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"To enrich lives through effective and caring service"

March 21, 2012

To: Supervisor Zev Yaroslavsky, Chair
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Tom Tindall *TAM Tindall*
Director

Subject: **ENERGY UPGRADE CALIFORNIA – LOS ANGELES COUNTY
STATUS REPORT (RESPONSE TO ITEM 15, AGENDA OF MARCH 6,
2012)**

On March 6, 2012, your Board, on motion of Supervisor Yaroslavsky, instructed the Chief Executive Office (CEO) and the Director of the Internal Services Department (ISD) to:

1. Maintain data, which shall be updated as often as feasible but no less than once per month, showing the number of participants within each component subprogram of Energy Upgrade California – Los Angeles County (EUCLA), including data showing the number of participants who have, within each subprogram: (a) applied for participation in each of the respective sub-programs, (b) received approval of their application, (c) begun physical improvements of their home / commercial location (where applicable), (d) completed physical improvements (where applicable), and (e) received rebate checks or otherwise successfully finished their participation in the program;
2. Establish goals for the number of total participants over the life of the program for EUCLA overall and within each subprogram;
3. Establish benchmarks by month for EUCLA overall and within each subprogram by which the progress of the total program and each subprogram shall be measured;

4. Maintain a narrative description, which shall be made available to the Board of Supervisors no less than once per month, of the steps taken to improve performance of EUCLA overall and for any subprogram in any month in which the benchmarks established in #3 are not met for EUCLA overall and for each subprogram, potentially including, as the CEO and Director of ISD deem appropriate, a reallocation of resources from underperforming subprograms to subprograms that are meeting or exceeding benchmarks.

This memorandum provides the first monthly status report on your Board's instructions.

Background

Energy Upgrade California is a statewide residential retrofit program that was launched to the public in March 2010. The program provides homeowners with education, rebates and financing to offset the cost of energy efficiency upgrades to their homes.

Los Angeles County participates in the statewide Energy Upgrade California initiative through its local program called EUCLA. The County is working with the local investor-owned and public utilities, Councils of Government, individual cities within the County, workforce development entities, contractors, and others to ensure the success of EUCLA. ISD oversees marketing, public outreach, participant recruitment, workforce development, and incentive and financing administration efforts associated with EUCLA.

EUCLA is funded through a combination of sources, including:

- \$15.4 million from the formula-allocated Energy Efficiency and Conservation Block Grant (EECBG) program;
- \$12.2 million from the California Energy Commission (CEC) Energy Efficiency and Conservation Block Grant program, including the additional \$3 million approved by your Board on March 6, 2012;
- \$14 million from the \$30 million Competitive Energy Efficiency and Conservation Block Grant, termed Better Buildings Program (BBP), awarded to the County and three other California regional entities.

EUCLA Program Participation and Goals

In accordance with Items 1 – 3 of your Board's instructions, Attachment I provides the following:

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1. A description of the subprograms within EUCLA for which financial incentives based on participation are provided;
2. Graphics illustrating the number of applications received, applications approved, projects completed and incentive checks issued for the Advanced/Basic/FlexPath subprograms;
3. Additional graphics for the subprograms showing total participant goals and monthly benchmarks to measure progress of each.

As per Item 4 of your Board's instructions, Attachment II is a monthly narrative description of lessons learned, program revisions, and/or program reallocations to increase EUCLA program participation.

Summary

Through March 1, 2012, the EUCLA program has received a total of 591 applications, which are in various stages of completion. This includes 76 applications for the recently-launched FlexPath, which provides homeowners with greater options to choose from a menu of energy savings measures. Flex Path was introduced in mid-January of 2012, and has been achieving rapid growth.

The slow economy and the lack of a viable Property Assessed Clean Energy (PACE) program have negatively affected participation in EUCLA and in similar programs nationwide. However, consistent with other similar State and national programs, EUCLA continues to show steady growth.

ISD continues to work closely with grantor agencies, the energy contractor community, finance professionals, and the project team to design initiatives to increase program participation. EUCLA will continue to adapt as the market for energy efficiency projects develops.

ISD will provide the next EUCLA status report in late April. If you have any questions, please contact me at 323-267-2101, or Howard Choy at 323-267-2006.

TT:JJ:HC:MB

Attachments

c: Chief Executive Officer (Fujioka, Sandt)
Executive Officer, Board of Supervisors
ISD Board deputies

EUCLA Program Description, Participation and Goals

EUCLA Subprogram Descriptions

Energy Upgrade California is part of a national effort to transform the market for improving existing homes' energy efficiency. The recent advent of "whole house" strategies for addressing the energy efficiency of homes built without the benefit of modern efficiency standards nationwide has created a new industry: Home Performance. The U.S. Department of Energy (DOE), through its Energy Efficiency and Conservation Block Grant Program (EECBG), both at the national and state levels, is encouraging experimentation and innovation to accelerate the development of this new market and make a rapid reduction in energy consumption and greenhouse gas emissions. ISD, on behalf of the County and as the leader of a statewide coalition, has been awarded over \$50 million of these funds to help lead the way to successful, widespread adoption of Home Performance energy upgrades in Los Angeles County and throughout the State.

Below are brief descriptions of the Energy Upgrade California in Los Angeles County (EUCLA) program and its subprograms, designed to test various methods of increasing knowledge about energy efficiency and encourage participation by providing information, education and financial incentives. Also included is information about current and projected participation in each subprogram. Three end dates for each subprogram are based on each grant; July 2012 (California Energy Commission state competitive grant), September 2012 (EECBG), and July 2013 (DOE Better Buildings national competitive grant).

