Local Government Energy Efficiency

Best Practices

FINANCING

Alameda County

San Francisco Bay Area

Population: 1,557,000

Revolving Energy Fund & Municipal Utility Surcharge

SUMMARY

Since the mid-1990s, Alameda County's Energy Program, under the County's General Services Agency (GSA), has been able to continually implement energy efficiency and renewable energy projects in County facilities. Two programs fund this success: a Designated Energy Fund and a departmental utility bill surcharge.

Through a Demand-side energy saving program with PG&E to reduce energy use and demand, the County was able to amass $3,000,000 in incentives over 10 years. With these incentives, the County established an energy "incentives" fund. The Energy Fund has been used to fill financing gaps, purchase and install more efficient equipment, and to subsidize on-site energy generation projects with long payback periods.

Having the money for a project was not enough. To operate the program, the County adopted a utility surcharge on the utility bills for each County department. The surcharge covers the cost to staff the Energy Program that manages energy efficiency and renewable energy project development, quality control, savings analysis, and financing.

PROGRAM HIGHLIGHTS

- Since 1995, the County has set aside energy incentives from past energy projects, and refunds from some current projects, to subsidize future projects. The money is deposited into the Designated Energy Fund.
- The Designated Energy Fund is used to increase the efficiency of planned projects, help pay for projects with long pay back periods, and cover gaps in project financing.
- The County's General Services Agency, an internal service fund agency, electronically receives and pays all utility bills in County facilities. GSA collects a surcharge on all County utility bills that then funds the County's Energy Program (salaries, benefits, miscellaneous expenses).
- Since all County departments benefit from lower utility bill costs as a result of energy efficiency projects managed by the Energy Program, all County departments pay the utility surcharge.

Alameda County – Revolving Fund

LESSONS LEARNED

- The biggest hurdle is just starting the Energy Program. Since it has been around and showed its benefit, it has been easier to get projects approved and implemented.
- In terms of accounting, a utility surcharge is easier than trying to track and then share savings over the life of a project.
- It is also easier to get projects done when there is no cost for project management services, or reliance on budgeted Capital Fund dollars.
- To finance most of its projects, the County uses the California Energy Commission's low interest Energy Efficiency Finance program. The Energy Program applies for the loan, repays the loan, and includes the payment in the recipient department's utility budget account.
- The program has been around long enough that companies now come to the County and ask to partner on a project when they hear of grant funding opportunities.

THE REST OF THE STORY

There are two parts to this story, the revolving fund and the utility surcharge.

Designated Energy Fund

In 1993, Alameda County was a part of PG&E's first demand side bidding program called Power Saving Partners. PG&E developed this 10-year incentive program to reduce energy use and demand by 20 MW and made it available to both the private and public sectors. The County submitted a proposal to reduce its load by 1 MW and PG&E agreed to annually pay the County 4¢/kWh and $150/kW for electrical reductions, over 10 years. At the end of the program, the County was receiving incentive checks for as much as $30,000 per month and had accumulated $3,000,000 from the program.

Rather than have these incentives role back to the County's General Fund, the decision was made to put this money into a Designated Energy Fund. This protected the money from being lost at the end of the budget year if unspent, and from being used to balance the General Fund budget.

The Energy Fund is now replenished by incentives from projects that have short life cycles and less than 5-year paybacks without incentives, and from incentive refunds from local utility companies.

The Energy Fund is used to cover costs for projects that have a life cycle of over twenty years and are implemented when the project internal return on investment is over 10%. These projects usually do not qualify for full CEC financing, such as large solar or fuel cell projects that have long payback periods. The funds are also used to augment maintenance/replacement projects for which the maintenance budget pays for only the standard energy efficiency upgrade, and the Fund pays to increase efficiency to a higher level.

Utility Surcharge

Alameda County has had a surcharge on County utility bills to support an energy office dedicated to saving energy and money for municipal facilities since 1995.

Originally the GSA proposed sharing the savings between the Energy Program and the County department receiving the energy upgrade for energy projects that it implemented. > more…

Revolving Energy Fund & Utility Surcharge

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The County Auditor did not like that idea, so instead GSA suggested a surcharge on utility bills.

GSA receives and pays the utility bills for all County departments (with the exception of special districts, like libraries). The Auditor was agreeable to a surcharge across the board (all departments pay it). The departments that implement energy projects realize the energy savings from their projects by keeping 100% of the savings in their budgets after the debt service is repaid. Accounting-wise, the surcharge is easier than trying to track and then share savings over the life of the energy efficiency equipment.

The reason this works in Alameda County is that all utility bills come thru GSA, which in turn develops the utility forecasts and budgets for all County departments, electronically receives and pays all the utility bills, and pays any debt service on energy projects (the funds for paying this debt are allocated by department as part of their utility budget). The Energy Program is also responsible for analyzing the utility bills for errors, utility rate analysis, and rate changes.

GSA adds a surcharge on the utility costs, before charging the individual County departments for their utility usage, in order to cover the cost of administering this energy service. The amount of the surcharge fluctuates, but is currently between 9 & 11%. This has generated enough money to pay for an Energy Program Manager, two project managers and two electricians to implement the program.

This system has several advantages. Departments that have energy projects implemented in their facilities never directly pay for the services of the energy staff, which is covered by the surcharge paid by all departments. This has helped to make each project more cost effective (in other local governments, the cost of technical staff time gets added to the cost of a project, reducing cost effectiveness and increasing pay back periods).

When combined with the Energy Fund, departments see another advantage. They are not charged for the use of those funds for an energy project, but only for the debt service for any additional borrowed funds for the project. This debt service is always paid by avoided energy costs realized from implementing these projects.

GAINING POLITICAL SUPPORT

General Services Agency needed to get approval from the County Auditor in order to establish the Energy Fund. The Auditor maintains and tracks the Energy fund and distributes the funding to pay for energy efficiency projects that are approved by the County Board of Supervisors.

The biggest hurdle is getting an Energy Fund started. Once an Energy Program has been around and showed its benefit, it will be easier to get projects approved and done, and Energy Funds and Surcharges established.

Continuing the surcharge is then justified by the savings it generates for the County and its departments.

There are two parts to this story, the revolving energy fund and the utility surcharge.

LEARN MORE

To learn more about this program, contact:

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SIMILAR PROGRAMS

- **San Jose** has a revolving fund using first and second year savings, along with rebates. The City has developed Standard Operating Procedures for the program, which are available at:

www.csj.gov/oer/cpm/CPM619EnergyFundTransfersandDeposits.pdf

- **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.

www.ca-ilg.org/node/2816

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

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Since 1995, Alameda County has had a surcharge on County utility bills to support an energy office dedicated to saving energy and money for municipal facilities.

For more information about this case study:
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Financing

ADDITIONAL RESOURCES

- **The California Energy Commission's Energy Partnership Program** provides low interest loans to public agencies: energy.ca.gov/efficiency/partnership/
- **Strategic Energy Innovations** (seiinc.org) is a nonprofit organization that has helped El Cerrito and Arvin develop revolving energy fund programs.
- **ICLEI–Local Governments for Sustainability** (www.iclei.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/ClimateExamples) provides resources, information, and recognition to assist communities working to reduce energy use and greenhouse gas emissions.
- **The Local Government Commission** (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.