

July 28, 2023

The Honorable City Council  
City of Los Angeles  
Room 395, City Hall  
Mail Stop 160

Attention: Councilmember Katy Yaroslavsky, Chairperson – Energy and Environment  
Committee

Subject: Council File No. 23-0347 – Building Electrification/Clean Energy/Deep Energy  
Efficiency/Customer Incentives/Independent Financing Institutions/Time of Use  
Rates

Honorable Members:

In response to the motion (Council File 23-0347) relative to the incentives for building electrification, deep energy efficiency, and clean energy, the feasibility of launching an on-bill repayment program including options for self-financing, creation of an independent financing institution, means to connect with Community Development Financial Institutions, and related matters, the Los Angeles Department of Water and Power (LADWP) provides the following summary.

**Plans to scale up, increase, and improve the delivery of direct to customer incentives for building electrification, deep energy efficiency, and clean energy - including in multifamily and commercial properties - by leveraging federal and state grants, in order to make these measures, which are essential to meeting Los Angeles' climate goals, more cost effective.**

Building Electrification (BE) policies are progressing, and to meet the City's climate goals, LADWP is partnering with its customers, community-based organizations, and the trades to connect deeper into LADWP's programs' awareness and participation. LADWP's programs offer help with the transition to clean energy through rebates and incentives that are designed to increase the ability to purchase and install energy-efficient products. Programs that currently offer building electrification measures include Zero by Design, Heating Ventilation and Air Conditioning Optimization Program (AC Opt), and the Comprehensive Affordable Multifamily Retrofit (CAMR) program.

To scale up programs, LADWP will continue promoting solutions that avoid the need for electrical upgrades to accommodate the decarbonization of the building or home. However, some electrical upgrades may be inevitable to accommodate new electrical loads and its impact on the age of the home or building. CAMR and AC Opt currently offer electric panel upgrades incentives when it includes the installation of qualified energy efficiency upgrades. CAMR also provides solar incentives to help offset electrical loads. Although the largest opportunity for BE retrofits comes from single-family dwelling retrofits, LADWP is committed to offering programs for all its customer segments, including multifamily and commercial properties.

Energy efficiency is critical to mitigating the impacts of high electrification demand and it will reduce the constraints in achieving LADWP's energy goals. LADWP's commitments include conducting further research in partnership with community-based organizations and business-serving organizations to better outreach its customers. More details on the recommendations will be shared upon the release of the LA100 Equity Strategies Study in addition to the technical efforts by staff.

LADWP will continue developing more informed and grounded energy strategies and actions that partner with our customers to help with support of the energy transition. Educating customers on building electrification and its purpose is a critical factor. It will help customers understand what can be included in their everyday routines at home or in their business to lower their energy costs while supporting the need for the energy transition to clean generation. These factors include the impact of energy behavior on climate change, the transition to cleaner technologies, program awareness, and financial subsidies. Making the information accessible to all of its communities will help eliminate the need for the trade-off to pay energy bills and empower customers to make informed decisions on their energy needs.

LADWP intends to use federal funding opportunities and their benefits to help customers with income limitations to make informed decisions on investing in their energy needs. Understanding that many customers have limited financial capital, LADWP will help educate the customers on how tax credits will roll out and what purchases qualify for a rebate. LADWP will use these available resources to limit or remove the financial burden by using federal money to augment rebates at the point of purchase. It will target disadvantaged and underserved communities in its outreach to educate on program eligibility, and awareness of incentives, subsidies, and other program aid. For example, the Inflation Reduction Act, the High-Efficiency Electric Home Rebate Act, and the Self-Generation Incentive Program – Heat Pump Water Heater, present government financial funding for the purchase of renewable technologies and energy-efficient products. Amongst other items, its intent is to directly

help bridge the gap between government funding and LADWP incentives that produce long-term benefits like reduced energy bills.

