

STATE OF CALIFORNIA
 Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016/17	Business Unit 3360	Department California Energy Commission	Priority No.
Budget Request Name 3360-013-BCP-DP-2016-GE		Program ENERGY RESOURCES CONSERVATION	Subprogram ENERGY PROJECTS EVALUATION AND ASSISTANCE

Budget Request Description
 Executive Order B-29-15 Rebate Program

Budget Request Summary

This proposal requests \$30 million in one-time funding from the Greenhouse Gas Reduction Fund (GGRF) to implement Executive Order B-29-15 directive number 4: implement a time-limited appliance rebate program. Through this directive, the California Energy Commission (Energy Commission) would implement two efforts: (1) a statewide water-reducing clothes washer rebate program for all California residents; and (2) a direct install program for water-saving appliances and fixtures in single- and multi-family residences in disadvantaged communities identified using CalEnviroScreen. Budget Bill language allowing up to 5 percent for the administration of the program and authority for a two-year encumbrance and four-year liquidation period is also requested.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed		
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date	
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:			

If proposal affects another department, does other department concur with proposal? Yes No
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By	Date	Reviewed By <i>UWain</i>	Date <i>12/21/15</i>
Department Director <i>[Signature]</i>	Date <i>12-21-15</i>	Agency Secretary <i>[Signature]</i>	Date <i>12/21/15</i>

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA	Original Signed By: Ellen Moratti	Date submitted to the Legislature <i>1/7/16</i>
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BCP Fiscal Detail Sheet

DP Name: 3360-013-BCP-DP-2016-GB

BCP Title: Rebates for Appliances

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Operating Expenses and Equipment						
54XX - Special Items of Expense	0	30,000	0	0	0	0
Total Operating Expenses and Equipment	\$0	\$30,000	\$0	\$0	\$0	\$0
Total Budget Request	\$0	\$30,000	\$0	\$0	\$0	\$0

Fund Summary

Fund Source - Local Assistance						
3228 - Greenhouse Gas Reduction Fund	0	30,000	0	0	0	0
Total Local Assistance Expenditures	\$0	\$30,000	\$0	\$0	\$0	\$0
Total All Funds	\$0	\$30,000	\$0	\$0	\$0	\$0

Program Summary

Program Funding						
2385019 - Energy Projects Evaluation and Assistance	0	30,000	0	0	0	0
Total All Programs	\$0	\$30,000	\$0	\$0	\$0	\$0

Analysis of Problem

A. Budget Request Summary

This proposal requests \$30 million in one-time funding from the Greenhouse Gas Reduction Fund (GGRF) to implement Executive Order B-29-15 directive number 4: a time-limited appliance rebate program. Through this directive, the Energy Commission would implement two efforts: (1) a statewide residential rebate program; and (2) a direct install program for water-saving appliances and fixtures in single- and multi-family residences in disadvantaged communities identified using CalEnviroScreen.

The proposed statewide residential clothes washer rebate program would provide \$100 rebates to consumers to replace old inefficient clothes washers with water and energy efficient ENERGY STAR® qualified models. The direct install program, in partnership with the Department of Community Services and Development (CSD), focuses on providing water and energy efficient appliances and devices to low-income individuals meeting income eligibility requirements in disadvantaged communities. The Energy Commission will add water and energy efficiency clothes washers, dishwashers, showerheads, and kitchen and bathroom faucets to the existing Low-Income Weatherization Program, Weatherization Assistance Program, and Low-Income Home Energy Assistance Program.

Budget Bill language allowing up to five percent for the administration of the program and authority for a two-year encumbrance and four-year liquidation period is also requested.

B. Background/History

Implementation of the California Global Warming Solutions Act of 2006 (AB 32) includes measures that achieve real, quantifiable, cost-effective reductions of greenhouse gas (GHG) emissions and return California to 1990 emission levels by 2020. Since 2006, the State has continued to steadily implement a set of actions that are driving down GHG emissions, cleaning the air, diversifying the energy and fuels that power our society, spurring innovation in a range of advanced technologies and improving natural resource health statewide.

These efforts have put California on course to achieve the 2020 emissions limit, and have created a framework for ongoing climate action that can be built upon to maintain and continue reductions beyond 2020. In addition to the near-term GHG emission reduction goals established in AB 32, mid-term and longer-term GHG emission reduction targets have been established in Executive Orders B-30-15 and S-3-05 to reduce GHG emissions by 40 percent below 1990 levels by 2030 and 80 percent below 1990 levels by 2050, respectively.

