

**TO: HONORABLE CITY COUNCIL**

**FROM: CITY MANAGER DEPARTMENT: UTILITIES**

**DATE: SEPTEMBER 21 , 2009 CMR: 356:09**

**REPORT TYPE: CONSENT**

**SUBJECT: Adoption of an Ordinance Amending the Budget for Fiscal Year 2010 to Provide an Additional Appropriation of \$1,191,238 within the Electric Fund for Incentives to Palo Alto Utilities' Customers to Install Photovoltaic Systems**

**RECOMMENDATION**

Staff recommends that Council approve the attached Budget Amendment Ordinance in the amount of \$1,191,238 to provide additional funding for the existing City of Palo Alto Utilities' (CPAU) "PV Partners" (photovoltaic) program for FY 2009-10. This program provides incentives to CPAU customers who install a solar electric or photovoltaic (PV) system. The funds for this BAO are available in the Utilities Department's Electric Public Benefit Reserves.

**BACKGROUND**

California Senate Bill 1 (signed August 24, 2006) requires all publicly-owned utilities to offer specified minimum incentives for PV systems, on or before January 1, 2008, for a ten year period. This mandate also prevents publicly-owned utilities from taking funds previously used for energy efficiency and low income programs to meet the customer demand for solar incentives. The budget to meet CPAU's share of the total California PV installation goal is projected to be \$13 million, averaging \$1.3 million per year for ten years. The PV Partners Incentive program is designed to continuously provide incentives based on the rate of PV system installation up to the ten-year maximum of \$13 million. If the demand for customer incentives is accelerated in the early program years, the program will reach the SB1 goals in less than ten years. The ten-year (2017) SB 1 goal for Palo Alto is 6.5 megawatts, of which 1.662 (or 26%) has been installed.

**DISCUSSION**

The award-winning "PV Partners" program has experienced significant demand for incentives in the past few years with more homeowners and businesses installing systems on existing building stock and greater numbers of developers using solar for their new construction projects. The "PV Partners" program received awards from the Solar Electric Power Association, the Northern California Solar Association & Environment of California for its level of involvement. To date, 187 systems with a capacity of 1.662 megawatts, or 26% of the goal have been installed.

Customers can reserve rebate funds for up to eighteen months prior to the installation of the PV system. During Fiscal Year 2008-09, in order to meet the demand for the rebates in the reservation status, \$2,240,000 was transferred from the Public Benefit Reserve Fund and from the Alternative Resources Operating Budget to meet the expected demand. Due to the down-turn in the economy, many of those projects were delayed. At the end of the fiscal year, the unspent funds of \$1,191,238 allocated for rebates went back to the Public Benefit Reserve Fund. In order to have those funds available for rebates at the time of project installation, the funds must be returned from the Reserve Fund to the Public Benefit Renewable Operating Budget.

Funds in the Public Benefit Renewable Operating Budget at the beginning of Fiscal Year 2009-2010 were \$4,540,776 (unaudited balance). For the SB1 program, starting January 1, 2007, through August 10, 2009, CPAU has paid \$2,659,068 and has pending an additional \$3,288,705 in reservations (\$1,300,000 is expected to be paid in FY2010 and the remainder 15 to be paid in FY2011 through FY2015). Therefore, a BAO, transferring the \$1,191,238 rolled over from the operating budget into the Public Benefit Reserve should be transferred back to pay program incentives.

**RESOURCE IMPACT**

These additional funding requirements require a \$1,191,238 Budget Amendment Ordinance and will reduce the Public Benefit Reserve from \$4,540,776 to \$3,349,538.

**POLICY IMPLICATIONS**

This request does not represent a change in policy.

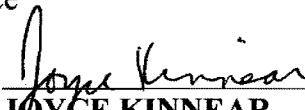
**ENVIRONMENTAL REVIEW**

This is not a project under the California Environmental Quality Act.

