



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Community Services
Department
Department No.: 057
For Agenda Of: December 6, 2016
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department George Chapjian, Community Services Director
Director(s) (805) 568-2467

Contact Info: Angie Hacker, Division Chief, Energy and Sustainability Initiatives
(805)568-3515

SUBJECT: Amendments to emPower Funding Agreements

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: **Risk Management**

As to form: Yes

Recommended Actions: That the Board of Supervisors:

- A. Approve and authorize the Chair of the Board to execute the Third Amendment to the Agreement to Deliver the 2013-2014 County of Santa Barbara emPower Energy Efficiency Program (“emPower Funding Third Amendment”) between the County of Santa Barbara and Southern California Gas Company (“SoCalGas”) (Attachment A); and
- B. Approve and authorize the Chair of the Board to execute the Third Amendment to the Subrecipient Agreement for the County of San Luis Obispo (“SLO Third Amendment”) between the County of San Luis Obispo and the County of Santa Barbara (Attachment B) and Third Amendment to the Subrecipient Agreement for the County of Ventura (“VC Third Amendment”) between the County of Ventura and the County of Santa Barbara (Attachment C); and
- C. Approve and authorize the Chair of the Board to execute the Third Amendment to the emPowerSBC Santa Barbara County Residential Energy Improvement Loan Program Energy Improvement Loan Loss Reserve Agreement Amended and Restated (“Third Amendment to 2014 LLR Agreement”) (Attachment D) between the County of Santa Barbara and CoastHills Credit Union; and

- D. Determine that the approval and execution of the above Third Amendments is not the approval of a project that is subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4), finding that the project is a creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, and direct staff to file a Notice of Exemption (Attachment E).

Summary Text:

The emPower program is the County’s voluntary building efficiency program designed to lower energy use across the region and stimulate the economy. Launched in November 2011, emPower provides services that help make it easier and more affordable for homeowners and contractors to complete energy saving improvements, including a low cost financing option administered through agreements with CoastHills Credit Union. emPower services help the County meet its energy efficiency-related emission reduction targets, which constitute approximately 35% of the emission reductions in the Energy and Climate Action Plan approved in May 2015.

In June 2013, the Board approved the acceptance of additional program funding provided by Southern California Gas Company (SoCalGas) to continue and expand the emPower program to Ventura and San Luis Obispo Counties (emPower Central Coast). The Board subsequently approved subrecipient agreements with Ventura and San Luis Obispo Counties, and amended agreements with CoastHills Credit Union. While SoCalGas funding was originally set to expire on December 31, 2014, the First and Second Amendments extended it through December 31, 2016, and SoCalGas is now offering additional funding and an extended term through December 31, 2017.

The emPower Funding Third Amendment (Attachment A) would extend the term of the agreement with SoCalGas and provide an additional \$1.35M in program funding to Santa Barbara County. Amendments to update emPower’s subrecipient agreements with San Luis Obispo and Ventura County (Attachments B and C) and financing agreements with CoastHills (Attachments D) reflect the modifications in the emPower Funding Third Amendment. These actions are necessary to continue emPower operations past December 31, 2016 and avoid program disruptions.

Background:

On May 10, 2012, the California Public Utilities Commission (CPUC) mandated that the investor owned utilities (IOU) ensure that credit enhancement financing programs previously funded under the American Recovery and Reinvestment Act (ARRA) continue operating beyond funding expiration dates. As one of only a handful of credit enhancement financing programs in the State, Santa Barbara County was offered additional funding to continue offering emPower services to homeowners in Santa Barbara County as well as expand these services into San Luis Obispo and Ventura Counties.

On June 25, 2013 the Board approved the Agreement to Deliver the 2013-2014 County of Santa Barbara emPower Energy Efficiency Program (“SoCalGas Agreement”) between the County of Santa Barbara and Southern California Gas Company (SoCalGas). The SoCalGas Agreement provided \$2.7 million in funds to continue and expand emPower’s comprehensive service portfolio to the Tri-County region

through December 31, 2014, including marketing, outreach, customer service and workforce development functions. In addition, the SoCalGas Agreement provided up to \$1 million in loan loss reserve credit enhancement funds to support eligible loans in the Tri-County region through December 31, 2014.

Subsequently, on March 18, 2014, the Board approved subrecipient agreements with San Luis Obispo and Ventura Counties to provide a portion of the funds from the SoCalGas Agreement to expand emPower program activities into those counties. Finally, on April 22, 2014, the Board approved the emPowerSBC Santa Barbara County Residential Energy Improvement Loan Program Energy Improvement Loan Loss Reserve Agreement Amended and Restated (“2014 LLR Agreement”) and the emPowerSBC Santa Barbara County Residential Energy Improvement Loan Program Amended and Restated Program Agreement (“2014 Program Agreement”) establishing up to an additional \$1 million in loan loss reserve credit enhancement funds through the SoCalGas Agreement. These actions allowed emPower to offer its services and financing product throughout the Tri-County region through December 31, 2014.

In late 2014, 2015 and 2016, the CPUC issued Decisions regarding Energy Efficiency program spending, which allows SoCalGas to extend emPower’s program funding. As in the previous two years, SoCalGas has offered to extend the contract for an additional year. Accordingly, Recommended Action ‘A’ would approve the emPower Funding Third Amendment (Attachment A) to extend the term of the SoCalGas Agreement through December 31, 2017 and allow for the acceptance of \$1,350,000 in additional funding. No additional loan loss reserve credit enhancement funds were requested in the emPower Funding Third Amendment; however, the original \$1M in loan loss reserve funds will remain available throughout the extended term.

