rating system that must be advertised with all other advertising for the building. The Rating is an opportunity to engage the real estate community in educating buyers and sellers about the value of energy measures and will recommend an Energy Star for Homes assessment.

For Multi-family, the area of greatest need is preventing replacement of old boilers with electric resistance heating. In combination with a boiler retirement incentive program, an ordinance may be necessary to prevent electric resistance heating and steer building owners to either install new boilers or another technology yet to be identified.

For the Small Business sector, the Commercial Lighting Ordinance will certainly have an impact; however, SFEW has found several other issues very difficult to address including novelty coolers, old refrigeration, and incandescent lighting. This may take a combination of near term incentives followed by regulation to move these technologies. Regional coordination will be employed to make this work.

For all Commercial buildings, SFEW will consider building on AB1103 requiring Energy Star benchmarking for all buildings at time-of-sale or lease. It is not clear if this applies to leases of only parts of the building; however, the City could clarify that requirement with a local code. Further, the City has already proposed a required performance rating at five-year intervals and could require Energy Star score increases at each interval until achieving a set mark, e.g. 75 points.

SFEW needs to ensure the proper application of net-to-gross ratios such that building owners in San Francisco are not unduly denied access to incentive funds while taking action to reduce energy use and comply with local ordinances. This will require policy guidance from the CPUC and coordination with PG&E.

(11) Green Building Incentives. SFEW is interested in participating in a pilot program in collaboration with Build It Green as an opportunity to pilot a regional local government residential green building incentive program. The Carbon Free Future program will offer two types of local government assistance: First, planning grants supporting development of incentive mechanisms, ICLEI-template Climate Action Plans, or Finance District planning. Second, performance payments for homes built or improved to green standards as a result of the programs, policies, or non-monetary incentives offered by participating agencies. This proposed pilot will need to be amended to be in accordance with the City's new Green Building Ordinance (introduced 1/08) and with stakeholder groups in San Francisco.

b) Basis for Need and Projected Accomplishments

As a major metropolitan center, surrounded on three sides by water, with an old power plant polluting its air, San Francisco is keenly aware that it needs to be a major actor in reducing greenhouse gases and switching to clean energy sources. In January, as Mayor Newsom began his second term in office, he pledged to move "beyond goals to meaningful action." Energy efficiency is recognized as a relatively quick and reliable action to take, and is clearly part of the answer.

During 2009-11, SFEW will accomplish the energy savings goals listed in Table 3-1. In addition, San Francisco will demonstrate how innovative programs and initiatives lead to deeper and more sustainable savings over the long term. San Francisco will continue to serve as an example of how the "Big, Bold Strategies" help to eliminate market barriers through replicable programs.

Table 3-1 Energy Savings and Demand Reduction Forecast

Installation Goals	Year #1 – Year #3
Gross Peak Demand Reduction (kW)	6,800
Gross Energy Savings (kWh)	50,400,000
Gross Therm Savings (therms)	85,000

Table 3-2 Overall Budget Allocation (\$)*

Utility Name:		
Item	Program Budget	
	(\$)	(%)
Administrative Costs (includes PG&E admin 7.2%)	2,736,000	15.2
Marketing/Outreach Costs	900,000	5.0
Incentive/Rebate Costs (direct install incentives, NRR-DR)	8,460,000	47.0
Direct Implementation Costs	5,904,000	32.8
Total	18,000,000	100%

* Figures do not include City contribution

PART 3.

ITEM A. COST EFFICIENCY

Table 3-3: Budget (Resource and Non-resource Activities) *

Item	Year #1 – Year #3
1) Total Resource Activity Budget (\$)	8,460,000
2) Total Resource Activity Budget Sponsored by Partner (\$)*	2,100,000
3) Non-resource Activity Budget (\$)	9,540,000
4) Total Non-resource Activity Budget Sponsored by Partner (\$)*	3,000,000
Total Proposed Budget (\$) to IOU = 1) – 2) + 3) – 4)	18,000,000

* Figures in items 2) and 4) represent the value of City contribution but are in addition to the amount requested in this proposal.

The City is contributing significant resources that are supportive of the energy efficiency program. The City's primary support activities are in the areas of public marketing, education, and outreach (MEO) and development of local codes. This leveraged contribution to the program, about \$1,000,000 annually, can be categorized as "Avoided MEO Costs" and "Direct Support" such as personnel serving in unpaid advisory or technical roles and the costs involved in setting up and operating the Tax Increment Financing mechanism. It is difficult to itemize and quantify such activity; the estimates provided here are considered conservative. Additionally, the City is contributing approximately \$100,000 for "Direct Implementation" for natural gas savings projects in municipal facilities. The City is also providing \$3 million annually in

"Incentives" for the Solar program for which only 20% can be claimed for the energy efficiency component.

One of the strongest marketing channels for SFEW is through the Green Business Program, in which businesses must be certified on their energy efficiency rating, among other categories. About 500 businesses have signed up for that program, which will continue throughout 2009-11. Another excellent channel is waste management, which has a very active outreach effort for increasing recycling and composting in every commercial and residential building in the city. SFEW will be working more closely with their staff on multifamily buildings, which are a difficult market to serve for both our programs. One project we are working on now is a shared database, which will be useful as the program continues.

Currently, the City operates educational efforts to support energy efficiency including the SF Environment website, events and materials at the libraries, and education of children in both public and private schools. The City's libraries receive 5 million visits a year and have placed energy and climate educational information. A more intensive effort is planned for the next several years. The City's environmental mascot, Phoebe the Phoenix, visits 15,000 school children each year with messages about climate, recycling, energy efficiency, solar, and alternatives to toxics and automobiles. Phoebe is part of a larger curriculum offering that includes energy efficiency activities and materials developed with City funds. SFEW has used the school program's contacts to introduce our program to all the private schools in San Francisco. To date several large projects are now taking part in our program. We will use these for case studies to bring others into the program.

