

RESOLUTION NO. 6326-2021

A Resolution of the City Council of the City of Sebastopol Determining Schedule of Rates and Fees, applicable to water service customers of the Utility participating in Water Upgrades \$ave (the Program) who meet the eligibility criteria specified in Section 1 below and receive service under the Program.

WHEREAS, the City of Sebastopol (City) owns and operates its own water production and distribution system drawing water from a series of wells located throughout the City and operating two reservoir facilities to provide water storage capacity; and

WHEREAS, the City Council has adopted a policy that the City be able to supply two times the water demand to ensure that the City has sufficient redundancy in the event of a facility malfunction or shutdown for maintenance, upgrade or repair; and

WHEREAS, on January 7, 2020, the City Council of the City of Sebastopol adopted Resolution No. 6279 to set new water and sewer rates for the City of Sebastopol Water and Sewer Utility effective January 7, 2020, and remain in effect until changed by the City Council; and

WHEREAS, Chapter 12.03 of the City's municipal code declares that, because of the conditions prevailing in the City, in the County of Sonoma, and/or the State of California, the public health, safety, and welfare require that the water resources available to the City be put to the maximum beneficial use to the extent to which they are capable, to promote water conservation and the efficient use of potable water furnished by the City, by eliminating intentional or unintentional water waste when a reasonable alternative solution is available, and by prohibiting use of equipment which is wasteful; and

WHEREAS, the City agrees to implement the Program in its jurisdiction by executing a Master Agreement with ABAG and adopting Water Upgrades \$ave Schedule of Rates and Fees,

WHEREAS, the Bay Area Regional Energy Network (BayREN) provides a regional Water Upgrades \$ave Program (Program) that provides a mechanism for the City's water utility customers to fund the installation of water efficiency improvements to a property using an on-bill charge applied to the customer's water bill and this charge is lower than the volumetric water bill savings resulting from the installation and for the property to meet code requirements while reducing water demand, and

WHEREAS, Water Upgrades \$ave provides project installation and financing services to eligible municipal water utility customers in partnership with the Association of Bay Area Governments (ABAG), which pays Program Contractors for approved project installations, notifies the utility to place the charge on the customer's bill, and manages daily program operations, and

WHEREAS, the City, provides on-bill charge initiation, tracking, and collection, and periodic ABAG repayment of all unpaid charges regardless of actual collection from the utility customer; and

NOW THEREFORE, BE IT RESOLVED, that the City Council of the City of Sebastopol approves and adopts the Water Upgrades \$ave Schedule of Rates and Fees set forth in Exhibit A.

IN COUNCIL DULY PASSED this 19th day of January 2021.

I, the undersigned, hereby certify that the foregoing Resolution was duly adopted by City of Sebastopol City Council following a roll call vote:

VOTE:

Ayes: Councilmembers Hinton, Rich, Slayter, Vice Mayor Gurney and Mayor Glass
Noes: None
Absent: None
Abstain: None

APPROVED:  _____
Mayor Una Glass

ATTEST:  _____
Mary Gourley, Assistant City Manager/City Clerk, MMC

APPROVED AS TO FORM:  _____
Larry McLaughlin, City Attorney

EXHIBIT A
WATER UPGRADES \$AVE SCHEDULE OF RATES AND FEES

Applicability

This Schedule of Rates and Fees is applicable to water service customers of Utility participating in Water Upgrades \$ave (the Program) who meet the eligibility criteria specified in Section 1 below and receive service under the Program.

Definitions

The definitions of capitalized terms used in this Fee Schedule are provided here.

ABAG Administration Fee: A percent charge on Project Costs paid to the Association for Bay Area Governments (ABAG) to support Program administration such as payment and accounting, expansion of services, dispute resolution, and reporting.

Capital Fee: A percent charge on Project Costs due to ABAG to recover financing costs for sourcing and administering capital.

Contractor Agreement: An agreement between a Program Contractor and the Program Operator that defines all contractor responsibilities, obligations, and payment terms.

