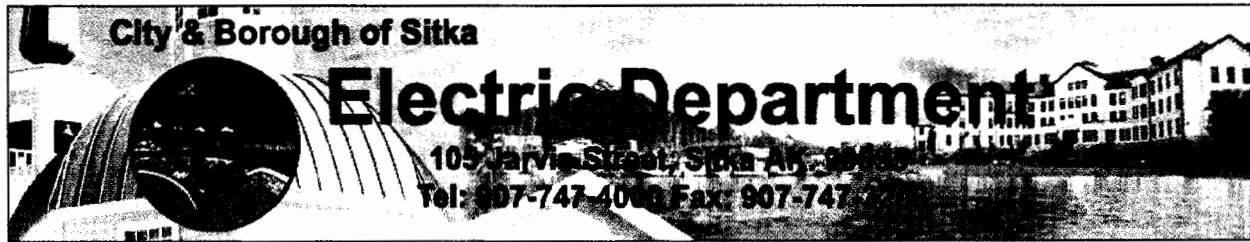


## **POSSIBLE MOTION**

**I MOVE TO** approve Ordinance 2014-10 on first reading.



April 15, 2014

To: Mark Gorman, Municipal Administrator  
From: Christopher Brewton, Utility Director

**Subject: Residential Energy Star Heat Pump Rebate Program**

I request Assembly approval to authorize the Municipal Administrator to establish a Residential Energy Star Heat Pump Rebate Program and provide \$50,000 in funding from CIP #90628 - Demand Side Load Management.

The heat pump rebate program serves multiple purposes; it provides an opportunity for our customers to deal with increasing utility costs by lowering home heating costs (displacing fuel based heating systems with electric heat), increases our system load/revenue, stimulates local investment in heat pump services, provides tax revenue to the general fund, promotes a positive image of the City's commitment to help with rising utility costs, and on those occasional balmy summer days, the heat pump functions as an air conditioner.

Unlike, the Appliance Rebate Program previously completed by the Department, this program will focus solely on heat pump installations for residential customers only. And unlike the previous program, only home owners that switch from fuel-based systems (oil, gas, wood) to an Energy Star rated heat pump would be eligible for a rebate.

To maximize the benefit to as many customers as possible, I recommend the rebate be set at \$750 - \$1,000 per installation, depending on the size of the heat pump, Fifty customers switching to heat pump systems would generate an estimated \$32,313 in annual revenue, assuming a mix of 20 small (12,000 BTU), 20 medium (24,000 BTU), and 10 large (36,000) units. Payback would occur in approximately 1.54 years.

The Demand Side Load Management Project was approved during the period we were experiencing hydroelectric capacity shortages; with the objective to reduce the need for supplemental diesel generation. As the Blue Lake Expansion Project nears completion, use of remaining project funding to encourage heat pump installation is a logical nexus to encourage prudent use of our increased hydroelectric capacity.

**Recommendation:**

I recommend the Assembly authorize the Municipal Administrator to execute the implementation of a Residential Energy Star Heat Pump program and authorize funding accordingly.

**CITY AND BOROUGH OF SITKA**

**ORDINANCE NO. 2014-10**

**AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AMENDING SITKA  
GENERAL CODE CHAPTER 15.01. ENTITLED “ELECTRIC UTILITY POLICIES”  
BY ADDING A NEW SECTION 15.01.090 ENTITLED “REBATE PROGRAM FOR  
ELECTRIC HEAT PUMP HEATING SYSTEMS”**

1. **CLASSIFICATION.** This ordinance is of a permanent nature and is intended to become a part of the Sitka General Code (“SGC”).

2. **SEVERABILITY.** If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstance shall not be affected.

3. **PURPOSE.** The City and Borough of Sitka must maximize effective utilization of available hydroelectric generation. Consequently, supplemental diesel generation will be necessary to meet system requirements. Supplemental diesel generation is both expensive and produces harmful emissions. Re-enacting a rebate program to encourage residential consumers to replace non-electric fuel-based systems such as oil or propane fired heating systems with electric heat pump heating systems will effect full utilization of limited hydroelectric generation. This has and will yield significant benefits in managing system load, lessen the need for supplemental diesel generation, and lower the ratepayer’s overall utility and energy costs. Further, re-establishment of a rebate program demonstrates the City and Borough of Sitka’s commitment to improve energy efficiency and promote energy conservation.

Various types of rebate programs have been offered by the State of Alaska and in other communities throughout the United States to reduce electrical costs and facilitate energy savings. Sitka successfully offered a program back in 2012. Currently, there are some funds available for this program.

4. **ENACTMENT. NOW, THEREFORE, BE IT ENACTED** by the Assembly of the City and Borough of Sitka that the SGC 15.01 is amended by adding a new Section 15.01.090 to read as follows (new language underlined; deleted language stricken):

**Chapter 15.01  
ELECTRIC UTILITY POLICIES**

Sections:

- 15.01.005 Definitions.
- 15.01.010 Statement of purpose.
- 15.01.015 Construction guidelines.
- 15.01.020 Electrical rates.

- 46 15.01.025 Customer and city rights and responsibilities.
- 47 15.01.030 Billing—Credit—Deposits—Fees.
- 48 15.01.035 General requirements.
- 49 15.01.040 Service connections.
- 50 15.01.045 Line extension.
- 51 15.01.050 Subdivisions.
- 52 15.01.055 Mobile home parks, RV parks, private marinas and boat docks.
- 53 15.01.060 Rental structures.
- 54 15.01.065 Motors and controllers.
- 55 15.01.070 Undesirable characteristics.
- 56 15.01.075 Special equipment.
- 57 15.01.080 Customer generation.
- 58 15.01.085 Carrier current.
- 59 15.01.090 Rebate program for electric heat pump heating systems.

\* \* \*

**15.01.090 Rebate program for electric heat pump heating systems.**

- A. General Requirements. All residential customers are eligible to participate in the rebate program, subject to the rules and procedures developed by the Electric Department, and funding of the program.
- B. Eligible Equipment. Only the following products are eligible for the rebate program:
  - 1. Energy Star electric heat pump heating system that replaces an existing fuel-based heating systems if it is the primary heating source for the residence.
- C. Rebates. Residential customers requesting a rebate shall submit a signed rebate request using Electric Department forms within 90 days of the purchase of the rebate eligible product. Rebates will be issued within 60 days of receipt of the form to any eligible customers that meet the terms and conditions of the program.
- D. Disposal. Proper disposal of replacement systems must be documented to be eligible for the rebate program.
- E. Funding. The rebate program is subject to available funding.

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5. **EFFECTIVE DATE.** This ordinance shall become effective the day after the day of its passage.

**PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and Borough of Sitka, Alaska this 12<sup>th</sup> day of May, 2014.

\_\_\_\_\_  
Mim McConnell, Mayor

ATTEST:

\_\_\_\_\_  
Colleen Ingman, MMC  
Municipal Clerk