CITY OF HAYWARD
HEART OF THE BAY

DATE: January 8, 2018

TO: Council Sustainability Committee

FROM: Director of Utilities & Environmental Services

SUBJECT East Bay Energy Watch Paper: "Navigating the Changing Landscape of Energy Efficiency Programs in the East Bay"

RECOMMENDATION

That the Committee reviews and comments on this report.

SUMMARY

The attached paper prepared by East Bay Energy Watch (EBEW) is for discussion purposes. It presents background information and considerations for making improvements in the administration of energy efficiency programs by regional entities. Staff is interested in hearing the Committee's thoughts to help guide on-going discussions.

BACKGROUND

In January 2017, staff provided the Committee with a report discussing an overview of regional energy programs, including East Bay Energy Watch (EBEW), the Alameda County Energy Council, and the Bay Area Regional Energy Network (BayREN). EBEW is a partnership with Pacific Gas and Electric company (PG&E) and the Counties of Alameda and Contra Costa and cities within the two counties. In September 2017, staff presented a report on EBEW programs available to small and medium sized businesses.

Hayward's General Plan, adopted by Council in 2014, includes the following programs regarding regional energy programs:

> *NR-9. Financing Program for Residential Energy Efficiency Retrofits.* The City shall work with regional agencies and organizations to develop a residential energy efficiency retrofit financing program for single-family and multi-family homes.
>
> *NR-10. Financing Program for Commercial Energy Efficiency Retrofits.* The City shall work with regional agencies and organizations to develop a commercial energy efficiency retrofit financing program for commercial and industrial properties.

NR-12. Financing Program for the Installation of Residential Renewable Energy Systems. The City shall work with regional agencies and organizations to develop a financing program for the installation of renewable energy systems on single-family and multi-family residential buildings and mobile homes.

NR-13. Financing Program for the Installation of Commercial Renewable Energy Systems. The City shall work with regional agencies and organizations to develop a financing program for the installation of renewable energy systems on commercial and industrial properties.

Hayward has been an active participant in the three regional energy efficiency programs (EBEW, Energy Council, and BayREN) for several years. In addition, Pacific Gas and Electric (PG&E) provides energy efficiency programs, many of which are provided directly to customers without City involvement. In December 2016, Hayward joined ten other cities and the County of Alameda to form East Bay Community Energy (EBCE). While EBCE's primary mission is to provide electricity with fewer greenhouse gas emissions, EBCE could also offer energy efficiency programs to reduce electricity demand. With the potential for five regional entities providing energy efficiency programs, there are questions about the most effective model for program delivery. In addition to economies of scale and program effectiveness, other considerations include local control and brand recognition.

DISCUSSION

EBEW prepared the attached paper titled "Navigating the Changing Landscape of Energy Efficiency Programs in the East Bay" (Attachment II) to spark discussion. The paper provides background information including the various energy efficiency programs currently offered by various entities as well as key considerations and questions for discussion to help decision-makers determine the best approach to providing energy efficiency services.

EBEW interviewed a variety of stakeholders, including staff from local governments, investor-owned utilities (IOUs), and community choice aggregators (CCAs) and asked several questions. Summaries of stakeholder responses are included in the paper. Following are some of the key questions and Hayward staff's thoughts on each.

1. *What are the strengths of the three types of organizations that administer energy efficiency programs in the East Bay?*

   Each entity has unique strengths. EBEW's services are somewhat complicated by the fact that member jurisdictions will be served by three electric utilities: EBCE, MCE and PG&E.

2. *With CCAs operating in the East Bay, will EBEW's role become redundant?*

   In the near term, EBEW's role will probably not be redundant. In the long term, it will depend on the CCAs' appetite for administering energy efficiency programs.

3. *Should CCAs invest in rather than administer energy efficiency programs?*

   Staff agrees with the comment in the paper that "at least in the near term, EBCE won't have funds to bolster EBEW's programs. EBCE will need to direct any profits to developing new local renewable energy facilities and building its cash reserves."

