

# Local Government Energy Efficiency

## Best Practices

### FINANCING

#### City of San José

Santa Clara County

Population: 984,000

#### SUMMARY

San José implemented an Energy Fund in 2005 to provide ongoing support for energy efficiency and renewable energy projects at municipal facilities. The initial funding came from a large rebate incentive check from PG&E.

The fund is replenished by depositing incentives from implemented energy projects and the expected energy cost savings for the first five years from those projects. After five years, the savings revert to the General Fund.

The Energy Fund has been able to cover the cost of a new Energy Officer (EO) position who facilitates the implementation of municipal energy efficiency and renewable energy projects.

San José's \$8.8 million in Energy Efficiency and Conservation Block Grant (EECBG) funds specified for municipal energy efficiency projects generated enough deposits to allow for continued reinvestment in future municipal energy projects over the next several years.

## San José Energy Fund

(updated July 2013)



*San José City Hall*

#### PROGRAM HIGHLIGHTS

- San José established an Energy Fund in 2005 with \$200,000 from a PG&E incentive check for a city-wide traffic signal LED retrofit project.
- San José also established the Energy Officer position, paid from the Energy Fund, to facilitate the implementation of municipal energy efficiency and renewable energy projects. At that time, approximately \$60,000 was provided from various city funds for energy projects.
- Incentives and first through fifth year energy cost savings from implemented energy projects replenish the Energy Fund.
- First through fifth year energy cost savings are based on estimates from audits, not on actual utility bill reductions.
- The Energy Fund receives money from the savings generated by the projects it funds. It receives no other financial support.

# San José - Energy Fund

## LESSONS LEARNED

- As City staff began to deposit incentives and expected energy cost savings into the Energy Fund and use it to fund additional projects, it became clear that the details of the Energy Fund process needed to be clarified for all parties impacted. Therefore, City staff drafted a standard operating procedure (SOP) for the Energy Fund. An interdepartmental energy group comprised of all City departments reviewed the SOP and then it was adopted as City Policy. This opportunity to provide input on the SOP, together with the Council-adopted Green Vision and related policy direction, has helped to establish City departments' buy-in of the Energy Fund process.
- One point of question in the SOP was how to determine the energy cost savings that would be transferred to the Energy Fund after an energy project is completed. Given the large number of variables (e.g. weather fluctuations, changes in facility use or hours), it can be difficult to determine the actual utility cost savings resulting from an energy project. In addition, getting actual utility cost savings figures would either require a delay on deposits into the Energy Fund or would require a complex reconciliation process. Therefore, City staff uses energy cost savings estimates, typically from third party energy audits, to determine the amount that will be transferred into the Energy Fund for each energy project.
- The transfer of estimated savings into the account has worked out great, with no major concerns raised. In May 2012, the Council directed that the first five years of energy savings be returned to the energy fund, increased from two years in the original program. The intent was to have a larger pool of money to draw upon for projects and to cover staff time needed to apply for grants (federal, state, foundation, etc).

## THE REST OF THE STORY

In February 2005, the San José City Council established a City Building Energy Efficiency Program and associated Energy Fund to provide ongoing support for energy efficiency and renewable energy opportunities at City facilities. The original source of funds for the Energy Fund came from \$200,000 of a PG&E incentive check for a city-wide traffic signal LED retrofit project. The total incentive was \$300,000, with \$200,000 going toward the establishment of the Energy Officer (EO) position and the remaining funds to the Department of Transportation for additional energy-efficiency projects. Various City funds provided an additional \$60,000 for energy projects.

The City established the EO position in the Environmental Services Department to facilitate the implementation of energy efficiency and renewable energy projects at City facilities, to reduce operation and maintenance costs, and to reduce environmental impacts. The Energy Fund continues to cover the cost of this position.

*The City established the Energy Officer position to facilitate the implementation of energy efficiency and renewable energy projects at City facilities*

In order to expand the funds available to pursue additional energy projects, the City adopted a plan in Fiscal Year 2007-2008 to transfer first year energy cost savings and deposit associated rebates/incentives from energy projects into the Energy Fund.

In October 2007, the City Council adopted its Green Vision, which included goals to 1) reduce per capita energy usage by 50% by the year 2022, and 2) receive 100% of San José's electrical power from clean, renewable sources by the same year. > [more...](#)

## Energy Fund

... continued from page 2 > These goals were applied to municipal operations and highlighted the need for the City to implement energy projects in a timely manner.

In June 2009, the City Council adopted the San José Energy Plan, which extended the energy cost savings transfers to the Energy Fund to include first and second year energy cost savings. In May 2012, the Council increased that to the first five years.