Cost Recovery Period: The amount of time from the initial placement of the On-Bill Charge until the Total On-Bill Cost is paid.

Customer: Individual or entity/agency that is recorded on the water utility account at the City of Sebastopol at a specific Location.

Do-It-Yourself (DIY) Participant: Multifamily or commercial building owners who participate in the Program's DIY pathway, using their own staff or a contractor that is not a Program Contractor.

Improvements: Upgrades installed at the Location and approved by the Program Operator to deliver monthly utility bill savings.

Intent to Participate Form: An application signed by a potential Multifamily or Commercial Participant before a site visit can be scheduled stating the potential Participant's intent to participate in the Program and conditions for any Site-Visit Expense that may be charged to the potential Participant's water bill. Submission of an Intent to Participate Form is required for Multifamily and Commercial customers.

Location: The premise where Improvements will be/are installed.

Master Agreement: Program agreement between ABAG and the Partner Utilities.

Notice of Efficiency Charge: The notice to be attached to the property records at the appropriate County Recorder's Office regarding obligations associated with the Program, including requirements to pay the On-Bill Charge.

On-Bill Charge: The regular monthly charge on a Program Participant's or Successor Customer's bill for recovery of Total On-Bill Cost associated with Program Improvements at the Participant's or Successor Customer's Location.

Owner: Individual or entity/agency that owns the Location.

Participant: Customer of record on the water utility account at a Location who signs the Participant Agreement.

Participant Agreement: An agreement between the Customer of record at a Location with installed Improvement, the Owner of that Location if different from the Customer, the City of Sebastopol, and the Program Operator as applicable that defines all Customer or Owner benefits and obligations under the Program.

Partner Utility: Utilities that have signed the program Master Agreement.

Program: Services provided in exchange for the On-Bill Charge, including site visits, installation of Improvements, and administration.

Program Contractor: A licensed, bonded contractor that is approved to provide Program Services and abides by the terms of the Contractor Agreement.

Program Fees: Fees based on Annual Percentage Rate (APR) calculation, such as Capital Fees, ABAG Administration Fees, and Utility Fees.

Program Fees: Fees based on Annual Percentage Rate (APR) calculation for Capital, ABAG Administration, and Utility Fees.

Program Operator (Operator): The third-party Program administrator.

Project: The installation of Improvements at a particular Location

Project Costs: Normal costs associated with a single Location for Improvement installation, including labor and material costs and project administration, costs for customer enrollment and quality assurance/quality control. Project Costs do not include Situational Expenses, such as Repair Expenses and DIY Re-inspection Expenses.

Proposal Summary: A project description provided by the Program Operator on the cost-effective analysis of Improvements at a given Location. The summary includes the Cost Recovery Period, number of proposed Improvements, and estimated savings.

Re-inspection Expense: Cost associated with failed inspections for DIY Participant Projects.

Rental Notice for On-Bill Efficiency Improvements: A notice from the owner to a Successor Customer renting a Location with an active On-Bill Charge of the Program regarding benefits and obligations, including requirements to pay the Program’s On-Bill Charge.

Repair Expense: Cost associated with fixing installed Improvements within the Improvement’s Cost Recovery Period.

SB 407 Compliance Report: A compliance report provided to all potential Participants who receive a Site Visit or Participants installing Improvements stating a project’s level of compliance with California Senate Bill 407.

Site Visit: A visit made by a Program Contractor to a multifamily or commercial location to assess opportunities to effectively install Improvements at the location in accordance with Program requirements and inform the development of a Proposal Summary.

Site-Visit Expense: A cost paid to the Program Contractor to compensate for performing a Site Visit to a multifamily or commercial location where the customer declines to participate, cancels, or chooses the DIY pathway. This expense is added as a one-time, single line item charge on the water bill and the customer will receive a complimentary SB407 Compliance Report.

Situational Expenses: Costs associated with the extension of a Participant’s or Successor Customer’s On-Bill Charge based on situational requirements, such as Repair or DIY Re-inspection.

Successor Customer: The new City of Sebastopol customer of record accepting water service at a Location during the Cost Recovery Period.