The City assists Energy Watch with marketing through the Small Business Commission, the Commission on the Environment, and other public agencies and meetings. The Small Business Commission operates a 'One Stop Shop' for new small businesses where getting necessary permits is centralized and streamlined. Energy Watch materials are made available and highlighted in workshops held for new businesses. Energy Watch is invited to merchants association meetings and 'town hall' meetings held by Supervisors in their districts. Additionally, the Mayor has been very supportive, personally calling building owners to solicit their participation and by conducting press events to announce Energy Watch services and achievements. The most recent example is the March 11 announcement of the Earth Hour partnership held in a small business customer of Energy Watch and highlighting Energy Watch services.

The City has participated in development of local codes designed to assist Energy Watch. As an example, the Commercial Lighting Ordinance (introduced 1/15/08) puts businesses on notice that they will one day have to upgrade their fluorescent lighting to high efficiency systems. This is already pushing businesses into Energy Watch. The Department of Building Inspection staff and the Code Advisory Committee have provided technical review involving dozens of hours in meetings. Eventually, Building Inspectors will be enforcing the ordinance at time of Electrical Permit. More local ordinances are in development that will assist implementation of Energy Watch and the Strategic Plan

ITEM B: SKILL AND EXPERIENCE

The City's Department of the Environment has implemented three energy efficiency programs for the private sector since 2002. The first two programs were designed specifically to reduce peak electricity load. The third, current program, follows the standard model with MW, MWh, and therm goals.

1. The first, "Power Savers", was an \$8 million program for very hard-to-reach small businesses (20 kW or less). It was funded by state SB5 dollars and the City implemented the program through a contract directly with the CPUC and. SFE received the full amount and managed the entire budget, including incentive funds. The program exceeded its goal of 6 MW and installed measures in 4,000 businesses.

2. In 2003, San Francisco and PG&E formed the first (Pilot) Local Government Partnership with a \$16 million budget to reduce peak load by 16 MW. The Peak Energy Program (PEP), which started a year late, was well on its way to meet its goals when the 2005-06 cycle began, and the program was essentially closed down in March of 2005. The savings at that point was 12 MW. SFE's role in PEP was limited to marketing, outreach, and conducting audits for small and medium businesses. With approximately 12% of the budget, however, SFE's customer contacts accounted for 25% of the total savings, demonstrating the effectiveness of the staff's marketing and technical assistance abilities.

3. SFE is currently implementing the SFEW partnership with oversight of over 90% of the \$11.5 million budget, including incentive funds. Program goals are 8 MW, 43 million kWh, and 330,000 therms. Although this program also got a late start, the SBDI element is surpassing its monthly milestones and should account for just under half the program savings by year's end. The PLUS elements are now showing very satisfactory results after a much delayed start. The PLUS elements are more complex, as they offer an extensive list of measures, but should bring more customized and larger projects into the program. It is possible that despite its late start, PLUS will meet its goals. However, if it does fall short, there is a very high likelihood that it will more than compensate for the difference in 2009-11, especially if the program continues without interruption.

All energy efficiency programs have been managed by City personnel with extensive experience in the energy field and in program management. The current auditors/technical assistants on the staff are knowledgeable professionals who are committed to customer satisfaction and program success.

Direct experience and demonstrated success on programs with similar depth is abundant within the Department as well as in other city agencies, such as SFPUC, which implements energy efficiency and renewable projects for the municipal sector, which is served by Hetch Hetchy Water and Power. In the last 6 years alone, HHWP has invested \$50 million in energy projects resulting in over 26 GWh/yr in savings from efficiency 3MW reduction from solar installations.

Examples of demonstrated success from other divisions in the Department of the Environment include:

- Waste Management: Goal is zero waste by 2010, with a goal of 75% landfill diversion by 2010. Currently approaching 70%
- Greenhouse Gas Reduction: Goal is 20% below 1990 levels by 2012; legislation pending to reach 40% by 2025. Currently already below 1990 levels.
- Transportation: Goal is zero emissions in public transit vehicles by 2020. Currently all of the City's diesel buses run on bio-diesel and the remainder of the fleet is zero emission electric; 100% of the City's non-emergency diesel fleet runs on B20 bio-diesel.

ITEM C. DEMONSTRATED COMMITMENT

San Francisco has served as a leader in the promotion of energy efficiency and renewable technologies in the commercial, residential and municipal sectors since the early 1980's when it promoted solar water heating and established a Residential Energy Conservation Ordinance a Commercial Energy Conservation Ordinance. Since those early energy efficiency days, San Francisco has demonstrated its commitment and undertaken additional aggressive projects in its own municipal facilities served by HHWP and in the public sector.

The City realized early on that it would need an infrastructure to effectively focus on energy and other environmental policies and projects. In response to citizen concerns and input, in 1996 the City created the Department of the Environment to develop and support environmental actions and programs for both the public and private sector. In the mid 1990's the City adopted a Sustainability Plan that contained a strong energy element. Then, in response to a plan to build a 600 MW power plant in San Francisco, the City developed the *Electricity Resource Plan*, published in 2002, that outlined efficiency and renewable energy goals through 2012. In 2004 the even more aggressive *Climate Action Plan* set the City's goals for greenhouse gas reduction at 20% below 1990 levels by 2012 and carbon neutrality by 2030. After hiring the nation's first staff person dedicated to climate action, San Francisco became the first local government to have its greenhouse gas (GHG) emissions certified by the California Climate Action Registry. In late 2007, Mayor Newsom put forth *SF Forward*, a document that assembles all the commitments made in the previous plans and adds some new ones.

