

City Energy Project – San José

Final Workshop

Date: August 1, 2018
Time: 9:00AM
Location: Environmental Innovation Center
1608 Las Plumas Ave., San José

Agenda:

- 1) **Welcome and Introductions - Ariel Carpenter, Environmental Services Department**
 - a. City Council approved Climate Smart San José (CSSJ) earlier this year. A benchmarking ordinance aligns with specific elements of the plan to help reduce city-wide greenhouse gas emissions. The primary strategy this aligns with is Strategy 3.2: Improve our commercial building stock.
- 2) **Meeting Recap - Walker Wells, Global Green**
 - a. Kick Off
 - i. Benchmarking Overview
 - ii. Initial Characterization of Building Stock
 - b. Meeting 2
 - i. In-depth Analysis of Building Stock Coverage and Thresholds
 - ii. Introduction to EPA ENERGY STAR Portfolio Manager
 - c. Meeting 3
 - i. Reporting Process through ENERGY STAR Portfolio Manager
 - ii. Levels of Transparency
 - d. Meeting 4
 - i. Policy Design Options and Examples
 1. Annual benchmarking
 2. Annual public reporting
 - i. 5-year compliance cycle
 3. Performance options
 - a. Minimum ENERGY STAR score/certification
 - b. Maximum WUI
 - c. Demonstrated energy and water use reduction
 4. Prescriptive options
 - a. Energy and water audit
 - b. Retrocommissioning (RCx) or retuning
 - c. Complete simple building retrofits
 - ii. Ensuring Data Quality
 - e. Meeting 5
 - i. Potential Water Conservation Components
 - ii. Noticing Submission and Enforcement Process
 - iii. Resources: Education/Outreach, and Technical Assistance

iv. Task Force Timeline and Next Steps

1. Rescheduled final meeting for Aug. 1

3) **Lead Implementer**

- a. The Environmental Services Department (ESD) will implement the ordinance and will facilitate with other departments
- b. Other cities have implemented comparable ordinances through mayors' offices, however ordinance longevity is risked due to administration changes, and political priority differences over time
- c. Building departments in other cities have also implemented, but have often lacked resources to offer assistance, outreach and education
- d. ESD has a close relationship with San José Clean Energy (SJCE), which may facilitate strong coordination around this ordinance in the future
- e. Comment: It would be good to think about this being a county-wide initiative in the future; San Jose's ordinance can serve as a template for other cities in the county

4) **Sector(s) Affected**

- a. Commercial & multifamily (MF) (excluding townhomes and condos)
- b. It is not intended to impact small "mom & pop" properties or businesses.
- c. The policy does not include industrial¹
- d. Comment: AB802 covers warehouses, but not manufacturing/industrial
- e. Comment: There is a disconnect between the owner and tenant: who pays utility bills vs. who is required to comply with the proposed ordinance. Tenants can be hesitant to provide data to owners, making it difficult to comply
 - i. Follow up:
 1. Tenant authorization is not required if you have three or more active utility meters. If your building has less than three meters, tenant authorization is needed
 2. There should be reporting process for those trying to comply, but are having difficulty retrieving data from tenants; this should align with AB802 process
 3. The City will provide guidance on green leasing that can prevent misalignments between the owner and tenant
- f. Comment: Direct access customers might have trouble providing data since they are bypassing the utility to get their energy
- g. Comment: Portfolio manager does not provide accurate metrics for the industrial sector

5) **Size Threshold**

- a. The threshold will be 20,000 sqft and up which covers approx. 2,600 buildings
- b. If the threshold is lowered, almost twice as many buildings are impacted, but not for a significant increase in covered sqft; the burden is not entirely worth the benefit. However, the City could come back and amend ordinance if they wanted to lower the threshold in the future
- c. Based on staff analysis, on a yearly basis, roughly 500 buildings would be required to comply with the ordinance's performance requirements (to be described below); this is a manageable number, from a staffing bandwidth perspective
- d. The smallest threshold is in Austin, set at 10,000 sqft for commercial buildings, and 5 units and over for multifamily buildings

¹ Facilitator inaccurately stated that industrial buildings would be covered by the ordinance; industrial buildings will not be covered by the proposed ordinance.