Total On-Bill Cost: The total Project Costs, Program Fees, and applicable Situational Expenses, including Site Visit Expenses, DIY Re-inspection Expenses, and Repair Expenses charged to a Location over the Cost Recovery Period.

Utility Fee: An optional percent charge on Project Costs paid to the City of Sebastopol to recover costs for supporting Program Services.

Fees, Charges, and Expenses

Type of Fee	Amount	Detail
On-Bill Charge	Varies by Location	Fixed charge based on Project Costs, ABAG Administration Fee, Capital Fee, Utility Fee, and the Cost Recovery Period
Project Costs	Varies by Location	Varies based on number of Improvements, labor and material costs, quality assurance, contractor oversight, and permits
ABAG Administration Fee	1 percent of Project Costs	Services include dispute resolution, reporting, accounting, and Program expansion

Type of Fee	Amount	Detail
Utility Fee (Optional)	Up to 2 percent of Project Costs	Fee is paid to the Utility based on number of projects completed in its jurisdiction each month
Capital Fee	2 percent of Project Costs	Services include acquiring and providing capital; cost of capital
Site Visit Expense	\$200 plus \$10 per unit	The expense for an on-site project assessment and SB407 Compliance Report; paid to the Program Contractor
Re-Inspection Expense	\$150 plus \$10 per unit	Cost per visit for failed quality assurance or quality control inspections; debited from amounts due to the Program Contractor or billed to DIY Participant
Repair Expense	\$150 per hour	Recovered by extending the Cost Recovery Period as long as Improvements are functioning

Application

- 1.0 Eligibility:** Eligible on an optional and voluntary basis to Customers of the utility (City of Sebastopol) with accounts in good standing for 12 months, or the duration of their utility service if their account has been open less than 12 months, who request installation of water efficiency Improvements at their Location as an essential utility service.
- 2.0 Participation:** To be a Participant in the Program, a Customer must: (1) be pre-qualified by the Program Operator (Operator), (2) agree to pay On-Bill Charges as described in the table under Fee, Charges, and Expenses, (3) receive a Proposal Summary from the Program Operator, and (4) sign a Participant Agreement that defines Customer benefits and obligations.
- 2.1 Premise Ownership:** If the Participant is not the Owner of the premises, the Owner must sign and abide by the Owner Agreement.
- 2.2 Notice of Agreement:** The Owner must agree in writing as part of the Participant Agreement (if the Owner is the Customer) or Owner Agreement (if the Owner is not the Customer) to having a Notice of Agreement attached to their property records at the appropriate County Recorder's Office.
- 2.3 Notice for Leased Location:** If the Owner of a Location with installed Improvements leases the Location to a Successor Customer, Owner must notify the Successor Customer of Program benefits and obligations, including requirements of the Program's On-Bill Charge as described in Section 7, using a Rental Notice for On-Bill Efficiency Improvements. Failure to obtain Successor Customer's signature on the Rental Notice for On-Bill Efficiency Improvements prior to the Successor Customer taking occupancy will constitute the Owner's acceptance of consequential damages and permission for Successor Customer to break their lease or rental agreement

without penalty. Owner must also include discussion of the obligation to pay the On-Bill Charge in the terms through which the Success Customer leases or licenses the premise.

- 2.4 Do-It-Yourself (DIY) Option:** Multifamily or Commercial Participants may choose to have their own staff or contractor install Program-approved Improvements at the Participant's expense while the upfront cost of Improvements is otherwise covered by the Program. Participants choosing the DIY Option must sign an Intent to Participate Form to notify the Operator of an intent to sign a Participant Agreement prior to any consideration of their participation. If the Participant chooses the DIY option, the Participant will pay the Site-Visit Expense as described in Section 3.4.

- 3.0 Proposal Summary:** Based on customer reported information and findings from the Site Visit as applicable for multifamily and commercial locations, the Program Operator shall perform a cost-effectiveness analysis and prepare a Proposal Summary to install Improvements identifying recommended upgrades to improve water efficiency and lower utility costs. Customers who receive a site visit from the Program Contractor and decline to participate in the Program will receive a one-time charge for the visit and receive a SB 407 Compliance Report as described in the table under Fees, Charges, and Expenses.