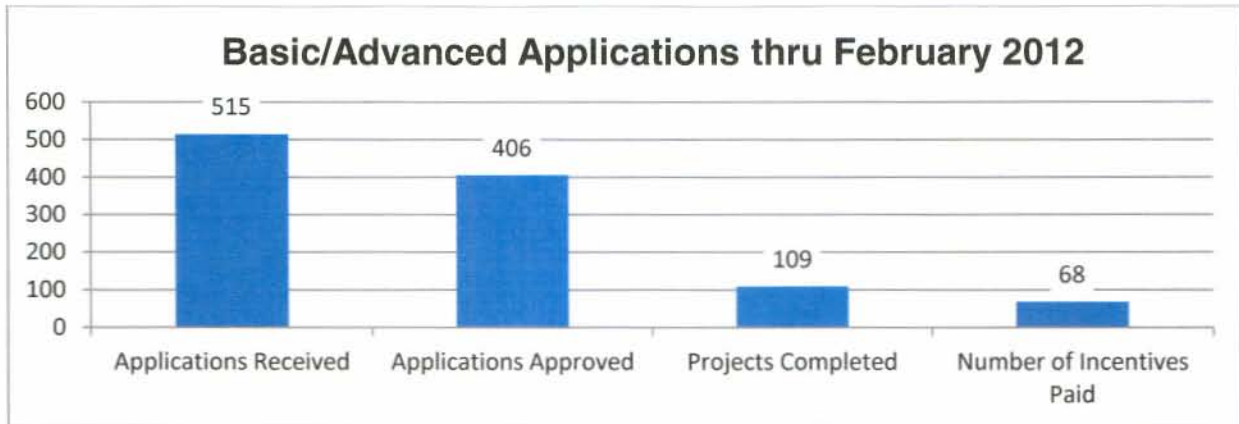
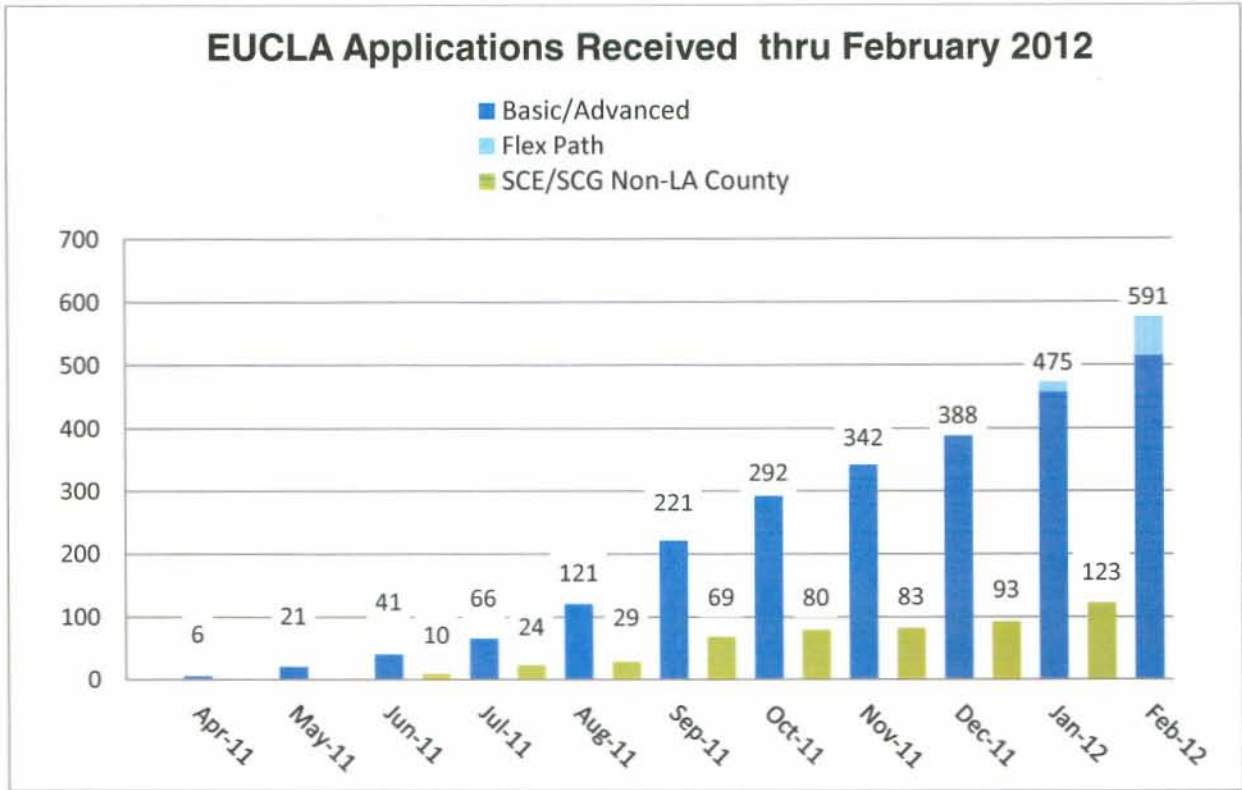
Financial Incentives**EUCLA Upgrade Incentives**

County and utility incentives are provided to homeowners that complete EUCLA projects in either the Basic, Advanced or FlexPath subprograms.

- The Basic Package is a set of 5 required, prescriptive measures that produce 10% (on average) energy savings in a home. The Basic Package provides a \$1,000 utility incentive.
- The Advanced Package is a customized program that requires a home assessment, home energy modeling, pre- and post-installation testing (to confirm savings) and provides from \$1,000 to \$4,000 in utility incentives for 10% to 40% energy savings. The County, using its grants, matches the utility incentive under Basic and Advanced Packages.
- The FlexPath program is a County developed and administered subprogram that provides more flexibility than the Basic Package through a menu of eligible measures that homeowners can select with assistance from their contractors. The County provides a \$1,500 incentive under FlexPath, and homeowners may also qualify for individual measure utility incentives under FlexPath.