Through the Department of the Environment, the City has been aggressive in its efforts to promote energy efficiency, renewable energy, green building, and greenhouse gas reduction. For example, it is one of the few cities in the country with a dedicated Energy Efficiency Program Manager for private sector buildings. There is a green building group that prepared the Resource Efficiency Ordinance of 2004 requiring LEED Silver for new municipal buildings, provides LEED training for city engineers and architects, and promotes green building for private commercial and residential sectors. In 2006 the Department added a dedicated position for renewable initiatives, including solar, tidal and wave.

For our energy future, San Francisco is looking for systems solutions to reduce its greenhouse gas emissions and by achieving Zero Net Energy Homes (ZNEH) and Zero Net Energy Buildings (ZNEB) for new construction and possibly even retrofit. While solar PV may be used to zero out the electric load in our housing, what can be done about the natural gas side? One potential solution is to use heat pumps supported by solar heating and PV. Other solutions are

undoubtedly waiting. The City is seeking separate funding to investigate the feasibility of other technologies to reach ZNEH and ZNEB and a carbon neutral future.

The mayor has been a solid champion and prominent promoter of our energy programs. He has used numerous press conferences to highlight the program's successes and new initiatives, such as the T-12 ordinance. He solicits ideas from our staff to put forward as new, innovative legislation. In addition to the mayor, there are several members of the Board of Supervisors who also champion our work. The Small Business Commission works with us on a continuing basis and sees that we are invited to give presentations at key merchant events. Even more importantly, the Director of the Department advocates on our part at every opportunity, and is actively committed to having the program far exceed its goals.

ITEM D. PARTNER'S MUNICIPAL FACILITIES AND INFRASTRUCTURE

The City and County of San Francisco has over 900 facilities in and outside the City including reservoirs in the Sierra and the Peninsula, hundreds of miles of water pipes, the International Airport in San Bruno and a sewage outflow line that extends four miles into the Pacific Ocean. The facilities include pump stations, office buildings, General Hospital, medical clinics, sewage treatment plants, libraries, museums, port facilities, parks, police and fire stations, etc. All of these facilities, as well as the Housing Authority, the Unified School District and City College, receive their electric power from Hetch Hetchy Water and Power (HHWP), a division of the SF Public Utilities Commission.

As non-PG&E electric customers, these facilities do not pay into the PGC fund and are, therefore, ineligible for energy efficiency program funding for electricity savings. However, two points should be noted:

1) HHWP has participated in several demand response programs, helping to reduce brownouts during peak periods. For example, in summer of 2000, HHWP shed 11 MW of City load to respond to calls under a program of the CAISO. In 2006, HHWP shed 4.5 MW of peak load by shifting pumping to after 7 pm and now has upgraded the system to make that peak load reduction permanent.

2) On the natural gas side, City and County facilities are gas customers or gas distribution customers of PG&E and are eligible for natural gas projects. San Francisco General Hospital, International Airport, and other facilities are excellent opportunities for significant savings.

While Municipal facilities were not part of our 2006-08 Program Implementation Plan, in the course of the program several natural gas projects were identified and included in the program. For 2009-11, SFE and HHWP have agreed to work closely to identify new municipal natural gas projects for the program.

In addition to the airport and hospital, we will approach several key City agencies such as Recreation and Parks-- which uses gas to heat City pools--and large facilities such as the Opera House and Museums. These buildings, with a high level of public exposure, will also provide

opportunities to educate the public and promote the program to potential private sector customers.

We will also work with HHWP to use one or several of their facilities as demonstration sites for controlled pilot projects for new gas-saving technologies. [See Item H for related details on innovative programs]

For purposes of serving municipal facilities only, we will extend our program territory beyond the geographic boundaries of the City.

ITEM E. FEASIBILITY

There are over 45,000 business [excluding another 30,000 home businesses] and an equal number of multifamily buildings in San Francisco. The SFEW programs have been specifically designed and customized to meet the needs of San Francisco's diverse commercial sectors and dominant residential properties. While some 9,000 thousand small businesses have participated in programs to date, there are still thousands more in need of the services offered by the SBDI program. We expect SBDI to capture an average of one million kWh of savings each month during the 2009-11 program cycle. The potential for the Commercial PLUS program is even greater. It can be applied very flexibly to the many other businesses and institutions in the city, from offices to schools, to churches and warehouses.

The Multifamily PLUS program has the ability to reach a large and desperately underserved sector in the city. During the 2006-08 program, we have made encouraging headway with property owners and expect these relationships will grow during this next cycle. But we all realize there are a number of barriers to overcome. Most of the buildings were constructed prior to the existence of energy codes, still have original windows, and many have heating systems 50 years or older. Retrofits are expensive, and even with incentives are not cost effective. Our approach to overcoming these barriers is described under ITEM H on Innovation.

The non-resource programs--marketing, education, outreach, research and pilots on emerging technologies, technical assistance, training, and codes and standards--are not only feasible, they are the foundation for moving beyond 2011.

San Francisco has experienced energy staff, an infrastructure that supports numerous environmental programs, a vital network of motivated champions, including the Mayor, and access to support from both city agencies and local community and professional associations. Moreover, the City has adopted aggressive goals and is fully committed to reaching them.

ITEM F. INTEGRATED APPROACH

SFEW is already integrated with several other City efforts and will become even more integrated during the 2009-11 program cycle.

Currently, SFEW coordinates closely with the City's Small Business, Green Business, Waste Management, School Education and Library programs. The City has set up a One-Stop-Shop for

small business permitting and startup. SFEW has already begun delivery of materials to the One-Stop-Shop and SFEW has been highlighted in workshops.

The Green Business program is funded separately and has provided hundreds of leads for SFEW and has turned many of these leads into SFEW incentive work for either the Small Business Direct Install program or the PLUS program. Conversely, businesses that have successfully completed retrofits with the help of SFEW have become interested in further 'greening' of their business and registered for the SF Green Business program. The Green Business Program scores on five categories including energy efficiency. SFEW conducts the energy assessment and approval for certification in that category.

