



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 No.:** 057  
**For Agenda Of:** October 18, 2016  
**Placement:** Administrative  
**Estimated Tme:**  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority

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**TO:** Board of Supervisors  
**FROM:** Department George Chapjian, Community Services Director  
Director(s) (805) 568-2467  
Contact Info: Angie Hacker, Energy and Sustainability Initiatives Division Chief  
(805) 568-3515

**SUBJECT: Participation in Regional Energy Network**

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**County Counsel Concurrence**

As to form: Yes

**Other Concurrence:**

As to form: N/A

**Auditor-Controller Concurrence**

As to form: N/A

**Recommended Actions:**

That the Board of Supervisors:

- A. Direct staff to pursue participation in a Regional Energy Network (REN) to obtain funding from the California Public Utilities Commission (PUC) for energy efficiency programs;
- B. Direct staff to work with Ventura County and San Luis Obispo Counties on a joint proposal for a REN, with Ventura County being the lead agency;
- C. Determine that the recommended actions do not constitute a project subject to environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15378(b)(4), as the actions are the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project, and direct staff to file a Notice of Exemption (NOE) (Attachment A).

**Summary Text:**

The California Public Utilities Commission (PUC) has made available an opportunity for local governments to submit proposals to receive rate-payer funding through an organizational structure known as a Regional Energy Network (REN), whereby local governments are considered "Program Administrators" for certain types of energy efficiency programs. Rate-payer funding is considered the

largest and most accessible form of external funding to support energy efficiency programs necessary to meet the County's Energy and Climate Action Plan goals. Given that only one REN may operate within any particular boundary, participating in a REN will have lasting impacts on how rate-payer funding is allocated to Santa Barbara County for energy efficiency programs. Santa Barbara County currently receives rate-payers dollars for the emPower Central Coast (emPower) energy efficiency program through a separate funding structure known as American Recovery and Reinvestment Act (ARRA) Continuation, which currently makes \$1.35 million available to the region (all of San Luis Obispo, Santa Barbara and Ventura Counties) to support emPower financing and other energy efficiency services. Given statements from our funding sources (Southern California Gas Company, Pacific Gas & Electric and Southern California Edison) that they will most likely not fund emPower beyond the end of 2017, Santa Barbara County is considering participating in a joint REN proposal with Ventura and San Luis Obispo Counties. Ventura County has requested to be the lead agency and fiscal administrator and has proposed to assume costs to develop and file required documentation to form the REN in coordination with Santa Barbara and San Luis Obispo Counties. Staff recommends that the Board authorize staff to pursue an opportunity to participate in a REN, with Ventura County being the lead agency.

### **Background:**

Santa Barbara County has relied on utility rate-payer dollars to conduct its energy efficiency programs and meet energy and climate goals for several years. In particular, the County's emPower program has received over \$7 million in rate-payer funding contracts since 2012. The opportunity to participate in a Regional Energy Network and apply for the formation of a REN through the PUC presents a new mechanism to fund a variety of energy efficiency programs, including emPower.

### **Previous Rate-Payer Funding**

The County began development of the emPower energy efficiency program in 2009 in order to help overcome obstacles related to completing energy improvements for property owners throughout the County. After receiving external funding through the American Recovery and Reinvestment Act (ARRA) from the U.S. Department of Energy to start up the program, emPower was ultimately launched in Santa Barbara County in 2011. As the original ARRA funding sources were expiring, Santa Barbara County successfully worked with the PUC, which directed the utilities to continue programs originally funded under ARRA by providing funding through the rate-payer funding stream. An original contract for rate-payer funding was executed in 2012 with Southern California Gas Company (SCG) on behalf of Southern California Edison (SCE) and Pacific Gas and Electric (PG&E).

On June 25, 2013, the Board of Supervisors received a report regarding the concept of expanding the emPower energy efficiency program in collaboration with neighboring counties in Ventura and San Luis Obispo. At that hearing, a new funding contract was executed with Southern California Gas for 2013-2014, which allowed Santa Barbara County to complete the Tri-County expansion, with Santa Barbara as lead agency. In April 2014, subcontracts were executed with Ventura County and San Luis Obispo Counties to assist in the implementation of the Tri-County program. The expanded program was relaunched in July 2014, as emPower Central Coast. The funding contracts have subsequently been extended in 2015 and 2016, and staff is currently working on a 2017 extension.

### **Opportunity for Rate-Payer Funding through a Regional Energy Network**

In recent years, emPower has been confronted with possible utility budget cuts. Given the uncertainty of the stability of the current funding arrangement with the utilities, staff has explored the formation of a REN. RENs were originally formed by other ARRA Continuation programs, similar in nature as our emPower program, in 2013. RENs require the approval of the PUC rather than utilities, which gives local governments more control over program design and budget decisions. Existing RENs in Los Angeles and the Bay Area have received tens of millions of dollars to deliver energy efficiency programs for their region, including financing, single and multi-family incentive programs, and technical assistance centers to support public agency retrofits. Only one REN may operate within any particular boundary.

In August 2016, staff learned from the PUC that a recent decision had allowed for new REN proposals to again be considered. To be considered, applicants would need to submit an initial draft of a Business Plan to the California Energy Efficiency Coordinating Committee established by the PUC by October 18, 2016 for stakeholder vetting. A final Business Plan is due January 15, 2017, and a more detailed Implementation Plan is expected to be due in February.

In light of the opportunity to participate in the formation of a REN, there are several options for submitting a proposal. Santa Barbara County can:

- 1) Not participate in a REN proposal at this time and continue with existing funding sources, which are expected to be eliminated by the utility companies in December 2017;
- 2) Submit a REN proposal for Santa Barbara County only. This option has a lower likelihood of being approved by the PUC because it is likely to not be considered regional in nature; or,
- 3) In accord with recommended actions A and B above, direct staff to pursue participation in a Regional Energy Network (REN) to obtain funding from the PUC and as such, work with Ventura and San Luis Obispo Counties on a joint proposal for a REN, with Ventura County as the lead agency. This option is favored by the PUC and has a higher likelihood of being approved because a three-county REN better meets the energy efficiency goals of the PUC.

### **Next Steps**

If directed to proceed as recommended, staff will work with Ventura and San Luis Obispo counties to develop the Business Plan, including programs budgets and administrative structure. In developing the Business Plan, staff will ensure adequate representation and benefit for Santa Barbara County, including seeking funding for its ongoing emPower program. Given that participating in a REN will have lasting impacts on how rate-payer funding is allocated to Santa Barbara County for energy efficiency programs, details to be further developed include:

- Eligibility and competitiveness of proposed programs;
- Distribution and oversight of funds and services;
- Shared governance model, which may entail participation in a joint powers authority;
- Potential impacts to existing emPower services and to other local energy efficiency programs administered by local non-profit agencies that rely on rate-payer dollars; and
- Relationship with the potential Community Choice Energy program.

**Fiscal and Facilities Impacts:**

Budgeted: No. Not pursuing a REN would likely have a negative impact on the County's emPower program since the funds for the emPower program provided by the utilities have a high probability of being eliminated after December 2017, therefore jeopardizing the emPower program for all three counties.

**Risk Analysis:**

As stated in the fiscal impacts section, funding for the emPower program will run out after December 2017. The formation of a REN may provide funding for continuation of the emPower program.

**Fiscal Analysis:**

No additional budget is required.

**Staffing Impacts:**

Required staff time to assist with the application process could be covered by existing staff.

**Attachments:**

Attachment A: CEQA Notice of Exemption (NOE)

**Authored by:**

Angie Hacker, Division Chief, Energy and Sustainability Initiatives