- e. Comment: The California Energy Commission (CEC) has been receiving information for a lot of buildings and appreciates the help as municipalities are covering more buildings with local ordinances

6) **B&T Exemptions**

- a. Buildings must submit a request for a reporting exemption
- b. Possible exemptions: new buildings, unoccupied buildings, and those in financial hardship
 - i. Question: Why are new buildings defined as being less than two years old when Portfolio Manager only requires 12 months of data to receive a score? This difference should be considered
- c. Financial hardship exemption is included in LA ordinance and many others
- d. Buildings scheduled to be demolished in the next 12 months should be added. Buildings in this scenario are issued demolition permits, which expire after 1 year; this could be used as documentation
- e. Comment: The expected cost of complying with this ordinance should be estimated
 - i. Follow up: In Los Angeles, owners can spend up to \$500-750 to hire a consultant to do basic reporting. However, the basic reporting can be done internally or by an intern if there is bandwidth. There should be an estimated cost to do the prescriptive methods. However, ideally there's an upfront cost, but a good payoff
- f. Comment: There is a concern with buildings that are unoccupied for several months out of a year. If buildings are going under significant retrofits, this could skew results
 - i. Follow up:
 - 1. Portfolio Manager does allow users to adjust for occupancy changes over time. One could also submit a exemption if the building was going under construction
 - 2. Users could provide additional information explaining the circumstances of a low score as well
- g. If this local ordinance is approved and implemented, building owners would not need to report to the CEC for AB802. The City will have the CEC "approve" its ordinance, hold jurisdiction, and provide reported information to the CEC
- h. Users can upload a spreadsheet to Portfolio Manager with all necessary reporting information, which is often faster and easier than manual entry through the portal

7) **B&T Reporting Fee**

- a. No submission fee. This makes it easier for people to comply
- b. There is concern that if there is no fee, then how will the City fund staff and support resources
- c. No other city requires a reporting fee besides Los Angeles. For prescriptive measure requirements, there is a proposed fee, discussed below

8) **Transparency Approach**

- a. At least a spreadsheet to be made public annually and a formal report after first five years
- b. Not many California cities have yet published this kind of data, but many other cities around the U.S. have
- c. Comment: It would be beneficial to include sqft and number of floors in published data
- d. This ordinance should catalyze the market for energy services and certifications of smaller buildings, as currently the market is focused on larger buildings of at least 100k sqft

9) Prescriptive Pathway Requirements

- a. Once during every 5-year cycle (determined by APN), buildings must perform one of the prescriptive pathway requirements (listed in table)
- b. Comment: There is concern with how much ASHRAE Level 2 audits cost
- c. Follow up:
 - i. The cost depends on the size of building and complexity. It can start at \$1,500 and go up to over \$100,000 for very large and complex buildings
 - ii. Level 1 criteria might not be robust enough to be actionable
 - iii. Level 2 has a smaller cost difference from retrocommissioning (RCx); level 1 audits are significantly less expensive, so this difference would disincentivize people from pursuing RCx, which is a highly effective energy savings strategy
 1. Utility companies support RCx, recognizing that it yields savings, over audits, which have to be acted upon to yield savings
 - iv. Level 1 audits can provide payback information, so CSJ should relook at whether level 1 or level 2 is a better option
 - v. Could require Level 1 plus requiring a portion of identified upgrades to be made, instead of Level 2
 - vi. If buildings yield savings in one compliance cycle, or are high performing, prescriptive pathway requirements aren't required anyways
- d. Comment: If an audit is completed, there could be trouble following through with actions because of budget constraints. The Public Works department would prefer a more active approach to efficiency in municipal buildings, to ensure this doesn't happen
- e. Comment: There should be an option for "Other measures approved by the Director." Then if another conservation strategy is identified, it can be included in the future
- f. Question: How does demand response work?
 - i. Follow up: The demand response program is an interface with PG&E that sends a notification to account holders, to reduce energy usage during peak load events (ex: hot summer afternoons). Since the information sent is for that particular day, building occupants will then have the option to take action then and there
- g. Comment: Some of the prescriptive pathway requirement options are very vague, like installing a smart thermostat
- h. Comment: Some do not necessarily guarantee energy/water reductions (ex: enrolling in a demand response program)
 - i. Follow up: This is accurate, although it would not be in the best interest of covered buildings, because they would be required to continue going through the ordinance's prescriptive pathway every five years if they do not improve their performance
- i. Comment: The list could be more energy savings focused
 - i. Follow up: These measures are based on specific tracking metrics in CSSJ
- j. Comment: The idea is to reduce energy and water consumption, so the list could be condensed only to include measures with direct savings
- k. Comment: Buildings that need help with compliance should be identified and provided with resources
 - i. Follow up: The City is developing resources and wants to continue working with third parties to develop resources as well
- l. Comment: Should involve and provide resources to buildings that aren't involved in associations (ex: Building Owners and Managers Association)