The SF School Education program is funded separately and delivers environmental awareness outreach to 15,000 school children each year. Messages on energy efficiency are an integral part of their materials and their presentations. Although the amount of support this gives to statewide programs is not known, it is assumed that informing school children does translate into messages delivered to parents who then might purchase CFLs instead of incandescents for example, or check websites or call phone numbers on the materials.

San Francisco libraries, funded separately, have begun featuring global warming, energy efficiency and renewable energy materials in their branches. This February, dozens of branch libraries were wrapped with FutureSeaLevel.org tape, making a public statement about the importance of this issue, and then highlighted related materials on the shelves. More of this activity is scheduled during the current program cycle and into 2009.

For this coming cycle, SFEW will be integrated with Solar, Green Building, and Demand Response programs. The City is now developing its own financing program for solar and energy efficiency. The financing program will allow residential and commercial building owners to pay for improvements through their property tax. Tax Increment Financing (TIF) will allow owners to avoid several risks and possibly capture tax advantages at a lower interest rate. Though the details are in development at this moment, some TIF program will be offered during the next cycle. It has been proposed that Energy Star assessment and energy efficiency retrofits be required for any building applying for the TIF.

During this coming cycle, the new Green Building ordinance will become enforced. Energy efficiency measures have not been specified over and above the required rating, and therefore, will be eligible for incentives through SFEW or statewide programs. The City's departments of Planning, Building Inspection, and Environment (the prime contact for SFEW) are in discussion now about enforcement and coordination. The intent is that all tenant improvements over 25,000 sqft, in addition to new buildings, will be offered assistance from SFEW and referred to Savings By Design when appropriate.

The Demand Response programs are operated by Third Parties and PG&E. For this coming cycle, SFEW expects to coordinate with these programs to plan Demand Response into retrofit projects so that the two strategies combined will create a superior offering to participants.

ITEM G. COMPREHENSIVENESS

San Francisco's history of implementing energy efficiency programs for the private sector reflects our strong commitment to comprehensiveness based on lessons learned and ability to overcome barriers. The first program, Power Savers, was a peak demand lighting program for very small businesses. While the program was successful, it was also clear that the energy hog for many of those businesses was refrigeration. In the following program, the Peak Energy Program (PEP), we included a full range of measures--lighting, refrigeration, HVAC, and food service equipment. We also added two energy auditors to the staff. They conducted comprehensive audits and provided the customer with reports on all the retrofit possibilities and the estimate of energy and dollar savings. We now had more complete records that would help us serve these customers better and provide feedback on program design.

We discovered in that process that most of the refrigeration and food service equipment in the City is old, and replacement equipment is generally used, not new. Also a large amount of equipment is leased. The high cost of new equipment and rules on program eligibility were major obstacles. However, gasket and strip curtain replacements were simple, cost-effective measures for these customers. The problem then became finding contractors who did this work. There were none in San Francisco. When we finally located a company in the Bay Area, they were unfamiliar with rebate programs and the process and rules involved. We educated them and did a special mailing to potential customers. In less than months, several hundred customers had participated. Today this company has expanded, at least one other is located here, and both are working in our current program.

Our SBDI program now offers refrigeration controls in addition to gaskets and strip curtains. It also offers a fairly broad range of lighting measures, which is expanded as appropriate technologies become available. The Commercial PLUS program was named to indicate that it offers everything in the SBDI program, plus a lot more. This model greatly reduces the number of lost opportunities, as customers are placed in the program that best fits their needs.

The City's commitment to a comprehensive approach in the residential sector is just as strong, but the barriers are greater. 80% of San Francisco's housing stock predates any energy codes, 65% of all units are in multifamily buildings, and over half of those are 2-4 unit flats. Retrofits to these properties are complex and expensive. Furthermore, low incentive levels for this climate zone and policy rules make it difficult to successfully serve this sector.

As part of the PEP program we conducted home performance testing on a number of 2-4 unit buildings to get a better understanding the problems that exist and what opportunities for upgrades were feasible. This information, along with other research is being used to develop new local codes and standards. At the same time, we are collecting and documenting more information as we audit buildings in our current Multifamily PLUS program, which offers a full suite of measures to these property owners.

For 2009-11, we will continue our constant search for new measures and new methods for getting customers to undertake more comprehensive retrofits. As described in other sections of this proposal, this would include local codes and standards for action at time of sale for both

homes and commercial buildings, developing test cases for policy changes regarding early retirement incentives for boilers and used refrigeration/food service equipment, piloting a program for leased equipment, and establishing the training necessary to build a quality workforce that can meet the demand.

We propose to continue without interruption our current resource programs, as this model is working and flexible enough to evolve into a more comprehensive model to take us beyond 2011. The model assures that choices are not limited and that there are reliable local contractors available to install equipment. Important to this model is that there is a person managing the coordination of service providers on each project. With the programs under City control, this model allows direct oversight of projects and ample records on customers and contractors to provide continued service where and when it is needed.

Comprehensiveness is directly linked to integration. Participants in our program are informed about solar and water incentives, the Green Business Program, etc. Information sharing is key, and having so many customer services under the direction of SFE, coordination is made much easier and there is a greater likelihood of successful results.