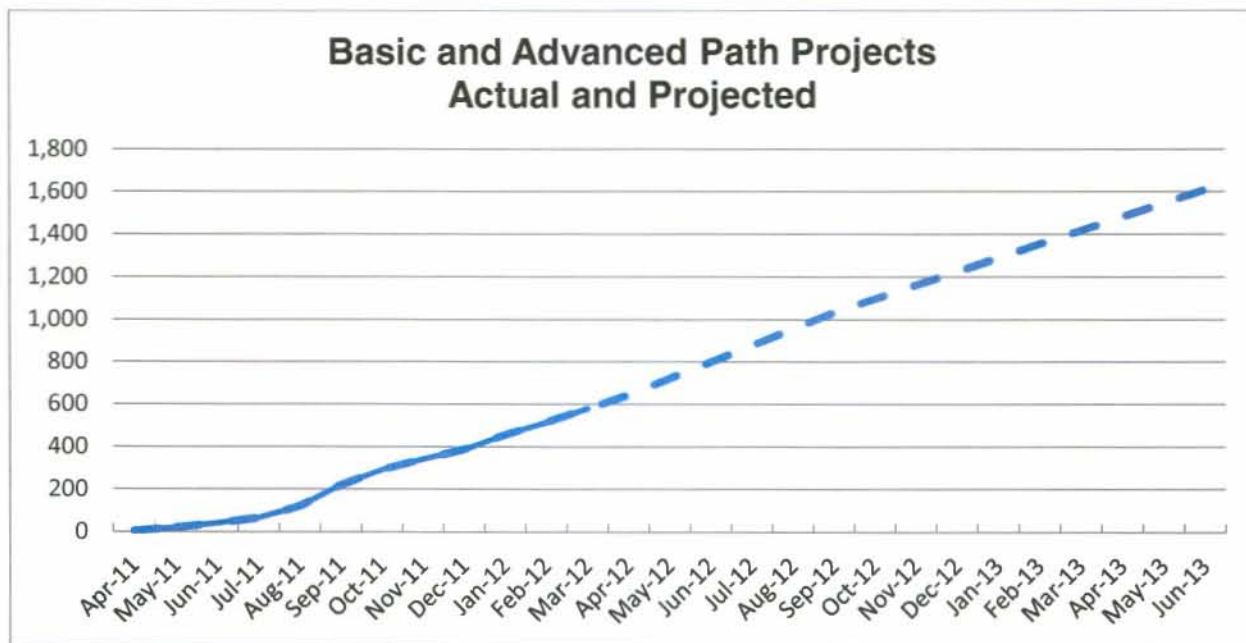
EUCLA Program Description, Participation and Goals

Below are results of participation through February 2012 in each subprogram.



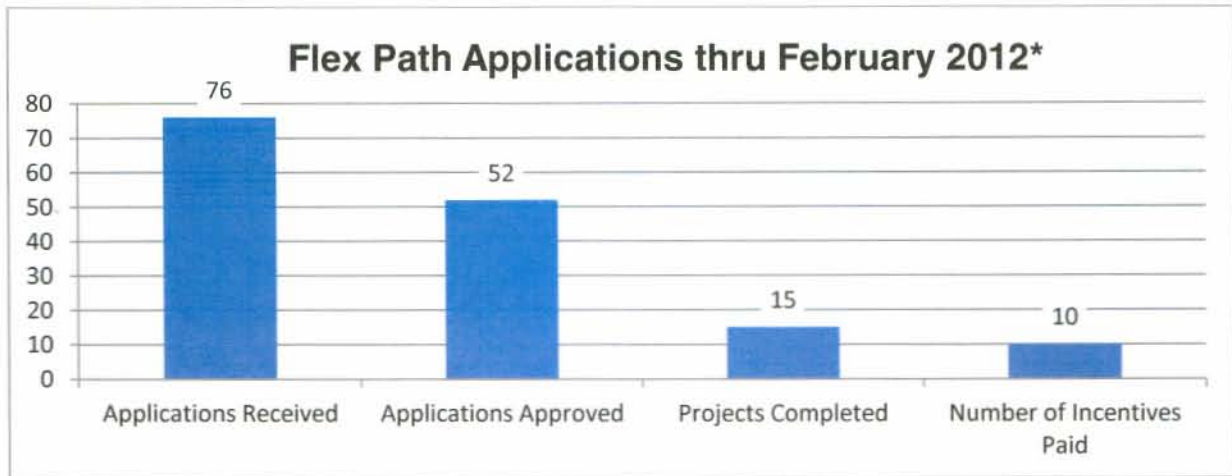
EUCLA Program Description, Participation and Goals

Breakdown of Upgrade Project Costs/Savings			
Project Breakdown LA County	Average Savings	Average Cost	Average Rebate (Utility + LA County)
Advanced - 94% of Projects	27%	\$13,815	\$4,998
Basic* - 6% of Projects	10%	\$3,478	\$2,000

