

RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: October 28, 2019

ITEM NO: 6

SUBJECT: **FOURTH AMENDMENT TO PROGRAM ORDER OF MASTER INTER-UTILITY AGREEMENT WITH SOUTHERN CALIFORNIA GAS COMPANY FOR ENERGY EFFICIENCY, RESOURCE SAVINGS, AND RELATED ACTIVITIES ADDING ADMINISTRATIVE SERVICES EQUAL TO NO MORE THAN TEN PERCENT OF THE INVOICED SERVICE COMPENSATION PER FISCAL YEAR AND INCREASING THE PROGRAM AMOUNT BY \$500,000 FOR A TOTAL AMOUNT OF \$1,000,000 FOR FISCAL YEAR 2019/20.**

ISSUES:

Approve the Fourth Amendment to the Program Order of the Master Inter-Utility Agreement between Southern California Gas Company and City of Riverside Public Utilities for Energy Efficiency, Resource Savings, and Related Activities adding Administrative Services equal to no more than ten percent of the invoiced service compensation per fiscal year and increasing the program amount by \$500,000 for a total program amount of \$1,000,000 for fiscal year 2019/20.

RECOMMENDATIONS:

That the Board of Public Utilities recommend that the City Council:

1. Approve the Fourth Amendment to the Program Order of the Master Inter-Utility Agreement with Southern California Gas Company;
2. Approve increasing the Energy Savings Assistant Program amount by \$500,000 for a total program amount of \$1,000,000 for Fiscal Year 2019-2020 in order to continue to support low-income customers through the end of the fiscal year; and
3. Authorize the City Manager, or designee, to execute the Program Order with Southern California Gas Company including the ability to make any minor, non-substantive changes without exceeding the approved program budget.

BACKGROUND:

Riverside Public Utilities (RPU) is the primary energy and water service provider in the City of Riverside, while Southern California Gas Company (SoCal Gas) provides natural gas throughout the City. In January 2012, RPU and SoCal Gas entered into an Inter-Utility Agreement to create the Energy Savings Assistance Program (ESAP), an energy and gas efficiency program for qualifying low-income customers. ESAP provides both electric and gas efficiency measures at no-cost to the customers to assist in lowering their monthly utility bills, while making their home more energy efficient.

The Agreement with SoCal Gas allowed RPU to develop a cost-effective program to weatherize low-income homes at a significantly lower cost to the utility by utilizing economies of scale and combining interests with another utility service provider within the City. As part of SoCal Gas's ESAP, local contractors provide the direct-installation of both attic and wall insulation, weather-stripping and caulking to lower heating and cooling costs, as well as interior water saving fixtures such as faucet aerators and showerheads. RPU supplements SoCal Gas's measures in a co-branded partnership to provide electric efficiency measures such as new energy-efficient LED lighting, air-conditioning tune-ups, and the installation of new Energy Star-rated refrigerators and the recycling of old refrigerators. Through this partnership, RPU is able to utilize SoCal Gas's energy savings data collection methods and reporting tools to account for energy savings associated with the program. Additionally, RPU is able to collect SoCal Gas electric and water savings that overlay both gas and electric savings, while leveraging the cost of improvement.

Eligibility for the ESAP no-cost energy efficient home improvement program is based on income and household size. Households may be eligible based on participation in certain public assistance programs such as RPU's Sharing Households Assist Riverside's Energy (SHARE) Program, which assists income-qualified, residential customers with their electric utility bills and deposits. In an effort to further support qualifying customers, and provide direct energy savings and education, RPU targets SHARE participants to receive program benefits from both RPU and SoCal Gas.

DISCUSSION:

On May 22, 2018, the Riverside City Council approved a five-year rate plan for RPU. As part of that effort, RPU increased outreach efforts and explored ways to better serve low-income and fixed income customers to reduce the impact of the rate plan. To increase support to these communities, RPU enhanced the SHARE program eligibility requirements by raising the income eligibility requirement from 150% to 200% of the Federal poverty level. The expanded eligibility requirements aligned the SHARE program with other public assistance programs, including SoCal Gas' low-income qualifications. This program alignment provides a streamlined approach to program eligibility and significantly increase program participation.

With the expanded eligibility requirements, program alignment and increased outreach, staff anticipated ESAP participation to increase significantly. In order to support the anticipated increase in income-qualified SHARE customers eligible for ESAP program benefits, the budget was increased from \$150,000 to \$500,000 annually. In addition to increasing the program budget, the ESAP energy efficiency measures were enhanced to provide improved direct energy savings to program participants. These enhanced measures included LED lighting retrofits, air conditioning tune-ups, HVAC Fan Control Switches and Embertec Smart Power Strips. These efficiency measures were specifically chosen in an effort to increase health, safety and affordability in participant's homes.