ITEM H. INNOVATION AND REFLECTS THE STRATEGIC PLANNING PROCESS

San Francisco already has a long history and will continue being a leader in innovation for the energy efficiency strategies described in the Local Government Cross-Sectoral workshops. The following are strategies outlined that have components actionable by local governments:

- Build Capacity
- Maximize Energy Efficiency in Local Codes and Standards
- Train Local Government Staff and Leadership
- Develop Financial Incentives
- Mobilize the Community
- Conduct Pilot Projects

Build Capacity: One of the key strategies outlined in the workshop is to build local government capacity. San Francisco has built that capacity on several fronts:

- Using its own funds, the City has built the capacity to implement energy efficiency programs, renewable energy, and climate action activities. With its own funds the City began energy projects and policies dating back to the late 1970's. For its own facilities, the City has a staff of eight (SFPUC). The City moved towards developing incentive programs for the private sector in 1998 by writing a business plan for a small business direct install program, and was successful in securing an \$8 million SB5 grant.
- Rather than use consultants to perform all program tasks, the City has consistently internalized many of the tasks and hired staff as City employees. SFEW currently has a seasoned staff of 6 FTE with three multi-year professional services contracts that implement various aspects of the program. This cadre provides a base from which the program can grow.
- The City has designed programs in combination with forward-looking policies that help to grow the local private sector infrastructure required to implement energy efficiency in new construction as well as retrofits. For example, the City's green building program has

contributed significantly to growing the infrastructure among architects, engineers, and contractors. A more mundane example is the number of contractors in San Francisco that repair refrigeration boxes: in 2003 there were none and today there are two.

- Using its own funds, the City has continued to directly participate in statewide activity at the CEC, CAISO, and the CPUC including the recent strategic planning process. City participation has provided leadership and has ensured that many of its previously successful strategies were included in the workshop documents. The City will continue to provide statewide leadership.
- San Francisco is interested in capacity being built in other local governments and uses its own funds to support or mentor other local governments in California and around the world. Dozens of U.S. cities have benefited from San Francisco's experience.

Maximize Energy Efficiency in Local Codes and Standards. San Francisco is already very active in this area (see 2.a.10, page 5) for both existing and new construction. Not mentioned earlier is the recently passed Green Building Ordinance that surpasses the City's current ordinance (LEED Silver for municipal buildings) and requires LEED Gold for all commercial buildings and high-rise residential by 2012. More importantly, SFEW will work with Dept of Building Inspection to review and improve compliance rate for Title 24, and find creative ways to improve the permit application rates (believed to be <10% for residential work).

Train Local Government Staff and Leadership. SFEW will organize training for building inspectors and Planning Department staff on compliance requirements for state and local energy codes and standards. Also we will organize trainings on residential energy savings, Energy Star assessments, and the new home ratings system. This training will be provided to remodelers, other building professionals, maintenance professionals, home inspectors, and realtors.

Develop Financial Incentives. The City is working with City of Berkeley to develop Tax Increment Financing for solar and energy efficiency loans to be paid back through the property tax bill (see H.1.3 below).

Mobilize the Community. This City is already mobilizing the community through a host of public events and presentations. Thousands of people in the San Francisco community have been involved in public processes to develop strategies and goals for the Sustainability Plan, the Electricity Resource Plan, and the Climate Action Plan. Dozens of special meetings and public hearings at commissions and the Board of Supervisors have shaped the goals and plans. SFEW proposals are all consistent with those plans. Further, with Climate as the new overarching organizing concept, Climate action activities have been started or co-sponsored by the City since the September 2006 the wrapping of the Aquarium at the Bay with gaffers tape showing a future water line and the website: www.futuresealevel.org. Other components of the community mobilization already underway include:

- Co-sponsorship of events
- Placement of efficiency and climate messages at all branch libraries (50% of all San Franciscans have a library card, 5 million visits annually)
- Outreach presentations to schools, and civic and neighborhood organizations
- Regionally coordinated marketing campaign (partners include ABAG, BART, BAAQMD) in development

Conduct Pilot Projects. The City has already conducted numerous pilot projects for both technology and processes and will continue to do so. Previous pilots on technology have included distributing 5000 strands of LED holiday lights and 400 LED 'open' signs. Process pilots have included piloting various retrofit strategies including different approaches to addressing the multi-family market. The pilot project worked with a company that owns multiple properties and worked with the building managers. What we found is that it is more successful to work directly with the contractors than through the building managers.

H 1. NEAR-TERM INNOVATION

For the 2009-11 program cycle, the City is initiating several new innovative approaches that will improve the implementation of energy efficiency in San Francisco in the near term and establish groundwork and increase momentum for more aggressive actions for the longer term.

- 1 Planning Matrix. SFEW has adopted a Matrix Approach to energy efficiency program planning. The Matrix identifies market sectors to be targeted for transformation. Then for each sector, a range of programs is planned that will bring that sector through each of its stages: innovation, early adoption, early mass market, late mass market and laggard. Each stage will require different strategies and combination of strategies that include: pilot projects, education, training, technical assistance, financing, incentives, and ultimately local codes. The integration of each of these strategies in the planning process will produce a coordination of the strategies and a resultant greater impact. An example of this approach has been in the area of commercial fluorescent lighting. High efficiency lighting had already been piloted and had achieved mass market levels particularly in the large commercial building sector (CEUS 2006). City incentive programs (Power Savers, Peak Energy Program, Energy Watch) have installed over a half million high efficiency lamps. To push the late mass market and laggards to retrofit their lighting, the new Commercial Lighting Ordinance (introduced 1/15/08) will require lighting upgrades at the time of electrical permit inspection and will go into effect during the 2009-11 cycle.
- 2 Cost Effectiveness Methodology through Codes & Standards (C&S) Credit. Local government partnerships (LGP) continually face the problem of developing innovative program designs and delivering long-term, comprehensive savings without being punished by the present cost-effectiveness methodology. Local governments are charged with compliance and enforcement of the state C&S in addition to local C&S. Savings garnered as a result of energy legislation are real and arguably the most cost-effective, particularly when compared to incentives. Statewide C&S should not be discouraged or delayed, as their impact far exceeds savings gained through incentive programs. We propose to work with the Energy Division and PG&E on developing a new methodology that takes into consideration verified savings from statewide C&S within the local jurisdiction as a factor in determining an LGP's TRC. Interested LGPs would have to take an active role in overseeing a process of inspector training, record keeping, and reporting. This may involve PGC supported personnel in the Building Inspection and/or Planning department during

2009-11, with the LGP assuming the costs going forward. The value placed on these verified savings and the reasonable attribution of credit needs to be decided. But even a small percentage of credit can help support more innovative long-term projects and high impact non-resource programs at the local level.