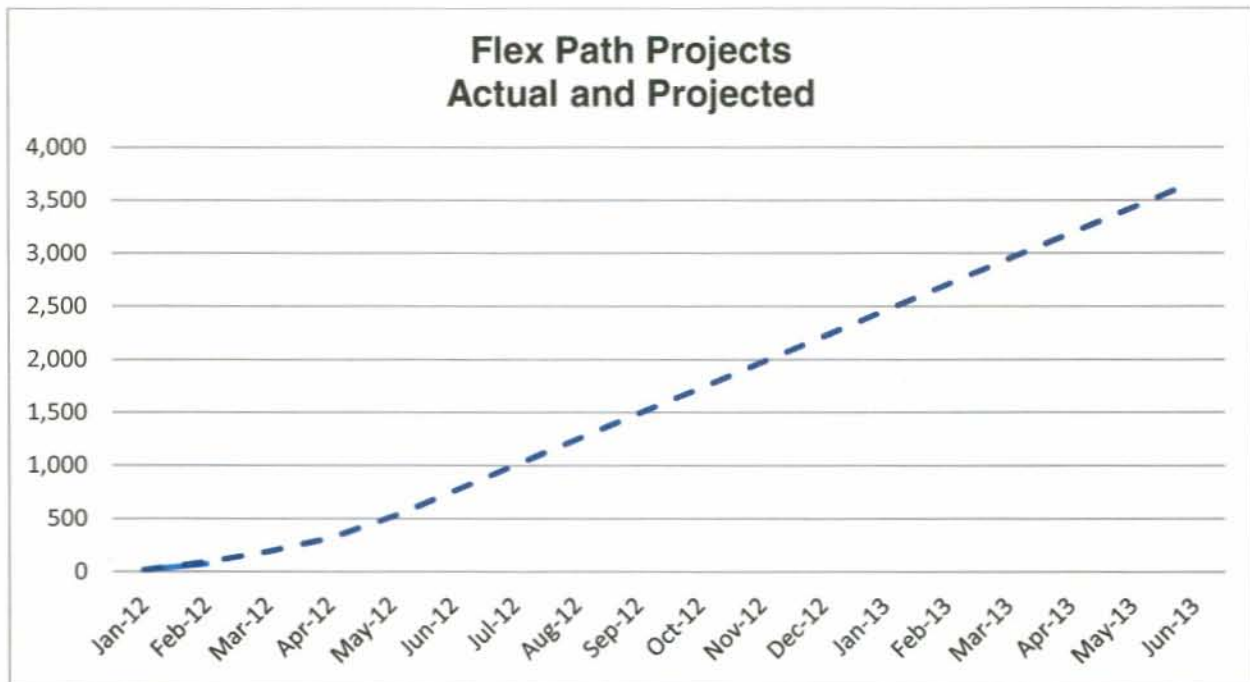


EUCLA Program Description, Participation and Goals

FlexPath was created to replace an underutilized Basic Package.



* As of March 19, 2012, 140 FlexPath applications have been received.



EUCLA Program Description, Participation and Goals

Assessment Coupons

Using its grants, the County also provides Home Assessment Coupons to some homeowners and contractors to offset the cost of the initial home technical assessment required for Advanced Path projects (costing from several hundred to \$1,000). The coupons have a value of from \$200 to \$300 and are coded to allow tracking of their utilization under different outreach programs. They are used to overcome reluctance of homeowners to pay for the testing which will determine potential energy savings and costs of measures. Coupons are promoted as “giveaways” at community events to attract public attention and get the public to interact with EUCLA stakeholders.

**EUCLA Loan Loss Reserve Financing**

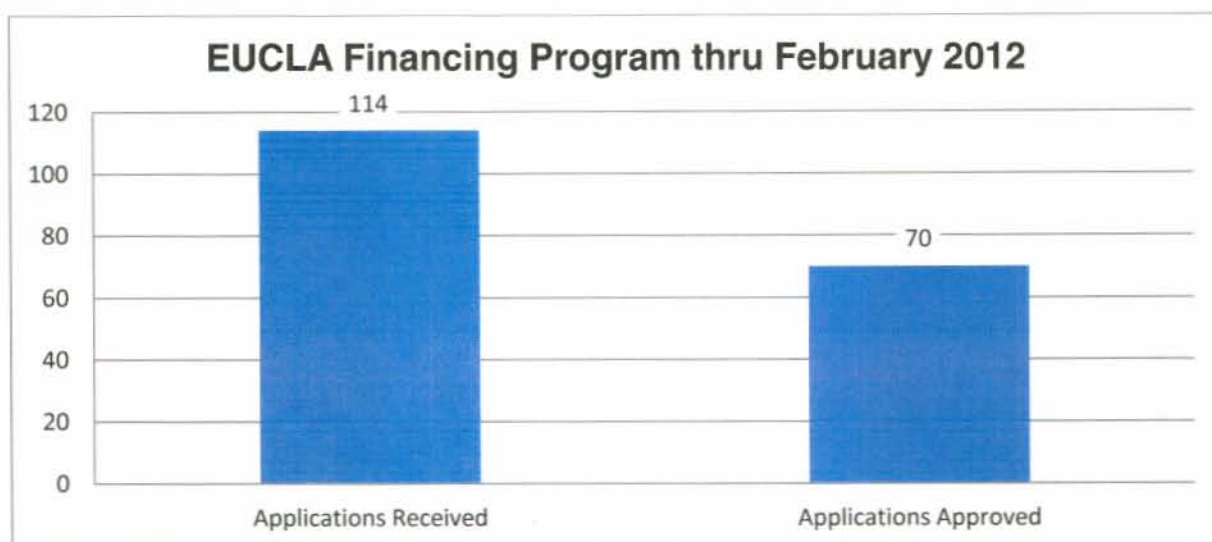
In September 2011 the County entered into a contract with Matadors Community Credit Union, in which a Loan Loss Reserve (LLR) Fund was created to provide security for loans financing EUCLA residential upgrades and qualifying renewable energy systems. The LLR provides 90% default coverage for each qualifying loan, lowering the interest rates on the loan products since default risk is mitigated. Without the LLR, the interest rate for an unsecured loan would be a variable rate beginning at 8.66%. With the LLR, the rate for an unsecured, 5 year loan is fixed at 5.99%. As loans are paid back by property owners over time, the LLR fund is replenished and available to back additional loans. The LLR is a self-sustaining program and will operate beyond the ARRA grant periods.