- 3.1 Incentive Payment:** The On-Bill Charge to install Improvements may be offset with a City of Sebastopol subsidy for Program participation that is less than or equal to the value of the Improvements to the City of Sebastopol or any rebate that is available to all Customers who install a specific Improvement.

- 3.2 Net Savings:** Improvements shall be limited to those where the annual On-Bill Charges are no greater than 80 percent of the estimated annual Participant utility bill savings based on current rates for water and sewer and other utility services (e.g., gas or electric).

- 3.3 Copay Option:** In order to qualify proposed Improvements that are not sufficiently cost effective to meet the requirements in Section 3.2, Participants may agree to pay an upfront payment, or copay, to the Program Contractor for the portion of the Project Cost that exceeds the maximum amount determined to meet Section 3.2 requirements. The City of Sebastopol will assume no responsibility for such copay payments to the Program Contractor.

- 3.4 Site-Visit Expense:** All Owners of multifamily or commercial premises who sign an Intent to Participate Form will be charged a Site-Visit Expense if they decline to sign a Participant Agreement to install any Improvements or opt to become DIY Participants after receiving a Site Visit from a Program Contractor and Proposal Summary that resulted in estimated immediate savings without co-pay.

- 3.5 Existing Buildings:** Projects that propose Improvements to existing buildings deemed unlikely to be habitable or to serve their intended purpose for the City of Sebastopol's Cost Recovery Period

will not be approved unless other funding can pay for repairs needed to qualify the building for the Program (e.g., rotted floors, deteriorated plumbing distribution system). If a building is a manufactured home, to be eligible it must be built on a permanent foundation and fabricated after 1982, when comprehensive federal standards were approved.

- 4.0 Program Operator:** The City of Sebastopol will sign a Master Agreement with the Association of Bay Area Governments (ABAG). This agreement defines the City of Sebastopol's relationship to ABAG, which will provide the financing service, and the Program Operator, who will implement the Program.

- 5.0 Program Contractor:** Should the Participant decide to proceed with implementing the Proposal Summary, the Program Operator shall determine the appropriate monthly On-Bill Charge as described in Section 7.0. The Participant shall sign a Participant Agreement and may be appointed or select a contractor from the Program Operator's list of Program Contractors. Participants choosing the DIY option may not hire Program Contractors to install Improvements.

- 6.0 Project Close Out:** When installation of Improvements is completed, the Program Contractor shall notify the Program Operator in accordance with their Contractor Agreement. Following on-site or telephone inspection and approval of the Improvement's installation by the City of Sebastopol or the Program Operator, the Program Operator will arrange for Program Contractor payment. The Program Operator will notify DIY Participants of the status of project close out, quality control inspections, and when On-Bill Charges will be authorized within three days of receiving the invoice for Improvements. DIY Participants must notify the Program Operator when their staff or contractor has completed the installation of the Improvements or be subject to Section 7.1.

- 7.0 On-Bill Charge:** The City of Sebastopol will recover the cost for its investments, including any fees as allowed in this Schedule, through a monthly On-Bill Charge assigned to the Location where Improvements are installed and paid by Participants or Successor Customers occupying that Location until the Total On-Bill Cost has been recovered. On-Bill Charges will be set for a Cost Recovery Period not to exceed 80 percent of the estimated life of the Improvements or the length of a full parts and labor warranty, whichever is greater and in no case longer than ten years. If proposed Improvements are sufficiently cost effective such that they can meet the requirements of Section 3.2 with a shorter Cost Recovery Period, the Participant or Successor Customer may request a shorter period. The Total On-Bill Cost and Cost Recovery Period will be included in the Participant Agreement.