To improve the delivery of direct-to-customer incentives for building electrification LADWP will make organized efforts to reach out to its customers to better understand their needs. Equally as important, is educating its customers on building electrification to help make informed choices and becoming partners with its customers to improve health and quality of life.

See attachment (LADWP Program Summary Sheet).

**Feasibility of launching an on-bill repayment program for various market segments, including options for self-financing through LADWP bills as well as by partnering with third-party entities.**

LADWP has instituted an on-bill financing program in the past, with very little customer participation. In 2016 LADWP entered into a consulting services agreement with the firm Tech/Knowledge, Inc. to revitalize the Utility Infrastructure Loan program (UIL) administered by the Economic Development unit. The UIL program was active in the first few years of existence but saw little activity in the following years. Over a ten-year period, only one application was received. Although rates were attractive, the two to six-month program approval period was not attractive to customers. There is a provision in the Charter that states that if the loan is greater than the annual DWP bill of the applicant, then it must be approved by the LADWP Board. This essentially required every loan to receive Board approval, which extended the approval time. There were also issues associated with billing, credit management and collections and other systematic challenges as the roles were spread across various parts of DWP.

A variety of actions were researched and pursued by the consultants and the Economic Development team in an effort to increase UIL program participation to a meaningful level during the study period (2016-2018). LADWP reviewed the findings of the consultant report and presented the following options to the CAO at the time, Bradley Hudson. The options were to:

1. Stay the course (no change)
2. Modify the city charter (i.e. remove Board approval requirement and delegate authority to GM) and internal processes to improve the loan application, underwriting, and approval processes;
3. Hire a third party (SBDC and/or CDFI or a SBA certified lender) or to administer the loan program for DWP; or
4. Retire the program.

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The decision was made to retire the UIL program as making and administering loans to commercial customers was no longer considered a sufficiently beneficial use of rate payer funds and administrative effort. Even though the program was retired in 2019, FSO is still managing the outstanding loans (billing and payment). The DWP Internal Audit group is still conducting annual audits of the program, as required by Ordinance, and distributing the audit reports accordingly.

Should you have any questions or if further information is required, please call me at (213) 367-1338, or have your staff contact Mr. Matthew A. Hale, Director of Legislative and Intergovernmental Affairs, at (213) 367-0751.

Sincerely,



Martin L. Adams  
General Manager and Chief Engineer

MAH:fc

C: Councilmember Tim McOsker, Vice Chair, Energy & Environment Committee  
Councilmember Nithya Raman, Member, Energy & Environment Committee  
Councilmember Bob Blumenfield, Member, Energy & Environment Committee  
Councilmember Eunisses Hernandez, Member, Energy & Environment Committee  
Mr. Eric Villanueva, Office of the City Clerk  
Mr. Matthew A. Hale

# LADWP SUMMARY SHEET

## EXISTING PROGRAM LIST

### Financial Assistance

1. EZ – Save (formerly: Low Income Discount Program)
2. Lifeline (City of LA Office of Finance)
3. Physician Certified Allowance Discount
4. Level Pay monthly billing
5. Low Income Home Energy Assistance Program
6. Life-Support Equipment Discount

### Programs Promoting Building Electrification

Program	Residential	Multifamily	Commercial
<u>Comprehensive Affordable Multifamily Retrofits Program</u>		X	
<u>AC Optimization</u>	X	X	X
<u>Efficient Product Marketplace</u>	X		
<u>Cool LA</u>	X	X	
<u>Consumer Rebate Program</u>	X	X	
<u>Home Energy Improvement Program</u>	X	X	
<u>Zero by Design</u>			X

## Transportation Electrification Programs

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1. Used Electric Vehicle Program
2. Residential Electric Vehicle Charging Station Rebate Program
3. Commercial Electric Vehicle Charging Station Rebate Program

## Distributed Energy Resources Programs

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1. Solar Rooftops
2. Shared Solar
3. Feed-in Tariff
4. Net Energy Metering Program
5. Virtual Net Metering
6. Utility Built Solar
7. Commercial Energy Storage to Grid Pilot Program