EUCLA Interest Rate Buydown (IRBD)

In December 2011, the County entered into a contract with Matadors Community Credit Union to offer property owners a subsidized 2% interest rate on financing for EUCLA upgrades and qualifying renewable energy systems. In order to generate more project activity, the County provides a financial incentive to “buy down” the interest rate on the 5.99%, 5 year, unsecured loan product to 2%. This subprogram allows home owners for whom money is a barrier to either finance a deeper retrofit or to finance a retrofit that they wouldn’t have been able to do at all. The IRBD program can continue until the grant funds are exhausted. The DOE considers

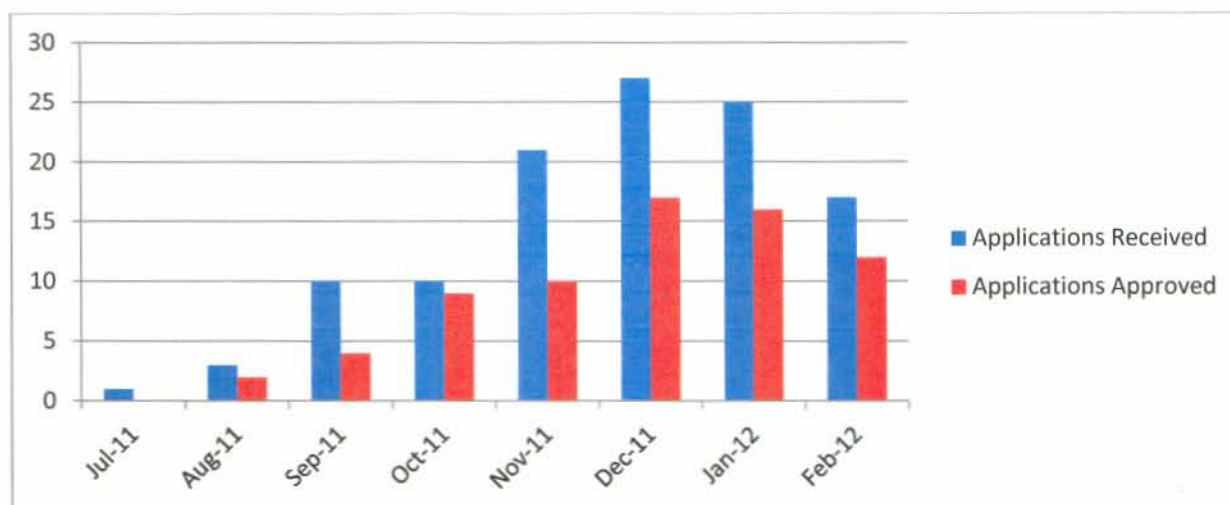
EUCLA Program Description, Participation and Goals

funds place in an IRBD program to be spent. Any unused IRBD funds may be used for loans after the ARRA grant periods end.



The average EUCLA loan is \$14,068 at an average interest rate of 3.32%

EUCLA Loans by Month



The loan approval process is integrated with the utility incentive approval process and can take as much as 30 days from application receipt to approval. Some applications are rejected due to debt/income ratios and FICO score minimum requirements.

EUCLA Program Description, Participation and Goals

Cumulative Value of Approved Loans



EUCLA Program Description, Participation and Goals

Multifamily Pilot Program

In order to address the large amount of older, multifamily housing stock that currently does not qualify for the EUCLA residential rebates, the County is piloting a multifamily program that includes energy efficiency upgrades and incentives in an effort to create a scalable model for a widespread multifamily program. There are two stages of incentives offered under this pilot: the Assessment Incentive and the Improvement Incentive which are described and quantified below.

The Multifamily Incentive Program has significant, detailed steps given the potential for large projects. Interested parties submit an initial interest form that provides very basic information about the building. Once reviewed for initial eligibility, a pre-qualification form is sent to the property owner for to provide more detailed information about the building and potential project scope.

Upon County receipt of the pre-qualification form, the project is documented in the program and the information is used to offer free technical assistance to the property owner. The project owner then works with an approved rater to complete an audit and submit a project scope back to the program. It is at this stage that some projects have dropped out of the program at the owner's request.

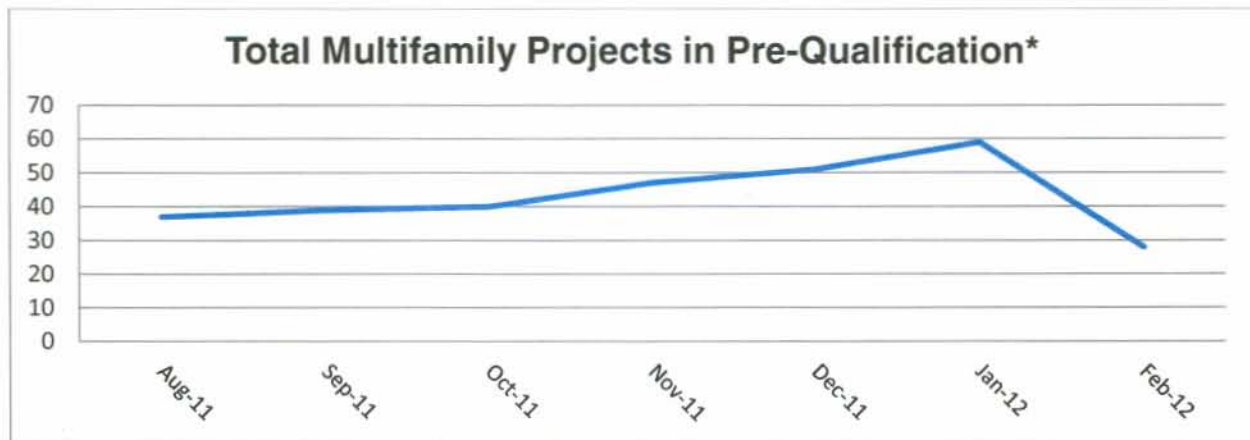
Once building permits are pulled and the project scope is approved, the project receives the Assessment Incentive (used for a detailed, technical audit which is typically required for project financing) and is given approval to complete the upgrade. Once the upgrade is complete and appropriate documentation is submitted and reviewed by the program, the project is approved for the final Improvement Incentive.

