TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER        DEPARTMENT: UTILITIES

DATE: APRIL 28, 2008                     CMR: 174:08

SUBJECT: APPROVAL OF SOLAR WATER HEATING INCENTIVE PROGRAM SERVICES CONTRACT WITH THE CENTER FOR SUSTAINABLE ENERGY CALIFORNIA IN AN AMOUNT NOT TO EXCEED $730,000 FOR A TERM OF UP TO FIVE YEARS

RECOMMENDATION
Staff recommends that City Council:

1. Approve and authorize the City Manager to execute the attached contract with the Center for Sustainable Energy California for Solar Water Heating Incentive Program services; and
2. Authorize the City Manager to extend the contract annually for up to four additional years, subject to Council approval of sufficient funds.

BACKGROUND
The City of Palo Alto Utilities Department (CPAU) proposed implementing a solar water heating incentive program in the City’s Ten-Year Energy Efficiency Portfolio Plan, approved by Council in April 2007 (CMR:216:07). Since that time, the State Legislature enacted California’s Solar Water Heating and Efficiency Act of 2007 (AB 1470) in October 2007, which requires natural gas utilities, including the three publicly-owned gas utilities, Palo Alto, Long Beach, and Coalinga, to implement and fund solar water heating incentive programs. The proposed contract is intended to ensure effective and successful design and implementation of a solar water heating program in order to meet the goals described in the City’s Ten-Year Energy Efficiency Portfolio Plan and to fulfill the statutory requirements described in AB 1470.

A “solar water heating system” as defined in AB 1470 is a solar energy device with the primary purpose of reducing demand for natural gas through water heating, space heating, or other methods of capturing energy from the sun to reduce natural gas consumption in a home, business, or any building receiving natural gas that is a utility retail customer that meets or exceeds certain eligibility criteria. CPAU’s estimated proportionate share of the State goal to
install 200,000 solar water heating systems by 2017 is approximately 530. As part of the Palo Alto Climate Protection Plan (CMR:435:07), the City has set a goal of achieving 1,000 systems by 2020.

**DISCUSSION**

In December 2007, the City issued a Request for Proposals (RFP) seeking responses from organizations interested in providing a turnkey solar water heating incentive program that would be available for CPAU customers. The RFP was sent to eight consulting firms known to offer relevant services (of these one responded to the RFP).

The Center for Sustainable Energy California (CSEC) is a highly qualified non-profit organization with demonstrated capability to perform the work. The program will build on the Solar Water Heating (SWH) Pilot Project, currently being managed by CSEC for the State, which is specifically identified in AB 1470 as providing key data upon which the State will base much of its initial program guidelines. CSEC will provide services in the following areas:

1. Design of a comprehensive solar water heating incentive program;
2. Training for City staff, solar contractors, and utilities customers; and
3. Administration of the program, once implemented.

CSEC was chosen by the California Public Utilities Commission (CPUC) to administer the San Diego Solar Water Heating Pilot Program. CSEC’s goal since the pilot program launched in July 2007 is to gain valuable information on the market, technologies, potential barriers, effectiveness and financials of solar water heating in California. Their knowledge and experience managing the State’s SWH Pilot Program in San Diego will greatly help the City navigate its own program.

**RESOURCE IMPACT**

The total budget impact by fiscal year is shown below:

<table>
<thead>
<tr>
<th>Contract Estimate Per Year</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Total Contract Not-to-Exceed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$155,000</td>
<td>$136,000</td>
<td>$140,000</td>
<td>$147,000</td>
<td>$152,000</td>
<td>$730,000</td>
</tr>
</tbody>
</table>

Note that these costs are for program development and implementation. Customer rebates will be paid out of energy efficiency incentive public benefit program funds. Funds for FY 07/08 and 08/09 are included in the Gas Fund adopted and adopted-in-concept budgets, respectively. Funds for subsequent years will be subject to appropriation of funds in subsequent budgets.

**POLICY IMPLICATIONS**

ENVIRONMENTAL REVIEW
The provision of these services do not constitute a project pursuant to Section 21065 of the California Public Resources Code, thus no environmental review under CEQA is required.

ATTACHMENT
A. Contract: Center for Sustainable Energy California

PREPARED BY: AMANDA COX,
Utilities Account Representative
JOYCE KINNEAR,
Manager, Utilities Marketing Services

DEPARTMENT HEAD: VALERIE O. FONG
Director of Utilities

CITY MANAGER APPROVAL: EMILY HARRISON
Assistant City Manager