

- **Board of Directors**
Budget, Finance and Investment Committee

July 8, 2003 Board Meeting

8-5

Subject

Authorize payment of \$43,560 for the city of Pasadena's High Efficiency Clothes Washer Program

Description

In 2002 Metropolitan offered its member agencies increased incentives for high efficiency clothes washer (HECW) rebates supported by a \$925,000 CALFED conservation grant, which was fully utilized. The Board is now being asked to consider payment using Metropolitan funds for the 396 rebates the city of Pasadena (Pasadena) issued during this limited program.

Metropolitan's long-standing incentive of \$35 per unit experienced limited response in promoting residential retrofits with HECWs, which cost about \$1,000 each. To help advance this unrealized conservation opportunity, Metropolitan, in coordination with its member agencies, successfully pursued a CALFED grant to support a limited run of 10,000 rebates at \$125 per unit.

Based on concerns that all of the grant money would be fully subscribed before the state deadline, Metropolitan and the member agencies agreed in January 2002 to expedite the program. A number of agencies, including Pasadena, began to issue higher rebates before entering into payment agreements with Metropolitan. The delay in processing the agreement was typically tied to time incurred to obtain for authorization from each agency's governing body. All agencies, except Pasadena, executed their agreements well before the CALFED grant ran out in November 2002. By that time, Pasadena had issued 396 rebates, which it expected to be supported by the grant funding. Metropolitan no longer had a funding source to make payment.

Each agreement included a provision that rebates would be issued on a first-come, first-serve basis; the alternative approach of an allocation was rejected by the member agencies. One reason that the public responded to the HECW program more quickly than anticipated was that companion rebates were provided by gas utilities and the member agencies. In some cases, a homeowner could receive up to \$400 in rebates from the combined sources.

Because the temporary program was successful and there was interest in maintaining momentum, Metropolitan's Board, in December 2002, approved bridge financing of \$110 per unit through December 2003 with the outlook of obtaining another grant. Pasadena is now requesting that the \$110 rate be used to compensate for the 396 rebates it issued without payment during the prior CALFED program.

Looking to the future, Metropolitan recently learned that it was awarded a second HECW grant. The grant amounts to \$2.5 million to support \$125 per unit rebates, starting around December. To avoid the type of problem encountered by Pasadena and to help improve the overall administrative efficiency of Metropolitan's Conservation Credits program, we have instituted a new master agreement process. The master agreement will cover all of Metropolitan's device-retrofit incentives, and contains provisions to administratively add or delete incentive terms without cumbersome contract amendments. We believe that the new approach will allow Metropolitan and the member agencies to respond quickly to changing opportunities including future limited run programs.

Policy

By Minute Item 43397, dated February 9, 1999, the Board authorized the General Manager to enter into agreements to provide \$35 per water efficient clothes washers.

By Minute Item 44530, dated July 10, 2001, the Board adopted resolutions to accept \$1.3 million in state grants for three water conservation projects and a groundwater feasibility study.

By Minute Item 45113, dated December 10, 2002, the Board approved (a) the expenditure of \$3 million of unbudgeted funds for the High Efficiency Clothes Washer (HECW) Program through June 2003; and (b) HECW rebate plus marketing contributions of \$110 per unit through December 2003.

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and approve payment to Pasadena of \$110/unit for 396 rebates it issued between January 1, 2002, and November 20, 2002.

Fiscal Impact: \$43,560. The funds approved by the Board on December 10, 2002, for the current program, are sufficient to cover this expense. These funds are budgeted in the FY03/04 budget.

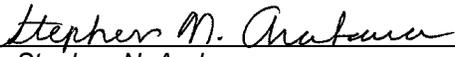
Option #2

Do not approve payment to Pasadena.

Fiscal Impact: None

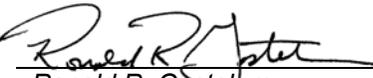
Staff Recommendation

Option #1


 Stephen N. Arakawa
 Manager, Water Resource Management

6/13/2003

Date


 Ronald R. Gastelum
 Chief Executive Officer

6/17/2003

Date