10) Prescriptive Pathway Exemptions

- a. To receive an exemption, you must submit a request
- b. If you're unable to get an ENERGYSTAR score, but can still benchmark, then you would base energy performance on Energy Use Intensity (EUI)
- c. EBOM LEED certification has a shelf-life of five years and is focused on operations and maintenance (O&M)
- d. Comment: On Portfolio Manager, the average national score is in the 70s. If trying to get above average, might want to step this up
 - i. Follow up:
 1. Correction: The average national score is 50, while the average in CA is in the 70s
 2. Over time, the City may wish to raise the ENERGYSTAR score required, depending on what collected building stock performance data reveals
 3. ENERGYSTAR scores will change for all buildings this month due to updates to Portfolio Manager's back end models; on average all buildings will see lower scores
- e. Comment: In more energy intensive building types, scores can be misleading because no matter how many prescriptive actions you take, performance will still appear lower
 - i. Follow up: For compliance purposes, a building can comply by reducing energy/water use and comparing performance against itself over time (can comply by reducing energy use by 15% within the 5-year reporting cycle)
- f. Comment: There should be an exemption for buildings who have gone through at least two cycles and have not been able to yield savings, even following the prescriptive pathway
 - i. Follow up: If this was included, an exemption model could be that the data that's published only shows that building is in compliance, not "punitive" performance data

11) Prescriptive Pathway Fee

- a. There will be a submission fee, amount TBD
- b. It would be a fee per application. CSJ will have to determine how multiple buildings on one parcel could get bundled into one application

12) Verifications

- a. The City will have in place processes for Portfolio Manager data check and internal QC
- b. Documents for audits and RCx need to be stamped by licensed professional engineer, which will both have an associated cost

13) Enforcement Fines

- a. Maximum amount TBD
- b. Ideally, the fine would be a similar cost to the measures a building would have to do to comply, so that it is not less expensive to be out of compliance

14) Schedule

- a. Year 1: >50k sqft report
- b. Year 2: both >50k and >20k report
- c. Year 3: >20k report
- d. Year 1 only includes >50K sqft buildings, because the City would want to do extensive outreach.
 - i. Comment: For AB802, year one compliance is at about 6,000 buildings, which may only be a representation of high performing buildings and not those that struggle more

- e. Comment: City will have to coordinate with CEC with rollout dates to ensure buildings do not have to “double report” in first year

15) Staffing

- a. 1 FTE plus fellow/intern

16) Next Steps

- a. Staff will brief City leadership and Council on proposed ordinance
- b. Staff will host a webinar update in September for the task force
- c. Staff can present at organization meetings; let us know if your membership is interested in this!
- d. Ordinance is scheduled to go to City Council in November; would welcome if letters of support, or for individuals to speak at meeting, even if just to attest that staff sufficiently involved stakeholders in the public process

17) Wrap-Up Questions

- a. Is there a place to post information or resources?
 - i. Follow up: There will be a website with resources, FAQs, etc. as well as contact information to get immediate phone/email assistance
- b. Is there a way for buildings to go beyond reducing energy by 15% every 5 years? Are there incentives to go beyond or could you carry extra savings on to the next year?
 - i. Follow up: If you are doing RCx now, but this ordinance doesn't go into effect until next year, there could be a way to go back and capture retroactive actions during the first compliance cycle
 - ii. Comment: City is exploring recognition strategies for high performing buildings also (awards, plaques, commendations, etc.)
- c. What if you simply cannot get a tenant to cooperate and authorize the release of their meter data?
 - i. Other ordinances have included language regarding this; the City wants to incorporate similar language, so that if a building owner can prove due diligence in collecting this data, they are not out of compliance
 - ii. In the case of AB802, if tenants don't provide usage data, buildings can complete a slightly different reporting process in Portfolio Manager (report building information, but not energy use)
- d. Is there a process to allow late reporting for emergencies?
 - i. There is often an extension fee which buildings can pay, allowing one to several more months to comply. This has often been comparable to one day of noncompliance fines
- e. Are program dollars or services that focus on commercial buildings coming through Silicon Valley Energy Watch (SVEW) or SJCE? (resources like rebates and incentives)
 - i. Staff are hopeful that this will happen in the future. Not sure if the San Francisco Energy Watch is funding the ordinance there. Community Choice Aggregations seem to be more focused on generation than energy efficiency, but may create programs related to the proposed ordinance at some point