

PUBLIC WORKS AND UTILITIES COMMITTEE

10-0537R

RESOLUTION CREATING THE PILOT HOME PERFORMANCE AUDIT PROGRAM, APPROVING PROGRAM GUIDELINES AND AUTHORIZING THE DIRECTOR OF PUBLIC WORKS AND UTILITIES TO ADMINISTER THE PROGRAM IN CONFORMANCE THEREWITH AT A COST OF NOT TO EXCEED \$30,000.

CITY PROPOSAL:

RESOLVED, that the city of Duluth hereby finds that:

(a) There is a need for all energy consumers to work to conserve valuable energy resources;

(b) It is in the best interests of the citizens of the city, both as the owner of a natural gas utility and as a part of the greater Minnesota community, to encourage such conservation;

(c) The city and Minnesota Power, a division of ALLETE, Inc., currently offer, at no cost, basic energy auditing services to users of natural gas and electrical services in the city;

(d) There is a need to offer more comprehensive home audit services to those consumers;

(e) It is in the best interests of the citizens of the city and of the state of Minnesota and therefore a public purpose for the city to join with MP in establishing and funding a more comprehensive energy audit program to encourage the conservation of energy resources, especially natural gas resources, in the city, and create an infrastructure of home performance auditors, air sealing contractors and insulation contractors;

(f) Because the program hereby established is untried, it may be necessary to adjust the program parameters based on the city's experience and the acceptance of the program by the targeted consumer groups.

FURTHER RESOLVED, that the city of Duluth does hereby establish the pilot home performance audit program as described in the program guidelines, a copy of which is on file in the office of the city clerk as Public Document No. _____.

FURTHER RESOLVED, that said program guidelines are hereby approved.

FURTHER RESOLVED, that the director of public works and utilities or his or her designee is hereby authorized to implement and administrate the pilot home performance audit program for up to 150 customers of the city's natural gas utility by April 1, 2011, under the terms and conditions set forth in said program guidelines, up to the amount of \$30,000, payable from the Public Works and Utilities Fund 555, Agency 500, Account No. 5441.

Approved:

Approved for presentation to council:

Department Director

Chief Administrative Officer

Approved as to form:

Approved:

Attorney

Auditor

PW&U/ATTY REA:dma 10/1/2010

STATEMENT OF PURPOSE: The purpose of this resolution is to establish a pilot home performance audit program, to establish guidelines therefore and to fund up to 150 program audits.

Currently the city offers basic home energy audit services to customers in conjunction with Minnesota Power ("MP") at no cost to customers. However, the existing program does not include blower door tests, thermal scans to identify building air leaks and insulation needs, combustion safety tests on fuel burning equipment and air distribution system leakage tests. Encouraging such testing is expected to greatly enhance the ability of the audits to accurately identify

areas where energy conservation measures could most productively be introduced.

Under the proposed program, the customer will select an energy auditing contractor from those contractors approved by the department director and Minnesota Power and will contract with the selected contractor for the audit services. Upon satisfactory completion of the audit work and provision of a copy of the audit report to the city and MP, the city and MP will share the audit program costs with the customer, provided that Comfort Systems will only share costs for the home performance audits if the home uses natural gas and that MP's contribution will depend on the home's heating source. Comfort Systems will pay \$200 for qualifying audit, Minnesota Power will pay up to \$200 depending on the home's heating energy source, and the customer will pay the balance to the home performance auditor/contractor. The city's \$30,000 cost of 150 pilot home performance audits will be in addition to funds budgeted for the home energy check-up audits.

The pilot home performance audit program may reduce the number of free home energy check-ups (standard audits) completed as Home Performance audits are completed in place of standard audits. The overall number of home audits will be monitored in the free home energy check-up and home performance programs to determine if the total number of audits are increased.

The pilot home performance audit program will be used to assess customer interest and participation levels, track auditor recommendations and customer implementation of recommendations, determine the market price of these enhanced audits, customer willingness to pay for a portion of their audit, and provide audit results for use in Comfort Systems' residential energy conservation loan program, Minnesota Power's residential programs, and the Duluth energy efficiency program.

Regulations of the state of Minnesota require that the city expend an amount equal to 1/2 of one percent of its gross revenues from the gas utility on energy conservation programs and reduce customer gas use by one percent of gross sales. A crucial component for sustainable and quantifiable program results is to establish a network of trained home performance auditors, and air sealing and insulation contractors that can serve homeowners seeking air leakage services. In addition, the city's present level of funding use would not meet the state's requirements and, if the city does not expend the entirety of the required amount, the state can require that the unused amount be given to them. This program is expected to increase the conservation savings from Comfort Systems' conservation programs as required by the State of Minnesota, office of energy security.

This resolution authorizes the creation of a pilot home performance audit program using diagnostic tools aimed at residential users. It would provide for comprehensive energy audits of such users, to be conducted to evaluate their various energy conservation needs and in the event that there are incentives based on quantifiable thermal energy savings, program participants would be required to work with air sealing and insulation contractors from an approved list. This program is intended to be a joint utility initiative to improve the overall energy efficiency of homes in the city of Duluth. Minnesota Power has filed its portion of the program with the Minnesota office of energy security, 2009/2010 CIP programs. The program cost will be spread between the utilities and the customer if the customer is served by Comfort Systems and Minnesota Power.

Audits would be performed for residential customers limited to the budget funds allocated by the council.