



City Council Agenda Item

City Council Meeting Date: March 16, 2021

TO: Jim Throop, City Manager

FROM: Steven Valle, Utility Conservation Coordinator
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SUBJECT: Adopt Resolution No. 6389(12) Establishing 10-Year Energy Efficiency Savings Targets as Required by Subsection 9505(b) of the Public Utilities Code

Recommendation:

Staff recommends the City Council adopt Resolution No. 6389(21) (Attachment 1), approving the City's updated 10-year energy efficiency savings targets beginning in fiscal year 2021-22, as required by Subsection 9505(b) of the California Public Utilities Code (CPUC).

Background:

The California Energy Commission (CEC) requires all publicly owned electric utilities (POUs), when purchasing electricity, to first acquire all available energy efficiency resources that are cost-effective, reliable, and feasible. The CEC also requires POUs to establish annual energy efficiency savings targets and update those targets every four years. Potential savings targets are met through energy efficiency incentive programs offered to customers by a utility. A summary of the adaptation of bills leading to the current policy on energy efficiency target setting is detailed below.

Assembly Bill (AB) 1890 (1996) requires publicly owned electric utilities (POUs) to establish a Public Benefit (PB) charge of 2.85% of revenue to fund public benefit programs. PB revenues may be used to fund activities in the following categories:

- Services for low-income electric utility customers, including rate discounts, weatherization, energy efficiency services, and education;
- Research, development, and demonstration projects, which advance science or technologies that are not being adequately provided for by competitive or regulated markets;
- New investments in renewable energy resources and technologies consistent with existing statutes and regulations that promote those resources and technologies; and

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- Cost-effective programs and services which promote energy efficiency and energy conservation.

Senate Bill (SB) 1037 (2005) requires each POU, in procuring energy, to first acquire all available energy efficiency and demand reduction resources that are cost-effective, reliable, and feasible, and to report annually to its customers and the CEC its investment on energy efficiency and demand reduction programs.

AB 2021 (2006) requires all POUs to develop an estimate of all potentially achievable and cost-effective energy efficiency savings that may be obtained through incentive programs offered to customers. AB 2021 also requires POUs to establish annual targets for energy efficiency potential savings and demand reductions for a 10-year period with updates every three years, beginning 2007.

AB 2021 (2006), as amended by AB 2227 (2012), added Subsection 9505(b) to the CPUC, which requires POUs to develop annual electric efficiency targets for a 10-year period based on all potentially achievable cost-effective energy savings, provide annual reports to their customers and the California Energy Commission, and extended the timeframe established for setting targets required by AB 2021 from every three years to every four years. The City adopted its first 10-year electric efficiency targets in 2007 and has since updated those goals four times; the last update was completed in March of 2017.

Discussion:

The City is a member of the Northern California Power Agency (NCPA). NCPA and Southern California Public Power Authority (SCPPA) members joined together with the California Municipal Utilities Association (CMUA) to hire GDS Associates, Inc. (GDS) to provide the required targets for each member. GDS used the CMUA Technical Reference Manual, ESP Forecasting Tool, and prior energy efficiency forecast output files, along with the City's latest utility sales and customer forecast to estimate achievable energy savings. Their model took into account each member's unique situation, such as, but not limited to: energy load, new construction, growth rate, climate, customer type, building stock, and market saturation rates.

The City's results from the GDS model are found in Table 1 below. Table 1 provides a comparison of the targets adopted in 2017 and the proposed 10-year targets to be adopted in 2021. The 2021 targets decreased from those adopted in 2017. In 2017, the 10-year total potential savings was 2,829 megawatt-hour (MWh), with an average savings potential of 0.20% of forecasted sales over the 10-year period. The proposed targets for 2021 will provide a 10-year potential savings of 2,616 MWh, with an average savings potential of 0.20% of forecasted sales over the 10-year period.

GDS considered all available energy efficiency incentive measures found in the model that are cost-effective and could be implemented as a City program. The model took into account the types of buildings found in the City. Approximately 75% of the City's electric

utility customer and building type are residential. The City’s consistent residential electric load and lack of growth was also taken into account. Due to the mild climate in our region, air conditioning is generally not installed in residential buildings. Therefore, GDS has noted that a majority of the City’s potential energy-saving efforts should be focused on the abundant potential of our commercial customers.

The decrease in our targets can be attributed to the saturation of potential savings in our commercial lighting and refrigeration sectors. The majority of energy efficiency programs added over the past few years have focused on commercial lighting and refrigeration, such as the Keep Your Cool (KYC) program, which encourages commercial business owners to retrofit inefficient refrigeration equipment. There have been multiple large-scale commercial lighting retrofit projects completed in the past few years, partially funded by the City’s Public Benefit Fund in the form of rebates, which have saturated the potential for additional large-scale lighting retrofit projects in the near future.

Staff is currently working to revise commercial energy efficiency program offerings, as well as implement new residential programs to continue to meet and exceed savings targets. Staff is also revising current residential offerings and exploring means to better educate utility customers on the City’s energy conservation programs and efforts.

Table 1

2017 Adopted Targets	EE Potential Savings Target (MWh)	2021 Proposed Targets	EE Potential Savings Target (MWh)
2018	213	2022	217
2019	236	2023	239
2020	249	2024	245
2021	266	2025	252
2022	282	2026	261
2023	300	2027	284
2024	313	2028	286
2025	324	2029	284
2026	326	2030	278
2027	320	2031	270
10-Year Total	2,829 MWh	10-Year Total	2,616 MWh

Fiscal Impact:

There is no direct impact to the City’s General Fund due to the adoption of Resolution No. 6389(21) establishing energy efficiency savings targets. There are also no additional direct fiscal impacts to the City’s Electric Utility Fund because all expenditures related to the study and the resulting programs to help the City meet the adopted energy efficiency savings targets have been approved and budgeted using resources provided through PB charges, a dedicated state-mandated charge applied to electric customer revenues. Providing for energy efficiency programs is an allowable use of PB resources.

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Conclusion:

The adoption of Resolution No. 6389(21) will establish the 10-year potential energy efficiency savings targets beginning in 2022 and will meet the requirements of Subsection 9505(b) of the Public Utilities Code.

Respectfully submitted,

Steven Valle, Utility Conservation Coordinator

APPROVED FOR SUBMITTAL TO THE CITY MANAGER:

Charles Berry, Utility Director

APPROVED FOR SUBMITTAL TO THE CITY COUNCIL:

Jim Throop, City Manager

Attachment: Resolution No. 6389(21)