

- **Board of Directors**
Water Planning, Quality and Resources Committee

November 9, 2004 Board Meeting

9-10

Subject

Approve increases to Metropolitan's existing High Efficiency Clothes Washer incentive and \$750,000 additional funding to sustain the program through the remainder of fiscal year 2004/05

Description

Staff proposes an increase to Metropolitan's current High Efficiency Clothes Washer (HECW) incentive of \$35 to \$60 per unit to encourage residential retrofits with models that save more water. Additional matching funds up to \$25 per unit are also proposed to sustain increased retrofit activity previously achieved using grant funds. Offering those higher incentives would incur an estimated \$750,000 above budget during the remainder of the fiscal year. Maintaining momentum, HECW retrofits will help Metropolitan meet its 2025 goal for regional water conservation.

New base incentive rate

Metropolitan's HECW incentive of \$35 per unit is based on board policy of \$154 per acre-foot of water saved and clothes washer unit savings of 5,250 gallons per year. The incentive is provided for washers with a Water Factor (WF) of 8.5, which represents the amount of water needed to clean a standard load of laundry. Washers with lower WFs save more water. Presently, there are more efficient models on the market, saving up to 70 percent more.

Staff recommends increasing Metropolitan's current incentive to \$60 per unit. This incentive rate is within the policy of providing \$154 per acre-foot of water saved and would not exceed half the cost of the device. The increased incentive reflects water savings for washers that meet or exceed a new WF benchmark of 6 or lower to save an average of 9,000 gallons per year. Metropolitan would immediately provide the \$60 incentive for all HECWs installed and, as a transition, wait until June 2005 to allow time for member agencies to establish the new WF of 6.0 in their marketing materials.

Sustaining a high level of retrofits

In February 2004, Metropolitan executed a \$2.5-million grant contract with the Department of Water Resources to provide funding for the HECW program under Proposition 13. Thus far, the response has been overwhelming, far exceeding staff expectations with retrofit activity increasing from an average of 2,800 units per month to 4,300 units per month between May and August. Staff estimates that current grant funds will likely be exhausted between November and June 2005, depending on each member agency's individual rebate activity levels.

To sustain momentum and success of customer response and retrofits under the Proposition 13 grant program, staff recommends providing an additional incentive of \$25 per unit, contingent on member agency matching funds. This commitment would begin as soon as each member agency's program allocation runs out and extend through December 2006. Member agencies that provide matching funds would receive up to \$85 per unit from Metropolitan. To receive the maximum amount, member agencies must provide customers at least \$100 per unit in incentives and may document to Metropolitan marketing costs of up to \$10 per unit as part of its matching funds.

A group of member agencies have requested that Metropolitan continue funding the program at the existing grant-level of \$110 per unit without requiring any matching funds from them. This alternative would result in a

departure from the existing board policy of providing \$154 per acre-foot of water saved and instead cost \$282 per acre-foot.

Budget Impacts

An increase in Metropolitan's incentive rate and matching funds would increase expenditures to \$750,000 beyond budget through the end of this fiscal year. Beginning next fiscal year and through December 2006, an estimated \$975,000 would need to be included in future years' budgets.

Metropolitan funding at \$110 per unit would result in an increased expenditure to \$1.1 million beyond budget through the end of this fiscal year. Beginning next fiscal year and through December 2006, an estimated \$1.9 million would need to be included in future years' budgets.

Future Grant Funding

In consultation with the member agencies, Metropolitan is exploring additional opportunities for grant funding beyond the conclusion of the current Proposition 13 program. The next opportunity is Proposition 50. If awarded, grant funding could be available in late 2005. Staff would cease or reduce the matching \$25 per unit incentive when grant funding is received.

Policy

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

By Minute Item 45534, dated Oct. 14, 2003, the Board adopted Resolution 8874 for \$2.5 million in Proposition 13 funds for the HECW program, and approved extending the expenditure of bridge funding (\$110/unit) until Proposition 13 funds become available or through June 2004, whichever comes first.

California Environmental Quality Act (CEQA)

CEQA determination for Options #1 and #2:

The proposed action is not defined as a project under CEQA because it involves continuing administrative activities (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, which 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 the provisions of CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and

- a. Approve increase to Metropolitan's HECW incentive to \$60 per unit for units with a Water Factor of 6.0 or less;
- b. Approve additional incentive of up to \$25 per unit contingent on member agency matching funds; and
- c. Approve additional expenditure of \$750,000 of unbudgeted funds through June 2005 to sustain the program.

Fiscal Impact: Up to \$1.72 million through December 2006

Option #2

Adopt the CEQA determination and


- a. Approve increase to Metropolitan's HECW incentive to \$60 per unit for units with a Water Factor of 6.0 or less;
- b. Approve additional expenditure of \$50 per unit through December 2006 for a total incentive of \$110 per unit; and

- c. Approve additional expenditure of \$1.1 million of unbudgeted funds through June 2005 to sustain the program.

Fiscal Impact: Up to \$3 million through December 2006

Staff Recommendation

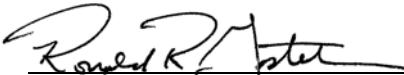
Option #1



B. Anatole Falagan
for Stephen N. Arakawa
Manager, Water Resource Management

10/28/2004

Date



Ronald R. Gastelum
Chief Executive Officer

10/28/2004

Date

BLA #3062