- Assessment Incentive: \$5,000 (<50 units) or \$10,000 (>50 units)
- Improvement Incentive* is determined per unit based on savings

• 10% improvement	• \$200
• 15% improvement	• \$400
• 20% improvement	• \$700
• 25% improvement	• \$950
• >30% improvement	• \$1,200

*There is a cap of \$100,000 for the Improvement Incentive

EUCLA Program Description, Participation and Goals



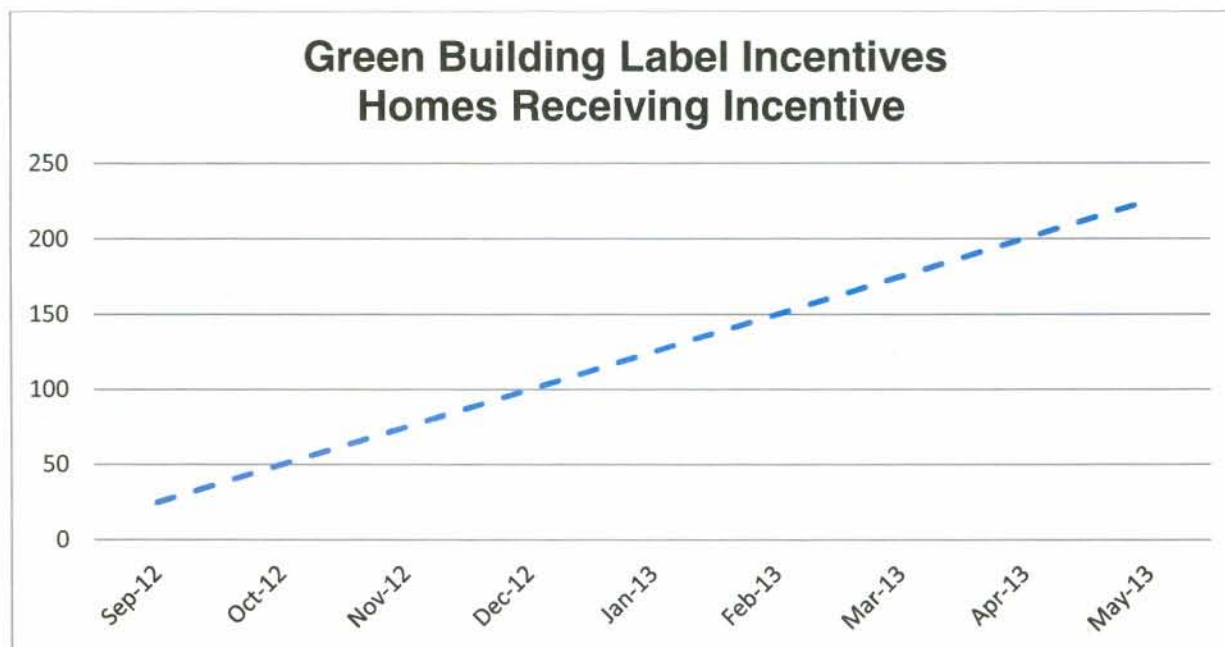
*Additional Multifamily Project participation data will be provided in the next Update Report.

Green Building Labeling Pilot Program

To encourage overall residential building sustainability in addition to energy efficiency, the County developed a Green Building Labeling pilot program. The pilot is intended to test the public interest in “greening” their home by combining energy efficiency with other green building improvements in order to earn a GreenPoint Rated™ label. GreenPoint Rated™ is the current leader in existing residential green building certification, much like LEED is the standard in new commercial buildings.

There are two incentives offered under this program: an incentive to homeowners to offset the cost of a green building label and a referral incentive to professionals (e.g., contractor, real estate agent) who refer projects into the program. A homeowner will receive either a \$1,000 incentive or a \$2,000 incentive depending on the improvements they make. The homeowner provides personal and property information directly to the program administrator with no utility company involvement. Additional project-specific information is received from the third-party rater. The homeowner lists the professional on their application and then the professional receives the referral incentive (\$200) once the homeowner’s application is approved. The Green Building Labeling program is not launching until late summer of 2012.