4. *Should BayREN administer energy efficiency programs on behalf of the CCAs?*

   BayREN could administer energy efficiency programs on behalf of the CCAs, but it won't have the brand recognition of the CCAs.

5. *Should CCAs be involved in administering ratepayer-funded energy efficiency programs?*

   CCAs could promote the programs without offering them. Important comments in the paper are:

   - "the cost effectiveness test[1] is onerous for organizations that don't operate at an Investor Owned Utility's scale. If CCAs don't tie themselves to the public surcharge, they can embrace market transformation initiatives rather than just doing conventional energy efficiency programs like lighting swaps." and
   - "CCAs should focus on programs that achieve GHG reductions, aren't reliant on ratepayer funding, and go beyond basic energy efficiency measures such as fuel switching, EV charging, battery storage, solar, creative financing, assisting cities with climate action plans. EBCE has significant GHG reduction goals beyond energy savings and should be thinking about how to evaluate programs based on GHG reductions rather than kWh reductions."

6. *Should EBEW lead the coordination among PG&E, BayREN and the CCAs in the East Bay?*

   EBEW is a ratepayer-funded program and may not have the flexibility that would allow for innovative programs that focus on GHG reductions. In addition, it may make sense for coordination to happen at a larger scale – perhaps by BayREN.

In addition to the above questions, the paper presents seven possible scenarios. Each one generically refers to EBCE and MCE as "CCA."

1. *CCA does not offer any ratepayer-funded energy efficiency programs.*
2. *CCA does not offer its own energy efficiency programs, but supports other organizations' programs via outreach, funding, co-branding or other mechanisms.*
3. *CCA provides ratepayer-funded energy efficiency programs only to fill gaps in current programming.*

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[1] The California Public Utilities Commission (CPUC) requires that ratepayer-funded programs meet certain cost-effectiveness standards.

4. *CCA offers ratepayer-funded energy efficiency programs that absorb, compete with, or replace existing East Bay programs.*
5. *CCA offers non-ratepayer-funded energy and GHG reduction programs.*
6. *EBEW takes on a formal coordination role among local governments, utilities and CCAs in the East Bay.*
7. *EBEW splits into two partnerships, with one covering MCE's jurisdictions and the other covering EBCE's jurisdictions.*

Ultimately, a combination of the above scenarios might be implemented by EBCE. It is possible that the EBCE Board of Directors will decide to focus on its core mission of electricity procurement and providing good customer service in the near term. Regarding scenario one, staff recommends that in the long run, EBCE should offer at least some energy efficiency programs, but maybe not with rate payer funds (Scenario Five). Non-rate payer programs could include fuel switching (replacing natural gas appliances with electric appliances), which will be a key strategy for reducing community-wide GHG emissions. Promoting rooftop solar photovoltaics, battery storage and electric vehicle charging could also help EBCE achieve community-wide reductions in GHG emissions. As noted on the last page of Attachment II, MCE currently offers some of these programs.

STRATEGIC INITIATIVES

This agenda item does not relate to one of Council's three Strategic Initiatives.

FISCAL IMPACT

EBEW programs do not impact the City's General Fund. EBEW programs are funded by California utility ratepayer funds administered by PG&E under the auspices of the CPUC. Environmental Services staff spend staff time serving on the EBEW Strategic Advisory Committee and coordinating services offered in Hayward by EBEW.

SUSTAINABILITY FEATURES

Participation in regional energy programs allows Hayward to benefit from regional marketing activities and to access funding that would otherwise be unavailable. Such programs focus on improving energy efficiency, increasing the use of renewable energy, and conserving water – all of which support the City's sustainability and long-term GHG reduction goals.

NEXT STEPS

Staff will continue to participate in county and regional-level discussions and will report back to the Committee periodically. The EBEW paper may be presented to the EBCE Board in the near future.

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