

November 13, 2018

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**RECOMMENDATION:**

Direct staff to implement a Solar Water Heating Incentive Program pursuant to California Assembly Bill 797;

Adopt a Resolution authorizing the City Manager, or designee, to execute a contract with the Center for Sustainable Energy of San Diego, CA, in the amount of \$60,510, and authorize a 10 percent contingency in the amount of \$6,051, for a total contract amount not to exceed \$66,561 to administer Solar Water Heating Incentive Program; and,

Increase appropriations in the Gas Fund (EF 301) in the Energy Resources Department (ER) by \$1,066,561. (Citywide)

**DISCUSSION**

In October 2017, the State Legislature enacted a bill (AB 797 – Solar Thermal Systems), which revised and extended the Solar Water Heating and Efficiency Act of 2007 (AB 1470) through July 31, 2020. Both AB 797 and AB 1470 are intended to promote the installation of solar thermal systems statewide. AB 797 specifically requires each local publicly-owned utility providing gas service to adopt, implement, and finance a Solar Thermal System Incentive Program (Program) to incentivize solar water heating systems. Implementation of the Program supports greenhouse gas reduction goals identified in the Global Warming Solutions Act of 2006 (AB 32) and meets the statutory requirements 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.

As required through AB 797, the incentives will be funded through a \$0.0125/therm State surcharge implemented for this purpose and will be displayed as a separate line item on customer bills. This surcharge amounts to an estimated \$0.33 increase on the average residential monthly bill. The Program requires reserving 50 percent of the total incentive revenue collected until 2020 for installation of solar water heating systems in low-income residential housing or in building in disadvantaged communities. In addition to incentive

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rebates, surcharge revenue can be used to fund administration of the program, including the City's proposed contract for implementation and administration.

The Center for Sustainable Energy (CSE) is a highly qualified non-profit organization with demonstrated capability to perform the work. CSE currently implements more than 35 clean energy and energy-efficiency programs in California and across the nation. The proposed program will build on the solar water heating projects currently being managed by CSE for the State, which include San Diego Gas & Electric and Palo Alto Utilities. The proposed contract is intended to ensure effective and successful Program design and implementation to fulfill the statutory requirements described in AB 797. The contract with CSE will include the following to develop and implement the Program on behalf of the City through December 2020:

<b>Task</b>	<b>Description</b>	<b>Cost</b>
Program Design	Develop program requirements and incentive levels. Draft and publish Handbook and Program forms on the City website.	\$23,060
Program Implementation	Activate and accept Program applications through deadline.	\$30,822
Program Administration	Administer application and reservation claims. Prepare status reports, incentive invoices, and closeout memorandum.	\$ 6,628

City Charter Section 1801 requires that contracts for City purchases be awarded to the lowest responsible bidder after a competitive bid process, but allows for awards without a competitive bid process if accompanied by a Resolution adopted by the City Council.

A sole source exception is requested for contracting with CSE as they are the only third-party administrator of a solar water heating rebate program for a municipal utility in California. Specifically, they currently administer the City of Palo Alto Solar Water Heating Program and have administered similar programs for San Diego Gas & Electric and San Diego County. Therefore, no useful purpose would be served by advertising for bids, and to do so would be an unnecessary expenditure of City resources.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on September 26, 2018 and by Revenue Management Officer Geraldine Alejo on October 19, 2018.

**TIMING CONSIDERATIONS**

City Council action is requested on November 13, 2018, to develop and implement the Solar Water Heating Program in Long Beach.

FISCAL IMPACT

The total contract amount, through December 2020, will not exceed \$66,561. The contract cost will be paid upfront in FY 19 and will provide Program administration and implementation on behalf of the City. The department does not anticipate an increase in other City costs, including staff time, due to implementing this new program.

Incentive rebates will be determined by the receipt and processing of project applications from eligible applicants meeting the Program criteria. Based on estimated demand and usage, staff currently estimates that incentives will total \$1,000,000 annually. This amount will be funded through a \$0.0125/therm State surcharge, as required by AB 797. Any unused funds at the end of the Program on July 31, 2020 will be returned to Energy Resources ratepayers.

An appropriation increase, offset by anticipated surcharge revenue, in the amount of \$1,066,561 in the Gas Fund (EF 301) in the Energy Resources Department (ER) is requested to support CSE contract costs and incentive rebates. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



ROBERT M. DOWELL  
DIRECTOR OF ENERGY RESOURCES

APPROVED:

  
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PATRICK H. WEST  
CITY MANAGER