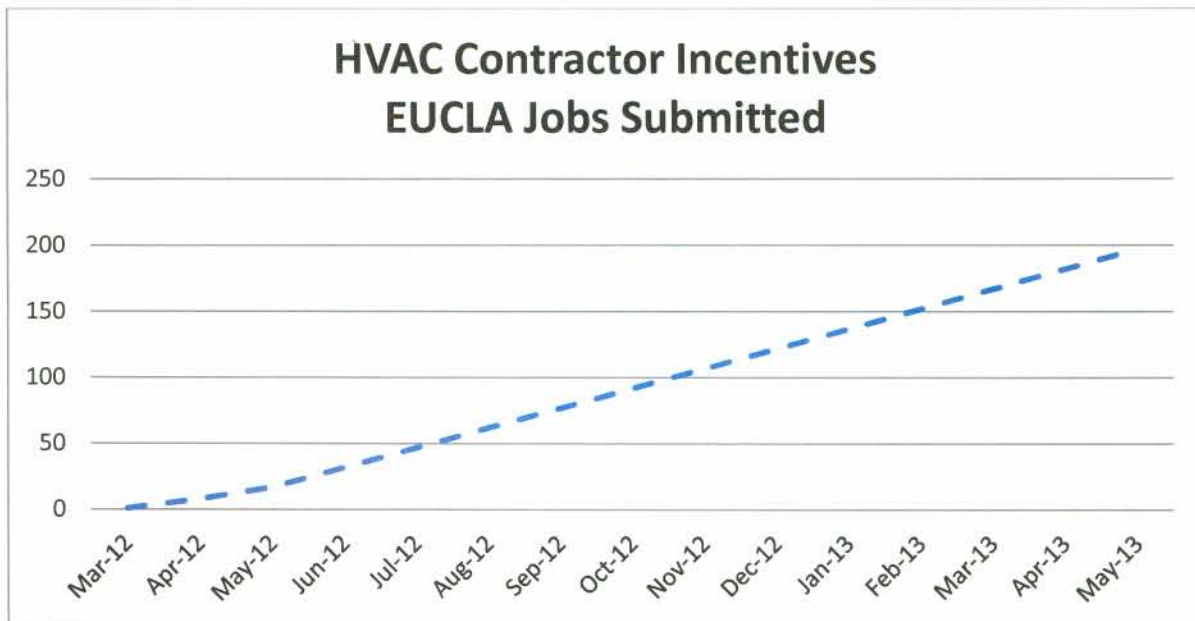
EUCLA Program Description, Participation and Goals

**Workforce Development Pilots****Heating/Ventilating/Air Conditioning (HVAC) Contractor Incentives Pilot**

Currently, EUCLA contractors are limited to those who have completed EUC contractor training and received Building Performance Institute (BPI) certification (as required by the California Public Utilities Commission). The County has implemented an HVAC Contractor Incentives pilot program to provide motivation to non-EUCLA certified contractors (through incentives, training, and other resources) to encourage them to convert typical HVAC equipment replacement, service or maintenance events into EUCLA projects. HVAC contractors are provided with the tools and training to assess and implement more comprehensive measures under EUCLA as part of routine equipment work.

The HVAC Contractor Incentives Pilot provides free home assessment software to HVAC contractors (\$1,000 value), EUCLA certification tuition reimbursement for up to two company technicians, and a \$500 incentive for each EUCLA upgrade completed. The HVAC Contractor Incentives Pilot kicks off in March of 2012.

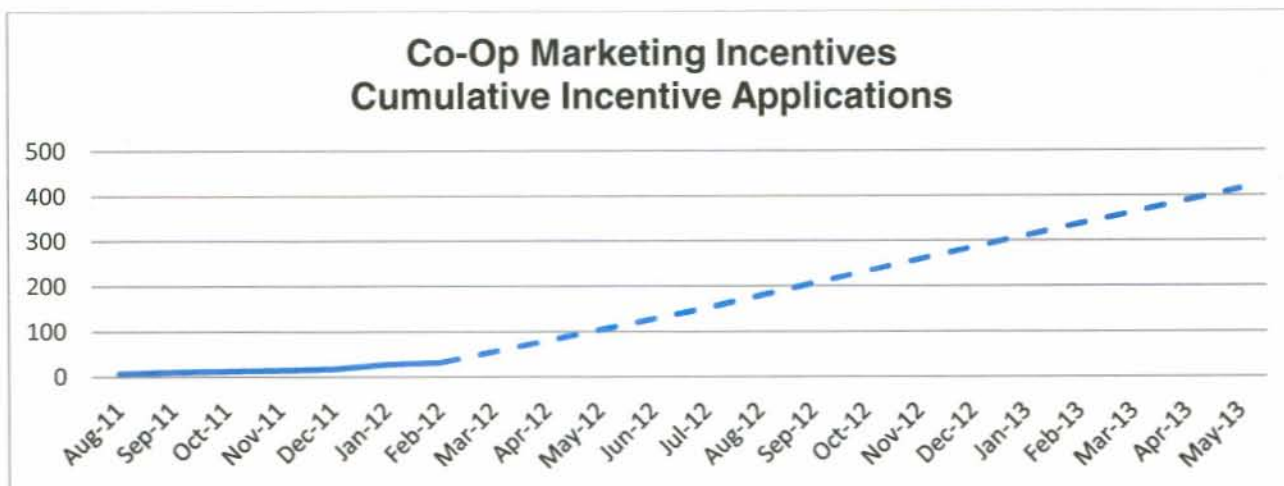
EUCLA Program Description, Participation and Goals