The Greenhouse Gas Reduction Fund (GGRF -funded by the Cap-and-Trade Program generated Auction Proceeds, authorized by AB 32) has been established for the purpose of funding measures that allow California to achieve its GHG reduction goals, furthering the purposes of AB 32. In addition, SB 535 (de León, Chapter 830, Statutes of 2012) requires that twenty-five percent of GGRF funds are spent to benefit designated disadvantaged communities, and ten percent must be spent within disadvantaged communities.

On April 1, 2015, following the lowest snowpack ever recorded, Governor Edmund G. Brown Jr. signed Executive Order B-29-15 announcing emergency actions that will save water, increase enforcement to prevent wasteful water use, streamline the state's drought response, and invest in new technologies that will make California more drought resilient. The Governor directed the implementation of mandatory water reductions in California to reduce urban water usage by 25 percent by February 28, 2016.

The Cap and Trade Program is a key element of the Assembly Bill 32 (Nunez, Chapter 488, Statutes of 2006) Scoping Plan that describes the approach California will take to reduce GHG emissions and achieve the goal of reducing emissions to 1990 levels by 2020. A portion of the GHG emission allowances, established by the Cap and Trade Program, are sold at quarterly auctions and reserve sales. The Legislature and the Governor appropriates proceeds from the sale of state-owned allowances for projects that support the goals of AB 32. Strategic investment of these auction proceeds furthers the goals of AB 32 and provides an opportunity for the state to invest in climate action, with an emphasis on the state's most disadvantaged communities.

Analysis of Problem

The Executive Order B-29-15 rebate program is a proposed two-year residential rebate and direct install program for water saving appliances and fixtures. The rebate program will include clothes washers for the most water savings per rebate dollar spent, and will be redeemed by either a simple online application or by an instant rebate at point of sale. Clothes washer rebates will incentivize the retirement and replacement of water guzzling clothes washers and will be offered by participating retailers including independent retailers and big box stores. In consultation with CSD, the Energy Commission will ensure that the direct install program only targets disadvantaged communities as identified by CalEnviroScreen. The program would assess eligible single- and multi-family residences and determine which water savings appliances and fixtures (clothes washers, dishwashers, kitchen and bathroom faucets, and showerheads) should be installed for the greatest water and energy savings, as well as GHG emission reductions. Because this program will significantly reduce GHG emissions and target disadvantaged communities, the Energy Commission proposes using GGRF funds.

C. State Level Considerations

In his Executive Order B-29-15, Governor Edmund G. Brown Jr. announced the need for emergency actions in California to save water, prevent water waste, streamline the efforts in responding to the drought, and invest in new drought resilient technologies. The Governor's directive for 25 percent urban water use reduction through February 28, 2016 could require the implementation of new programs such as consumer, manufacturer, and supplier-facing rebate or incentive programs.

The Executive Order B-29-15 rebate program is a two-year program to provide clothes washer rebates and direct installation of water efficient appliances and fixtures to California citizens, especially to those in disadvantaged communities. The programs would directly incentivize the retirement and replacement of water guzzling and energy using appliances and fixtures to reduce residential water consumption that leads to a reduction of GHG emissions.

D. Justification

Currently, water related energy usage consumes 19 percent of California's electricity. In addition, the use of hot water contributes significantly to the use of natural gas in the state. The Executive Order B-29-15 programs will further the goals of AB 32 by promoting water efficiency statewide and by targeting disadvantaged communities.

The Energy Commission's appliance rebate and direct install programs expect significant consumer uptake, particularly with leveraging other similar programs. These water reduction and energy efficient product replacement programs, such as rebate incentives and direct installations, facilitate consumer behavior change toward conservation of resources critical to California. Expected co-benefits of this project include, but are not limited to:

- Improved home safety due to replacement of older appliances;
- Improved awareness of water conservation efforts which will help change behavior patterns to be more water energy conscious; and,
- Increase public health from improved in-home safety and comfort.

The Energy Commission is committed to expending a minimum of 25 percent of the GGRF in the appliance rebate and direct install programs to benefit disadvantaged communities by specifically targeting projects physically located within disadvantaged community census tracts using the CalEnviroScreen tool.