Similarly, there is an unanswered policy question regarding adopting local C&S as an innovative program strategy. How will the savings resulting from local C&S be attributed to SFEW's cost-effectiveness calculation? After the date of enforcement of the local code, the Net-to-Gross Ratio assigned to the incentive program may be reduced or even go to zero. Most of the savings not attributed to the incentive program would then be attributed to the local code. However, it remains unclear from CPUC policy: a) can the savings in future program cycles be attributed to SFEW in this program cycle, and, b) for how many years can the kWh savings be attributed to the local code? The City awaits guidance on this issue and would welcome other local governments to participate in any discussions.

- 3 Tax Increment Financing (TIF). In collaboration with the City of Berkeley, San Francisco is now developing its own TIF for solar and energy efficiency. The financing program will allow residential and commercial building owners to pay for improvements through their property tax. TIF will allow owners several advantages. It attaches the improvements to the property, rather than the property owner, meaning that if the building is sold after only a few years, the current owner does not have to pay off the financing before having enjoyed all of the savings benefits. The future owner will pay for the value added to the building through the property tax. In typical financing, only the interest on the loan is tax deductible; however, when it is put on the property tax, the principal and built-in interest are both tax deductible. Additionally, the City may be able to finance the TIF loan at a lower interest rate. Though the details are in development at this moment, some form of TIF will be offered during the 2009-11 cycle. Because TIF offers such great advantages, it will be very attractive and it has been proposed that Energy Star assessment and a 30% improvement in energy efficiency should be required for any building choosing to use TIF. Because TIF is not required, projects will still be eligible for SFEW incentives.
- 4 Boiler Early Retirement. Because San Francisco is one of the oldest cities in California, it has old buildings, mid and small sized commercial buildings along with a predominance of older multi-family buildings. In response, SFEW is developing new programs, for example, SFEW will pilot test a Commercial and Multifamily Steam Boiler Retirement Pilot Program. Boilers that have been in service for more than their EUL, typically 30 years, will be targeted for early replacement. Replacement steam boilers will be replaced with modern energy efficient boilers that exceed Title 24 minimum standards, and meet the new BAAQMD air quality standards for NOx emissions. The pilot will document that these old boilers remain in service for decades longer showing that due to capital cost involved in replacing an old boiler, building owners continue to repair and patch old steam boilers. The pilot will then demonstrate the reduction in natural gas consumption and in greenhouse gas emissions.

- 5 Small Commercial Equipment. Another innovation is addressing leased and second-hand equipment in small food service businesses, particularly refrigeration equipment and novelty coolers (untouched by current programs). SFEW will employ a stakeholder process including small business, leasing companies, beverage distributors, and other local governments in a quasi-regional approach. The outcome is likely to be a program that includes a combination of near term education and incentives followed by regulation. Before assembling the stakeholders, SFEW will research and monitor some pilot equipment replacements.
- 6 Energy Benchmarking. SFEW will also innovate in response to new needs and opportunities as they arise. For example, AB1103 requires commercial buildings to be energy benchmarked with Energy Star Portfolio Manager for sale or lease after 2009. In response, SFEW will form a partnership with BOMA, and other organizations representing commercial building owners. The partnership will develop a specific program that will include marketing and technical assistance, utilize existing incentive programs, and recognize participation. SFEW will assist building owners to benchmark their buildings and provide water usage data from the City's Water Department to allow the addition of the water benchmarking for interested participants. SFEW will provide technical assistance to building owners choosing to upgrade their building to attain a higher rating and will provide incentives or refer commercial building owners to other incentive programs as appropriate. SFEW will provide a recognition program that will include an annual event.

H 2. LONGER TERM OPPORTUNITIES RELATED TO THE STRATEGIC PLAN

Some of those strategies are:

- 1 Set policies and establish goals for energy efficiency and greenhouse gas (GHG) reductions. The City has already set strong policies in the Electricity Resource Plan (2002) proposes to reduce peak load by 105 MW by 2012 through efficiency and demand response and the Climate Action Plan (2004) proposes to reduce GHG to 20% below 1990 levels. These policies will be updated to include Zero Net Energy for future residential and commercial buildings. Though it is uncertain at this time how to reach this goal, particularly for existing buildings, the goal needs to be added in future policy.
- 2 Lead by example. SF has had a long-term policy of efficiency in its own facilities with over \$50 million in projects since 2000. In 2000 SF was the only local government participating in CAISO's demand response program and provided 10-12 MW of response. Since then it has implemented the first large scale small business retrofit program retrofitting over 4000 small businesses (state funded) in 15 months, and then formed the first large scale partnership with PG&E, the Peak Energy Program, that reduced load by 12 MW. Now, the Mayor has put forward *SF Forward*, a call for even more innovation and leadership (see page 10 above).
- 3 Adopt stricter local codes for new and existing buildings. The Residential Energy Conservation Ordinance and Commercial Energy Conservation Ordinance were

established in the 1980's. In 2003, the City passed one of the first green building ordinances requiring City facilities to be built to LEED Silver standard. In 2006 the City provided expedited permitting for LEED Gold projects that transformed the local market as projects rushed into the new process. It is just now passing a new Green Building Ordinance to require LEED Gold for all commercial buildings by 2012.