Contractor Co-op Marketing

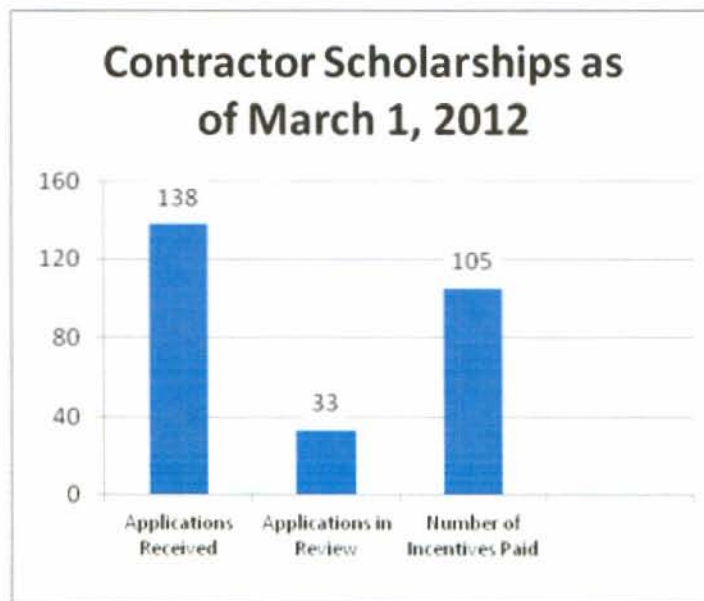
The County has made grant funds available to EUCLA Contractors to offset the cost of their own customized marketing and outreach materials. This program was created in response to input from contractors that although the overarching EUCLA media campaign was successful in raising awareness, they needed to supplement it with advertising for their individual companies in order to drive demand. The Co-op Marketing program provides 50% matching funds (up to \$40,000 per contractor) as reimbursement to contractors who submit invoices for marketing materials and advertising. Eligible materials must meet program guidelines and must be pre-approved by program staff. They must include the EUCLA logo and be used within the County of Los Angeles. This program, combined with other marketing tools and training provided to Participating Contractors, allows them to differentiate their company and increase the number of upgrades performed.

EUCLA Program Description, Participation and Goals



Contractor Scholarships

In order to ensure an adequate base of trained and certified contractors, home energy raters, green building label raters, and skilled labor to install energy efficiency measures, the County created a Contractor Scholarship program to assist people in entering this new market. Grant funds are available to contractors and other professionals to offset the cost of training and certifications necessary to participate in EUCLA. Scholarship amounts are based on the type of training or certification and are offered on a reimbursement basis and range from \$500 to \$1,000. Contractors and other professionals are eligible to receive more than one scholarship. Applicants provide personal information and verification of the completion of training or the achievement of a certification directly to the program administrator. The scholarships are advertised via the EUCLA webpage and through existing channels of communication with the contractors and professional community. Note this program ends in April 2012.



EUCLA Program Description, Participation and Goals

Innovative Outreach**Energy Champions**

Energy Champions are qualified, non-profit organizations who utilize their own outreach networks, community activities, and other resources to promote EUCLA and convince homeowners to implement a EUCLA upgrade. In return, and with verification from the homeowner that the Energy Champion was responsible for the upgrade commitment, the Energy Champion is provided an incentive (\$100 for a Basic or FlexPath project, \$500 for an Advanced Path project). The Energy Champions are prequalified to participate in the program and applications are submitted directly to the program administrator through the EUCLA website.



File: EUCLA status Attachment I at 3-21-12

Monthly EUCLA Narrative – Through March 1, 2012

Major activities as of March 1, 2012

1. FlexPath is a County-team designed, alternative incentive program that provides homeowners with a more flexible option for participating in EUCLA. FlexPath provides the ability for a homeowner to choose two or more energy efficiency measures to achieve minimum 10% energy savings and receive a County incentive of \$1,500. Results through mid-March show that the average FlexPath project is seeing 15% energy savings. Since it was introduced in mid-January 2012, the County has received 76 applications by the end of February and 140 total applications by March 19, 2012.
2. The 2% Energy Loan product was launched in December of 2011 to boost financing program response. The loan program first launched in July of 2011 featuring a 5.99%, 5 year, unsecured loan and nearly 50 applications were received over a 5 month period (July – November). Since December, 69 applications have been received over a 3 month period (December – January).
3. The County has executed an agreement amendment with Matadors Community Credit Union to provide LLR and IRBD financing for FlexPath projects. This new financing program was made available in March 2012.
4. A toolkit for contractors was developed and is pending finalization. The toolkit, designed to help create more participating EUCLA contractors, contains various resources and guidance for contractors new to the program and will assist them in understanding program requirements, available resources, and training options.

Lessons learned and actions taken to improve results

1. Since the 2% financing program has been popular in its early months and the average loan value is now 50% greater since the 2% loan product became available, we are in the process of utilizing additional grant funding from the CEC to add \$500,000 to the Loan Loss Reserve and \$500,000 to the Interest Rate Buy Down (IRBD) programs. The additional LLR will back an additional 500 loans (at \$10,000 per loan). The additional IRBD will fund approximately 250 additional loans.
2. Due to the restrictive nature of the pre and post upgrade testing structure of the utility-controlled Advanced Path program, the County developed a more inclusive FlexPath option, administered solely by the County, to allow for greater participation. The results, described above, are promising. The DOE EECBG grant is funding the FlexPath incentives and administration. The County is

Monthly EUCLA Narrative – Through March 1, 2012

working with the DOE Better Building Grant team and the CEC to authorize use of their grants to support FlexPath.

3. To offset the cost of the Advanced Package home assessment, the County developed Assessment Coupons to subsidize these costs. The coupons are distributed at community events and through participating contractors. Contractors can use them to encourage homeowners who are reluctant to pay for the assessment costs. Each coupon has a trackable code so we can determine which events are most effective and which contractors are using them well.
4. Because the bulk of our advertising efforts can only feasibly be one-size-fits-all, we developed a co-op marketing program to allow participating contractors to develop their own marketing materials (using established brand guidelines and subject to review) at a reduced cost to them.
5. Feedback from contractors has indicated that sales and marketing training is needed. Three webinars were delivered in February 2012; the first on *In-Home Selling*, the second on *Marketing* and the third on *Leveraging Sales/Marketing Skills to Utilize EUCLA Contractor Support Elements* (co-op marketing, incentives, homeowner financing).