Transfers to the Energy Fund are typically based on estimated energy cost savings that are identified in third-party energy audits. These estimated savings are used because there are a large number of variables (e.g. weather fluctuations, changes in facility use or hours) at a site, which can make it difficult to determine the actual utility cost savings created by an energy project. In addition, to get actual utility cost savings figures would either require a delay on deposits into the Energy Fund or would require a complex fund reconciliation process. Since this is a new process, San José intends to evaluate whether this is the best method to continue to use within the next three years and amend the process as needed.

Energy cost saving transfers are made by fiscal year. For example, a project completed in FY 2013-14, will make five payments into the Energy Fund, starting in FY 2014-15 through FY 2018-19. Rebates and incentives are deposited into the Fund when they are received.

The Energy Fund is replenished with incentives and savings from projects that are either funded by or whose utility accounts are paid by the General Fund and not from projects solely funded by restricted Special Revenue Funds, such as those designated for the Airport or Water Pollution Control Plant.

For projects that receive new construction/“Savings by Design” rebates, energy savings are inherent in the project design so there are no energy savings (i.e. no straightforward baseline comparison) transferred into the Energy Fund. However, all of the rebates and incentives associated with these new construction projects are deposited into the Energy Fund.

### GAINING POLITICAL SUPPORT

Since the San José City Council adopted its Green Vision in 2007, which included goals to reduce citywide energy usage by 50% and use 100% renewable energy, it was also supportive of giving staff the means to be able to achieve those goals for municipal operations. The Energy Fund is a powerful tool to move the City of San José forward.



*Solar-covered parking lot*

The 23 projects completed since its inception have generated over 1,300,000 kWh and 500 therms of savings, with an average return on investment of 2.2 years. There are 14 more projects underway or scheduled through June 2014. The fund has grown to \$650,000 as of June 2013.

### LEARN MORE

San Jose has developed **standard operating procedures** for the Energy Fund that can be accessed at:

[www.csj.gov/oer/cpm](http://www.csj.gov/oer/cpm)

[CPM619EnergyFundTransfersandDeposits.pdf](#)

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# Local Government BEST PRACTICES

## SIMILAR PROGRAMS

■ **Alameda County** has a designated energy fund for energy efficiency and renewable generation projects for County facilities. It also has a utility bill surcharge for all County departments that funds an energy office to oversee the planning, implementation, financing and tracking of energy and fiscal impacts of projects.

Matt Muniz, Energy Program Manager,  
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■ **El Cerrito** has a revolving energy fund program that has helped it provide matching funds for EECBG projects. The City has developed the Environmental Improvement Revolving Fund Administrative Manual to help other local governments.

<http://www.ca-ilg.org/node/2816>

■ Several communities have recently established revolving energy funds using incentive payments. For details, contact:

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*LED Streetlight Project*

For more information about this case study:  
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Funded by California utility ratepayers and administered by California's investor owned utilities under the auspices of the California Public Utilities Commission.

## FINANCING

### ADDITIONAL RESOURCES

■ **The California Energy Commission's Energy Partnership Program** provides low interest loans to public agencies:  
[www.energy.ca.gov/efficiency/partnership/](http://www.energy.ca.gov/efficiency/partnership/)

■ **Strategic Energy Innovations** ([www.seiinc.org](http://www.seiinc.org)) is a nonprofit organization that has helped El Cerrito and Arvin develop revolving energy fund programs.

■ **ICLEI–Local Governments for Sustainability** ([www.californiaseec.org](http://www.californiaseec.org)) offers a suite of resources to aid local governments in implementing energy efficiency measures and reduce greenhouse gas emissions.

■ **The Institute for Local Government's California Climate Action Network** ([www.ca-ilg.org/ClimateChange](http://www.ca-ilg.org/ClimateChange)) provides resources, information, and recognition to assist communities working to reduce energy use and greenhouse gas emissions.

■ **The Local Government Commission** ([www.lgc.org](http://www.lgc.org)) provides many free resources to assist local governments in reducing greenhouse gas emissions and energy use including newsletters and publications, fact sheets, model projects, and articles.

■ **California's investor-owned utilities** have technical assistance and other resources, including incentives, to help local governments develop and implement energy programs.

**Pacific Gas & Electric:** [www.pge.com](http://www.pge.com)

**San Diego Gas & Electric:** [www.sdge.com](http://www.sdge.com)

**Southern California Edison:** [www.sce.com](http://www.sce.com)

**Southern California Gas:** [www.socalgas.com](http://www.socalgas.com)