

Agenda Report

November 14, 2016

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (November 8, 2016)

FROM: Water and Power Department

SUBJECT: ADOPT A RESOLUTION TO AUTHORIZE THE APPLICATION FOR A WATER-ENERGY GRANT FROM THE CALIFORNIA DEPARTMENT OF WATER RESOURCES FOR FISCAL YEARS 2017 AND 2018

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed grant authorization is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA guidelines, Section 15301 Existing Facilities;
2. Authorize the application for the 2016 Water-Energy Grant in the amount of up to \$1.5 million from the California Department of Water Resources ("DWR"); and
3. Adopt a resolution authorizing the City Manager to execute the 2016 Water-Energy Grant agreement with DWR in the amount of up to \$1.5 million; and, designate the Interim General Manager of the Water and Power Department as the authorized representative for the City of Pasadena to submit a proposal for the 2016 Water-Energy Grant and perform actions necessary to administer the grant agreement on behalf of the City.

BACKGROUND:

In 2013, Pasadena Water and Power ("PWP") launched the Water and Energy Direct Install Program ("WeDIP") which is designed to help small businesses and commercial customers reduce their annual electric and water usage, through the direct installation of proven energy and water saving measures at no cost to the customer. The WeDIP program is currently offered to PWP commercial customers with 30kW or less in electric demand who are designated as "small commercial" in the PWP rate category. Typical qualifying customers include restaurants, convenience stores, hair salons, small retail, and business services.

The WeDIP program offerings include a robust site evaluation by program staff to determine and recommend energy and water conservation measures most likely to result in significant savings for the customer. Customers can select from a list of program measures they would like installed, up to a site cap of \$7,500. Once measures are selected, a WeDIP contractor completes the installation. WeDIP measures offered to customers include lighting, plumbing and refrigeration upgrades. The WeDIP Program has completed over 1,000 projects for over 600 customers to date, resulting in total annual saving of more than 10 million gallons of water and 3.7 million kWh in energy savings. The PWP FY2017 approved budget for WeDIP is \$800,000, with funding from the Public Benefits Charge ("PBC") Fund and the Water Conservation Fund.

On November 14, 2016, PWP submitted an application to the California Department of Water Resources ("DWR") for the Water-Energy Grant Program, which provides funds to implement water efficiency programs or projects that reduce greenhouse gas emissions and reduce water and energy use. The application was submitted prior to the City Council's approval because of the short time frame between receipt of the DWR request for application proposals and the November 14, 2016 submission deadline. The DWR requires a resolution to accompany the grant submittal, to be submitted by December 15, 2016.

The DWR grant funds will allow PWP to expand the current WeDIP program by adding additional efficiency measures that are the focus of this Grant Program because they save both energy and water, including commercial dishwashers, steam cookers, clothes washers, and boiler-less combination ovens. PWP will target program benefits to commercial customers located in the disadvantaged community census tract including assisted living facilities, churches, local businesses, restaurants and lodging facilities. The installation of additional water and energy efficiency measures at no cost to the customer has a direct and meaningful impact on resource conservation and monetary savings. Commercial customers are often operating on narrow profit margins. The savings associated with reduced energy and water costs can be directed into business growth and service expansion, which promote longevity and success.

If the maximum requested grant amount is awarded, PWP expects to provide the new added efficiency measures to approximately 250 commercial customers served by the WeDIP program over a 24-month period. While reduced usage of potable water, electricity and natural gas are the primary benefits of WeDIP, the program will also result in other benefits such as reduced greenhouse gas emissions.

To support implementation of the WeDIP program expansion, PWP plans to issue a Request for Proposal for commercial direct install program services in early 2017.

COUNCIL POLICY CONSIDERATION:

The recommended grant authorization to expand WeDIP is consistent the City Council's Strategic Planning Goals to maintain fiscal responsibility and stability and to increase conservation and sustainability. The additional conservation program funding will help Pasadena meet the State of California Senate Bill X7-7 goal of 20% per capita urban water use reduction by 2020, and supports the goals of California Assembly Bill 758 to achieve greater energy efficiency in the state's existing building stock, and the California Climate Strategy of reducing greenhouse gas emissions to 40% below 1990 levels by 2030. It will contribute to achieving Pasadena's energy efficiency and demand reduction goals adopted by the City Council in 2013. Expanding conservation programs is consistent with the Water Integrated Resource Plan, the Power Integrated Resource Plan, and the 2010 Urban Water Management Plan.

ENVIRONMENTAL ANALYSIS:

The application for and utilization of grant funds for expanding WeDIP are exempt from CEQA. The Water and Energy Direct Install Program enables PWP customers to have water and energy efficiency measures installed at their commercial location and these improvements undertaken as part of a project are exempt from CEQA review, pursuant to State CEQA guidelines, Section 15301 Existing Facilities (Class 1). Class 1 consists of "the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures, facilities, mechanical equipment, or topographical features, involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination" (CEQA Guidelines Section 15301). Example (a) listed in Class 1 specifically notes that this exemption includes, "Interior or exterior alterations involving such things as interior partitions, plumbing, and electrical conveyances." The installation of water and energy efficiency measures would be minor alterations to existing commercial customers' properties involving no expansion of the use.

FISCAL IMPACT:

The estimated cost of this action over a 24-month period is \$1.5 million. Funding for this action will be \$1.5 million from a DWR grant. This funding will be supplemented by the PWP WeDIP program budgets and additional co-funding anticipated from SoCal Gas associated with natural gas savings from the added measures.

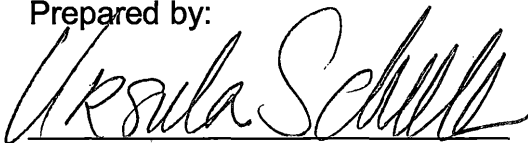
If grant funding is awarded, staff will seek corresponding increases to the Water Fund and Public Benefits Fund budgets for a combined total of approximately \$1.5 million dollars, plus the additional amount of co-funding expected to be received from SoCal Gas. These amounts will be adjusted based on the actual amount of grant funding awarded and revised water and energy savings cost estimates once a program vendor is selected. Based on recent experience with the WeDIP program, and assuming the maximum grant award of \$1.5 million, the additional energy and water savings upon completion of the expanded program would reduce annual electric revenues by approximately \$50,000 per year and water revenues by approximately \$75,000 per year.

Respectfully submitted,



GURCHARAN S. BAWA
Interim General Manager
Water and Power Department

Prepared by:



Ursula Schmidt
Water Conservation Program Manager

Approved by:



STEVE MERMELL
City Manager