- 4 Require higher energy standards for redevelopment and affordable housing projects, creating new green communities within San Francisco. Treasure Island will now be built to a LEED Platinum standard with ultra-high efficiency buildings and on-site generation. The same approach is now being incorporated into the Hunters Point Shipyard redevelopment. Another project is slated to begin and other projects are being targeted.
- 5 Require purchases of lighting equipment for municipal facilities to be energy efficient through the Resource Efficiency Ordinance of 1998. The Commercial Lighting Ordinance on T-12 lamps (introduced 1/15/08) also applies to municipal facilities. Other requirements for municipal contractors and vendors are being discussed.
- 6 Develop and implement programs tailored to their communities' needs. The Minor Home Repair program (1995) included many residential energy efficiency measures for low-income seniors in Bayview Hunters Point. This was followed by the Power Savers direct install program for small businesses (2002). Then the Peak Energy Program had several community responsive elements including the highly successful torchiere-turn-in program. Now SFEW is offering several programs designed to meet the needs of specific community sectors (see H.1 above) and will continue to identify new opportunities. SFE is now developing a program with the SF Housing Authority and will also look at Section 8 Housing.
- 7 Collaborate with other entities. There is continual collaboration with other local governments, especially in the Bay Area, and regular contact with CARB and BAAQMD. The CEC provides guidance on all our C&S work. Since 2003, at the start of the Peak Energy Program, the City has been in close collaboration with PG&E and our green building program regularly works with the Pacific Energy Center to provide education to local building officials and design professionals. San Francisco started the Business Council on Climate Change and regularly collaborates with other entities including: Sierra Club, Small Business Commission, BOMA, SF Association of Realtors, Apartment Owners Association, Rent Board, etc.
- 8 Promote green technology-oriented economic development. The Clean Tech Payroll Tax Waiver is in its second year. The City is now in the process of greening the Workforce Development program, a \$70 million job training program, which will add energy efficiency to each component of their training programs.

*Legislative Checklist to be submitted with all supporting materials for items
scheduled on a Committee Consent Calendar*

Board of Supervisors File Number: _____

Department: Environment

Department Contact: Joseph Salem

Contact Phone Number: 415-355-3721

Type of Legislation on Consent Calendar:

- ☐ amendments to the City Code that have no fiscal impact and have not been subjected to the 30-day rule provided in Rule 5.41 (which governs amendments to the City Code that have been determined by the President to create or revise major City policy);
- ☐ specific authorizations to sell bonds;
- ☐ the refunding of bonds when done only to achieve lower interest rates and cost savings for the City;
- ☐ authorizations for the acceptance of gifts;
- ◆ authorizations for the acceptance and expenditure of grant funds;
- ☐ authorizations for renewing property leases, with no significant changes in the terms of the lease (the implementation of COLAs is not considered a significant change in the terms of a lease);
- ☐ supplemental appropriations that only involve non-General Fund monies or re-appropriate funds that have been previously appropriated by the Board of Supervisors;
- ☐ releases of reserves under \$500,000;
- ☐ other items that the Committee Chair and the Budget Analyst agree do not require a Budget Analyst's review and report.

Description Resolution authorizing the Department of the Environment to accept and expend a grant in the amount of \$11,540,000 from PG&E for the Energy Watch program to provide technical services and incentives for energy efficiency retrofits to PG&E customers in San Francisco. This includes all customer classes and building types. There will be ancillary activities that include marketing of the Energy Watch services, training, policy development, and other related tasks.

Presentation of Budgetary Information to Board Committees in Conformance with Budget Analyst Reference Guide

- ✓ Summary budget information included
- ✓ Position Detail Information (included in budget)
- ☐ Equipment Detail Information
- ☐ Capital/Facilities Improvement Project Information
- ✓ Consultant/Contractor Expenditures and Selection Processes
- ☐ Written explanation and justification for budget request.

Information provided in Conformance with Budget Analyst Reference Guide for the following:

- Amendments to City Code (Administrative Code, Municipal Code, Health Code, etc.)
- ☐ Issuance of Debt (i.e., Bonds)
- ☐ Gifts to the City
- ✓ Grants (authorization to apply for, accept and expend)
- ☐ Property Leases – City as Lessor
- ☐ Property Leases – City as Lessee
- ☐ "Proposition J" Contracts (City contractors under Charter Section 10.104)
- ☐ Releases of Reserves
- ☐ Supplemental Appropriations
- ☐ Memoranda of Understanding (MOU) and other Agreements

Other Information Provided:

Budget Analyst Reference Guide Questions

23. Describe the source of funds. California Public Utilities Commission through Pacific Gas & Electric

24. Describe the grant-funded project clearly, concisely and in layman's terms.

Funds will be used to operate the Energy Watch program to provide technical services and incentives for energy efficiency retrofits to PG&E customers in San Francisco. This includes all customer classes and building types. There will be ancillary activities that include marketing of the Energy Watch services, training, policy development, and other related tasks.

25. Provide context and detail to the grant so that the proposed project can be compared to current operations.

San Francisco is seriously committed to energy security and reducing its carbon emissions to meet the goals of the City's Climate Action plan. The City's Climate Action Plan calls for reducing the city's CO² emissions through energy efficiency in private sector buildings as well as municipal facilities. The Electricity Resource Plan (ERP) commits the City to reducing the local peak electric loads through energy efficiency.

The Energy Watch program is the latest iteration of programs that started in 2001 and have already served over 9000 San Francisco businesses and multi-family buildings, saved over \$20 million in annual energy bills, reduced peak loads by over 25 megaWatts and reduced over 50,000 tons of greenhouse gas emissions. This grant will continue the program.

26. Identify any ongoing costs for the Department once the grant funds expire, such as new personnel, new equipment, new leases, etc and how the Department would fund such future costs. There will be no ongoing costs to the Department once grant funds expire.