The Energy Commission's direct install program will cut utility costs (gas and electricity) while reducing water use. By partnering with CSD's single- and multi-family residential programs, eligible residences will now also be assessed for energy efficient, water-reducing appliances and fixtures funded through the Energy Commission's direct install program. The Energy Commission's GGRF monies will be used to perform the additional installations at the same time as CSD's health and safety, weatherization, and energy efficiency measures are installed.

Analysis of Problem

The Energy Commission, by contracting with CSD, will outreach to referring agencies in disadvantaged communities to identify eligible residents who will benefit from the replacement of water and energy-saving appliances and water reducing fixtures. As needs are identified, the Energy Commission may conduct workshops, public meetings, and events to increase awareness of funding opportunities. Any workshop, public meeting, or event will be held in or near disadvantaged communities to provide greater accessibility for program participants and stakeholders.

In addition, the Energy Commission's clothes washer rebate program will allow layering of rebates provided by utilities, water agencies, and manufacturers, thereby enabling residents with smaller budgets to afford water and energy efficient clothes washers. All ENERGY STAR® models of clothes washers will be eligible for a rebate and will provide greater range and price points of products in order for all Californians to participate.

The appliance rebate and direct install programs will yield a large reduction in GHG emissions in a manner that:

- Maximizes additional environmental and economic co-benefits for California by requiring appliances and fixtures that save water and energy;
- Compliments the state's efforts to improve air quality; and,
- Directs public and private investment toward the most disadvantaged communities in California.

E. Outcomes and Accountability

The Energy Commission will require the rebate and direct install administrators to maintain records and submit information for quarterly status reports. In addition, the Energy Commission will review selected projects. If a funding recipient does not perform in accordance with program requirements, the recipient will be subject to the remedies for non-performance, as identified in the clothes washer rebate program guidelines or contract, or the Interagency Agreement with the contractor and provider.

The net GHG reductions will be calculated consistent with Air Resources Board (ARB) approved quantification methodologies. Energy Commission staff will review calculations prepared by contractors to ensure consistency with approved methods. The Energy Commission will collect data on appliance and fixture installation location, including zip code and estimated associated GHG reductions, water savings, and energy savings associated with each eligible appliance and fixture.

The Energy Commission will provide regular updates on expenditures, project status, and benefits in reports prepared according to ARB's *Cap-and-Trade Auction Proceeds Funding Guidelines for Agencies that Administer California Climate Investments*. At a minimum, reports will include expenditure amounts, GHG emission reductions, and quantification of applicable co-benefits including water savings, energy savings, and jobs created.

F. Analysis of All Feasible Alternatives

1 Do nothing.

Pro:

No funds will be expended.

Con:

If resources are not provided, the Energy Commission will be unable to establish and implement the Executive Order B-29-15 rebate and direct install programs. The state will lose the opportunity to contribute to the reduction of GHG emissions by retiring and replacing water guzzling (and often energy guzzling) appliances and fixtures. The state will also lose the opportunity to educate consumers on ways to reduce their water consumption.

Analysis of Problem

2 Authorize funding for a clothes washer rebate program only.

Pro:

Energy Commission would only have to administer one program that has the potential to reach 230,000 residents of California.

Con:

It is harder to reach individuals living in disadvantaged communities with a rebate program only. Generally, low-income individuals living in disadvantaged communities are not in a position to retire an appliance early and replace with a more expensive, efficient model. A direct install program will target low-income individuals living in disadvantaged communities to bring their appliances up to current code and help the Energy Commission reach a targeted goal of 25 percent of GGRF funds going to disadvantaged communities.

3 Approve this proposal: Authorize use of the GGRF funds for a statewide water-reducing clothes washer rebate program and a direct install program for water-saving appliances and fixtures in single- and multi-family residences in disadvantaged communities.

Pro:

Authorizing the use of GGRF funds for this proposal would provide the resources needed to support and manage the work required for the Executive Order B-29-15 rebate program efforts.

Con:

Requires an appropriation from the GGRF.

G. Implementation Plan

Activity	Year
Initiate Program	July 1, 2016
Solicit and contract with a rebate administrator	August 2016 and forward
Enter into an Interagency Agreement with the Department of Community Services and Development	August 2016 and forward
Launch programs	September 2016 and forward

H. Supplemental Information

None.

I. Recommendation

Alternative 3: Authorize \$30 million in one-time funding from the Greenhouse Gas Reduction Fund for Executive Order B-29-15 Rebate Program. Approve Budget Bill language allowing up to 5 percent for the administration of the program and authority for a two-year encumbrance and four-year liquidation period for these funds.