The results of these enhancements to the ESAP program have been twofold: 1. Participation has significantly increased, and 2. Program efficiency has improved. Over the five previous fiscal years, prior to enhancing the program, ESAP served a total of 255 homes and saved 227,874 kWh, with a total program expenditure of \$157,580, or \$0.69 per kWh saved. The passive participation was due to a variety of reasons including RPU's more stringent eligibility guidelines and limited efficiency measure selection.

Since commencing the enhanced ESAP in October 2018, the program has experienced a significant increase in customer participation. During fiscal year 2018/19, the enhanced ESAP has served 760 homes, saving 1,551,657 kWh, with a total program expenditure of \$423,967 or \$0.27 per kWh saved. The increased program participation and associated energy savings is due to the alignment of eligibility requirements with SoCal Gas, the enhanced energy efficiency measures and a significant increase in community outreach and marketing efforts.

Since commencing fiscal year 2019/20 in July 2019, RPU and SoCal Gas have continued to increase outreach efforts and continued to encourage customers to participate to receive the benefits of the enhanced ESAP. Through the first three (3) months of the fiscal year, the enhanced ESAP has

experienced overwhelming participation and has served 561 homes, saving 968,416 kWh, with a total program expenditure of \$273,280 or \$0.28 per kWh saved. At the current rate of participation, staff anticipates program funds to be exhausted by January 2020, six (6) months prior to the end of the fiscal year. With a budget transfer of \$500,000, staff expects to prevent the exhaustion of funds and the early suspension of the program during the current fiscal year, and to continue the success of the enhanced ESAP to assist low-income customers to lower their monthly utility bills by making their homes more energy efficient.

To date, SoCal Gas has not charged an administrative fee for their administration of the ESAP joint program with RPU or any other municipal utility it has partnered with offering similar services. This year, however, SoCal Gas highlighted that municipality programs should not be cross-subsidized by Investor-Owned Utility (IOU) ratepayers and that municipalities are expanding low-income program options resulting in increasing program participation. As such, an administrative fee is needed to both cover the increased administrative costs and ensure that IOUs ratepayers are not cross-subsidizing municipal utility programs.

To cover the time and resources necessary for SoCal Gas to administer the joint program, they are requesting administrative fees for ESAP of ten percent (10%) of the invoiced service compensation amount of each monthly invoice. The California Public Utilities Commission (CPUC), which oversees SoCal Gas, generally caps the administration expenditure category at 10% for the IOU programs – as is requested by SoCal Gas. The 10% administrative fee that is being applied to support RPU's ESAP program is also being applied to all municipal utilities that offer joint programs including, but not limited to, the City of Anaheim, the City of Burbank, and the City of Pasadena.

The administrative fees collected will cover SoCal Gas's labor costs of all employees who support the respective programs specifically to avoid the IOU's ratepayers from cross subsidizing municipal programs. The fee will be allocated to each invoice based on the dollar value of activity per invoice and includes, but is not limited to, the following functions and activities: program administration, legal, accounting, contract management, IT support, facilities and office equipment and information technology infrastructure, including SoCal Gas' automated invoice tracking system, Energy Efficiency Collaboration Platform (EECP). The fully loaded overhead rates for these services provided by SoCal Gas are estimated to range from 90% - 140% based on actual expenditures from month to month, providing RPU with economies of scale pricing.

FISCAL IMPACT:

The fiscal impact of the administrative fee is equal to no more than ten percent (10%) of the invoiced service compensation amount of each monthly invoice. Sufficient funds are available in the Public Benefits Unprogrammed Funds Account No. 6020100-453001 and will be transferred to Public Benefits Programs Energy Savings Assistance Program Account No. 6020100-456083 for the additional program amount of \$500,000. Upon approval of the increase, the total program amount for fiscal year 2019/20 will be \$1,000,000.

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Approved by: Todd M. Corbin, Utilities General Manager
Approved by: Al Zelinka, FAICP, City Manager
Approved as to form: Gary G. Geuss, City Attorney

Certifies availability
of funds: Brian Seinturier, Utilities Fiscal Manager

Attachment(s):

1. Amendment #4 to Program Order Of the Master Inter-Utility Agreement between Southern California Gas Company and City of Riverside Public Utilities for Energy Efficiency, Resource Savings, and Related Activities
2. Master Inter-Utility Agreement Between Southern California Gas Company and City of Riverside For Energy Efficiency, Resource Savings and Related Activities
3. Presentation