- 7.1 Cost Recovery:** For DIY Participants, the City of Sebastopol will begin billing On-Bill Charges 45 days after the Program Operator notifies the DIY Participant of receipt of the invoice for Improvements, regardless of whether the installation of those Improvements has been completed or approved. On-Bill Charges for all other Participants or Successor Customers will begin no sooner than 45 days after project close out approval by the Project Operator. The City of Sebastopol will bill and collect On-Bill Charges until cost recovery is complete, except in cases

discussed in Section 8. Prepayment of unbilled charges will not be permitted to facilitate installed Improvements remaining and continuing to function at the Location for at least the Cost Recovery Period.

- 7.2 Ownership of Improvements:** The City of Sebastopol will retain ownership of the Improvements while On-Bill Charges are being billed at the Location where Improvements have been installed. At the termination of On-Bill Charges, ownership transfers to the Location owner.
- 7.3 Maintenance of Improvements:** Participants and building owners (if the building owner is not the water customer) agree by signing the Participant Agreement or the Owner Agreement to keep the Improvements in place for the Cost Recovery Period, maintain the Improvements per manufacturers' instructions, not damage the Improvements (or let Participants' or Owners' tenants, guests, or invitees damage them), and immediately report failure of any Improvements to the Operator or City of Sebastopol. If an Improvement fails, the Operator or City of Sebastopol shall determine the cause of failure and is responsible for repairing the Improvements in a timely manner as long as the Participant or owners' tenants, guests, or invitees did not damage the Improvements, in which case the Participant or Owner will reimburse the City of Sebastopol as described in Section 8.
- 7.4 Termination of On-Bill Charge:** Once the City of Sebastopol's Total On-Bill Cost for Improvements at a Location have been recovered, the On-Bill Charge shall no longer be billed, except as described in Section 8.
- 7.5 Vacancy:** If a Location at which Improvements have been installed becomes vacant for any reason and water service is disconnected, On-Bill Charges will be suspended until a Successor Customer takes occupancy. If an Owner maintains water service at the Location, the Owner will be billed On-Bill Charges on the water bill.
- 7.6 Extension of On-Bill Charge:** If the On-Bill Charge is reduced or suspended for any reason, the number of total monthly payments shall be extended as long as the Improvement is still functioning, until the total On-Bill Charges collected equal the Total On-Bill Cost for the Installation as described in Section 7, unless the City of Sebastopol waives remaining charges as described in Section 8.
- 7.7 Tied to the Location:** Until cost recovery for Improvements at a Location is complete or the City of Sebastopol waives remaining charges as described in Section 8, the terms of this schedule shall be binding on the Location and any Successor Customer who shall receive service at that Location.
- 7.8 Collections:** Without regard to any other state or utility rules or policies, the On-Bill Charge shall be considered as an essential part of the Participant's or Successor Customer's bill for water and or wastewater service, and the City of Sebastopol may pursue cost recovery according to all authorized collection practices and rate setting authorities, including but not limited to

disconnection of service to the Location for non-payment of On-Bill Charges under the same provisions as for any other utility charges for essential services and cost recovery from all rate-payers. If service is disconnected for Participants or Successor Customers on pre-paid payment plans (e.g., low and moderate income), On-Bill Charges will be pro-rated by the day.

8.0 Repairs: Should at any future time during the billing of On-Bill Charges the Program Operator or City of Sebastopol determine that the installed Improvements are no longer functioning as intended and that the Participant, Successor Customer, occupant, or building owner, did not damage or fail to maintain the Improvements in place, the City of Sebastopol shall reduce or suspend the On-Bill Charges until such time as the Program Operator and/or a Program Contractor can repair the Improvements. If the Improvement cannot be repaired or replaced cost effectively, the City of Sebastopol will waive remaining charges.

If the City of Sebastopol or Program Operator determines the Participant, Successor Customer, occupant, Owner, or Participant's, Successor Customer's, occupant's or Owner's tenants, invitees, or guests damaged or failed to maintain the Improvements in place as described in Section 7.3, it will seek to recover the Total On-Bill Cost associated with the Installation, including any fees, incentives paid to lower Project Costs, and legal fees. The On-Bill Charges will continue until City of Sebastopol cost recovery is complete.