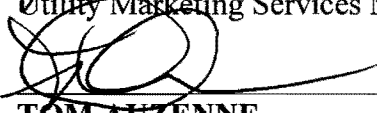
**ATTACHMENT**

A: Budget Amendment Ordinance

**PREPARED BY:**

  
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**JOYCE KINNEAR**  
Utility Marketing Services Manager

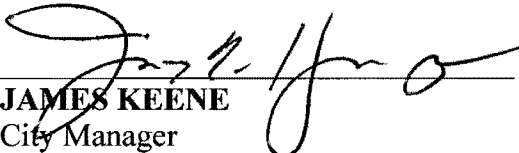
**REVIEWED BY:**

  
\_\_\_\_\_  
**TOM AUZENNE**  
Assistant Director – Customer Support Services

**DEPARTMENT APPROVAL:**

  
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**VALERIE O. FONG**  
Director of Utilities

**CITY MANAGER APPROVAL:**

  
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**JAMES KEENE**  
City Manager

**Ordinance No. XXXX**

Ordinance Of The Council Of The City Of Palo Alto  
Amending The Budget For Fiscal Year 2010 To Provide An  
Additional Appropriation Of \$1,191,238 Within The  
Electric Fund For Incentives To Palo Alto Utilities'  
Customers To Install Photovoltaic Systems.

The Council of the City of Palo Alto does ordain as follows:

SECTION 1. The Council of the City of Palo Alto finds  
and determines as follows:

A. Pursuant to the provisions of Section 12 of Article III of  
the Charter of the City of Palo Alto, the Council on June 15, 2009  
did adopt a budget for Fiscal Year 2010; and

B. In August 2006, California Senate Bill 1 (SB1) was signed  
and required all publicly-owned utilities to offer specified  
minimum incentives for photovoltaic (PV) systems on or before  
January 1, 2008, for a ten-year period; and

C. SB1 prevents publicly-owned utilities from taking funds  
previously used for energy efficiency and low income programs to  
meet the customer demands for solar incentives; and

D. The existing City of Palo Alto Utilities' (CPAU) "PV  
Partners" program provides incentives to CPAU customers who  
install a solar electric or PV system; and

E. Funding for the "PV Partners" program resides within the  
Public Benefit Renewable Functional Area of the Electric Fund; and

F. In Fiscal Year 2009, \$2,240,000 was transferred to the  
Public Benefit Renewable Functional Area from the Public Benefit  
Program Reserve and the Alternative Resources Functional Area of  
the Electric Fund to meet the expected demand for solar  
incentives; and

G. Due to the downturn in the economy, many of the expected  
installations of PV systems were delayed; and

H. At the end of Fiscal Year 2009, \$1,191,238 of the funds  
that had been transferred to the Public Benefit Renewable  
Functional Area remained unspent and were subsequently returned to  
the Public Benefit Program Reserve; and

I. To meet the expected demand for solar rebates in Fiscal Year 2010, it is necessary to transfer \$1,191,238 from the Public Benefit Program Reserve to the Public Benefit Renewable Functional Area; and

J. City Council authorization is needed to amend the Fiscal Year 2010 budget to make an additional appropriation of \$1,191,238 for demand-side management incentives expense to provide incentives to CPAU customers who install a solar electric or PV system.

SECTION 2. The sum of One Million One Hundred Ninety-One Thousand Two Hundred Thirty-Eight Dollars (\$1,191,238) is hereby appropriated to demand-side management incentives expense in the Public Benefit Renewable Functional Area in the Electric Fund.

SECTION 3. The Public Benefit Program Reserve is hereby reduced by One Million One Hundred Ninety-One Thousand Two Hundred Thirty-Eight Dollars (\$1,191,238) to Three Million Three Hundred Forty-Nine Thousand Five Hundred Thirty-Eight Dollars (\$3,349,538).

SECTION 4. As specified in Section 2.28.080(a) of the Palo Alto Municipal Code, a two-thirds vote of the City Council is required to adopt this ordinance.

SECTION 5. As provided in Section 2.04.330 of the Palo Alto Municipal Code, this ordinance shall become effective upon adoption.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

ATTEST:

APPROVED:

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City Clerk

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Mayor

APPROVED AS TO FORM:

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City Manager

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Senior Asst. City Attorney

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Director of Utilities  
Department

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Director of Administrative  
Services