While the IOUs have agreed to extend the funding contract through December 31, 2017, it should be noted that there are two events that could impact funding during the funding period. First, Southern California Edison (SCE) requested approval to discontinue its portion of emPower funding (51%) in its September 28, 2016 CPUC budget filing. Staff have filed a protest letter with the CPUC and are awaiting a determination, which is anticipated to be announced within the next two months and could result in reduced funding levels. Secondly, last year, the CPUC commissioned an evaluation on several financing programs, including the emPower program, which is anticipated to be completed in mid-2017. Though the evaluation was not commissioned in response to SCE’s budget filing, it is possible that the results of that study could also trigger a determination by the CPUC that could result in reduced funding levels.

If the Board approves the emPower Funding Third Amendment, it is also recommended that the Board approve updates to the related emPower agreements accordingly. Recommended Action ‘B’ would approve the SLO Third Amendment (Attachment B) and the VC Third Amendment (Attachment C) to pass through proportionate allocations of additional SoCalGas funds and the extended term to Ventura and San Luis Obispo Counties (pass through funding details are provided in Fiscal Analysis section below). Finally, Recommended Action ‘C’ would approve the Third Amendment to the LLR Agreement (Attachment D) to allow the existing loan loss reserve funding to remain eligible to support loans through December 31, 2017.

These recommended actions are necessary to continue emPower operations past December 31, 2016 and avoid program disruptions. At this time, additional SoCalGas funding represents the only known

funding available to allow the emPower program to continue throughout the Tri-County region through December 31, 2017.

Risk Assessment:

The emPower Funding Third Amendment will increase the authorized budget and extend the term and associated close-out/ reporting dates of the SoCalGas Agreement but does not change any other terms, conditions, and covenants in the SoCalGas Agreement executed by the Board in June 2013.

The SLO Third Amendment and the VC Third Amendment will increase the total authorized budgets and extend the terms of the SLO Subrecipient Agreement and the Ventura Subrecipient Agreement but do not change any other terms, conditions and covenants in the SLO Subrecipient Agreement and the Ventura Subrecipient Agreement executed by the Board in March 2014 and later amended in December 2014 and 2015. Payments will continue to be made to Ventura and San Luis Obispo Counties only after Santa Barbara County has received payment from SoCalGas.

The Third Amendment to the 2014 LLR Agreement extends the term of the 2014 LLR Agreement but does not change any other terms, conditions, and covenants in the 2014 LLR Agreement approved by the Board in April 2014.

Fiscal and Facilities Impacts:

The emPower program is an externally funded program and does not receive support from the General Fund. The program is currently funded by funds made available by the U.S. Department of Energy (ongoing loan loss reserve funding), the CPUC via Southern California Gas Company (funded also by SCE and Pacific Gas & Electric), and the California Energy Commission via Los Angeles County. The County’s agreement with SoCalGas includes loan loss reserve credit enhancement funding to support enhanced and expanded emPower financing services. Unused CPUC loan loss reserve funds are subject to return to the CPUC and therefore will not be accounted for as program income and expenses but are recorded on the balance sheet. Credit enhancement funds will be held at CoastHills Credit Union. The Recommended Actions that seek approval and execution of the amendments as detailed above was absorbed by existing budgeted staff.

The emPower Funding Third Amendment provides an additional \$1.35 million in program delivery funding for emPower through December 31, 2017. The SLO Third Amendment passes through an additional authorized budget of \$204,522 through December 31, 2017, and the VC First Amendment passes through an additional authorized budget of \$179,308. The additional funding offered in the SLO Third Amendment and the VC Third Amendment is based on annualized amounts of the authorized budgets in the SLO Subrecipient Agreement and Ventura Subrecipient Agreement, respectively.

<u>Funding Sources</u>	<u>FY 16-17 Adopted Budget</u>
General Fund	\$0
DOE	\$106,500
CEC/ LA County	\$316,000

PUC/SCG	\$1,805,000
Total	\$2,227,500

Staffing Impacts:

Unless there are mid-year cuts to this funding contract, there are no anticipated staffing impacts. If there are mid-year cuts, up to four FTE that are currently supported primarily by funds provided under this contract may be affected. It is anticipated that other existing contracts will allow the Energy and Sustainability Initiatives (ESI) Division, which oversees the emPower program, to retain staffing levels for at least one more year. In the meantime, ESI is exploring additional opportunities to access other sources of funding to retain staffing and continue key elements of the emPower program.

Special Instructions: Please send two copies of the signed Amendments and minute order to Angela Hacker.

Attachments:

Attachment A: Third Amendment to the Agreement to Deliver the 2013-2014 County of Santa Barbara emPower Energy Efficiency Program

Attachment B: Third Amendment to the Subrecipient Agreement for the County of San Luis Obispo

Attachment C: Third Amendment to the Subrecipient Agreement for the County of Ventura

Attachment D: Third Amendment to the emPowerSBC Santa Barbara County Residential Energy Improvement Loan Program Energy Improvement Loan Loss Reserve Agreement Amended and Restated

Attachment E: CEQA Notice of Exemption

Authored by:

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Roc Lowry, Grant and Fiscal Lead, Energy and Sustainability Initiatives