27. If the grant period has begun before the Department has been given Board of Supervisor approval, the Department should state why it is late in seeking approval and the resolution must provide for retroactivity. The Department of the Environment is seeking retroactive approval because initial approval via Resolution No. 481-09 proved to be insufficient to appropriate funds.

28. State if the Department has accepted the grant or encumbered any expenses that the grant funds would reimburse the City. The Department should state why they have either accepted and/or began expending the grant funds before receiving approval. NA

29. If grant funds have been expended or encumbered, state the amount of funds that have been expended or encumbered and for what purpose. NA

30. If there is a significant delay in seeking Board of Supervisor approval from the time the grant period began, state how the proposed project would be completed in the remaining period of time available and/or if the Department has asked for or received an extension of the grant period. NA

31. If the grant is a multi-year grant, state the amount of the grant in future years and if future years would be included in the Department's budget. Include a proposed multiyear budget. The grant is for \$11,540,000 over three years (see budget).

32. Indicate whether or not matching funds are required from the City, and if so, in what amount and the source of such matching funds. No matching funds are required.

33. If matching funds are not required but the Department is providing in-kind contributions for the grant, the Department should clearly state how you are proposing to provide in-kind contributions. Also state whether these in-kind contributions are new services to supplement the grant or existing services. N/A

34. Provide a detailed budget by object including personnel detail, equipment detail and details on services/consultants/contractors. Each line item in the budget should be explained. See attached budget

35. The number of full time equivalent positions (FTE), the Job Title, Classification, and percentage of fringe benefits should be clearly stated in the budget of the grant. In most cases, any position funded under a grant should be "G" coded, or designated as a grant funded position that would terminate when the grant expires. The resolution should state that the position(s) should be "G" coded. See attached budget. *Please note that all FTE's are currently in place and filled. They are continuing grant funded positions from the previous PG&E contract.

36. If a portion of the grant funds would be spent on contractual services, the Department needs to clarify how those contracts were awarded, whether a sole-source or an RFP process. If a contract is proposed to be awarded on a sole source basis, the Department needs to clearly explain why the Department chose the contractor. The Department should provide a detailed budget for the contractual services, including the number of hours dedicated to the project and the hourly rate if applicable. Contractual services will be awarded through the standard RFP process.

37. If a Department plans on work-ordering grant funds to another Department, the Department should note what Department would receive the work-order and what services will be provided for the work ordered funds. Funds may be work-ordered to the Repro Department for the production of outreach materials and to the City Attorney's office for legal assistance.

38. Indicate if indirect costs were included in the budget. If indirect costs are included, state how the indirect cost rate was determined. If indirect costs were not included, indicate why. The grant includes \$948,640 for indirect costs. Indirect costs are per FTE and calculated by dividing total Administration costs by the number of FTE's supported.

39. If travel is included in the budget, the Department should detail how many people are traveling, their identities (i.e. City employees or consultants), where they are going and for how long. Funds are included for three Department of Environment staff to travel to various Energy Efficiency conferences related to program activities. (location and dates TBD).

40. All grant reports must include a form entitled the "Grant Application Information Form" with a Disability Access Checklist at the end.



**Pacific Gas and
Electric Company®**

CHANGE ORDER

Pacific Gas and Electric Company
245 Market St., Room 543, Mail Code NSD, P.O. Box 770000
San Francisco, CA 94177
(415) 973-8089 . FAX (415) 973-2553

Date
12/10/2009

P.O. Number
2500280731

PHONE THE PG&E CONTACT IMMEDIATELY IF
YOU CANNOT DELIVER BY THE DATE WANTED.

SHOW THIS PURCHASE ORDER NUMBER AND
APPLICABLE ITEM NUMBER(S) LISTED BELOW ON
PACKAGES, INVOICES, PACKING LISTS, AND BILLS OF
LADING.

VENDOR #: 1073548

BUYER - Joy Scheffer 415/973-5205 jlsd@exchange.pge.com

CITY AND COUNTY OF SAN FRANCISCO
DEPT OF THE ENVIRONMENT
11 GROVE ST
SAN FRANCISCO CA 94102

TERMS - Net 30 days

PLEASE DELIVER TO:
PGE CORP
PG&E Corporation
CUSTOMER ENERGY EFFICIENCY
245 MARKET STREET
SAN FRANCISCO CA 94105

REFER TO ASSOCIATED CONTRACT DOCUMENTATION FOR
SERVICE LOCATION DETAILS

VENDOR - THIS PURCHASE IS AUTHORIZED SUBJECT
TO THE TERMS AND CONDITIONS OF OUR AGREEMENT
(AGREEMENT NUMBER 4400004155). YOUR INVOICE
MUST SHOW OUR P.O. NUMBER 2500280731.

Item	Product Code	Description	Quantity	Unit	Unit Price	Item Total
1		Admin 8097371	577,000	USD	1.00	577,000.00
		Delivery date: 02/28/2013				
2		Marketing 8097372	577,000	USD	1.00	577,000.00
		Delivery date: 02/28/2013				
3		Implementation 8097373	4,385,200	USD	1.00	4,385,200.00
		Delivery date: 02/28/2013				
4		StratPlan 8097374	230,800	USD	1.00	230,800.00
		Delivery date: 02/28/2013				
5		DIncentive 8097376	5,770,000	USD	1.00	5,770,000.00
		Delivery date: 02/28/2013				
Total net value excl. tax USD			11,540,000.00			
=====						

MAIL THE ORIGINAL INVOICE TO:
FOR INVOICES TO BE PAID, YOU MUST COMPLY WITH
THE INVOICE INSTRUCTIONS

Pacific Gas and Electric Company
P.O. Box 7760
San Francisco, CA 94120-7760
1-800-756-PAID

PLEASE SEE ASSOCIATED CONTRACT DOCUMENTS FOR GENERAL AND SPECIFIC CONDITIONS

