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About the cover: Peter Oliver, owner of Make Mine Electric, sits in a converted Replica 1958 Porsche 356 Speedster. [Duncan Garrett Photography]



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FINANCING A GREENER WORLD

The Sonoma County Energy Independence Program
benefits businesses, homeowners and the planet.

By Patricia Dines

The Healdsburg home of Deke and Ann DeKay now proudly displays a 5-kilowatt solar photovoltaic (PV) system, which trims both their electric bill and their greenhouse gas (GHG) emissions. It's a story we've heard before, but this time it has a fresh twist—the couple funded this project through a new and unlikely source: local government.

The DeKays were the first customers who applied (in March 2009), when the Sonoma County Energy Independence Program (SCEIP), the first program of its kind, began offering \$100 million in financing to businesses and homeowners for projects

that increase energy efficiency, conserve water or produce renewable energy. Different than a traditional loan, SCEIP financing offers unique features that can make it more accessible and attractive, especially for people having difficulty getting funding in today's tight credit market or those who might sell their building within a few years.

In addition to encouraging more eco-improvement projects, this fiscal flow is also creating work for struggling local contractors, boosting our area's economy and encouraging vital change for the planet.



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The birth of a program

SCEIP developed from a seed idea to a full-fledged program in a surprisingly short period of time. It was initially made possible in July 2008 by California's AB811 legislation, which allowed for municipal financing (with repayment through the property tax system) to help achieve the AB32 goal of trimming state GHG emissions to 1990 levels by 2020 (see "Change Is in the Air," Feb. 2009).

In September 2008, after County staff had explored the possibility of creating a program here, the Sonoma County Board of Supervisors initiated a feasibility study. By March 25, 2009, SCEIP was open for business, a county-level implementation of AB811.

SCEIP BASICS FOR PROPERTY OWNERS

- Financing is available for improvements to existing homes and commercial buildings in Sonoma County. It's not for new construction or mobile homes.
- Funds can be used for a wide variety of projects to improve energy efficiency, conserve water and generate renewable energy. This includes insulation, duct-sealing, on-demand water heaters, low-flow showerheads and toilets, more efficient windows and heating systems, irrigation controllers, cool roofs, solar panels and thermal equipment, geothermal exchange heat pumps, customer electric vehicle plug-in stations and innovative "custom" efficiency and generation projects. Items must be permanently attached to the property, so appliances such as dishwashers don't qualify.
- Owners don't pay up-front capital costs and have fewer credit restrictions than with standard financing. The minimum funded amount is \$2,500. Finance periods can be five, 10 or 20 years (depending on the amount to be financed). Interest starts accruing on the date the lien is attached and is currently a simple fixed rate of 7 percent. The SCEIP website has a handy calculator for estimating one's annual repayment amounts.
- Financing is a voluntary assessment added to one's property tax and paid over time. Also, SCEIP financing does not, in itself, trigger a property reassessment, which can happen when the square footage of a structure is increased during a remodel.
- The assessment stays with the property, not the person, so when the property is sold, the new owner takes over payments, as they now benefit from the improvement.
- For more specifics about the application process, see the SCEIP contact information in the Resources sidebar (page 30).
- Caution: Pay attention to cash flow. SCEIP helps reduce one's monthly utility bill, but the repayment is made through the bi-annual property tax bill. To avoid an unsettling tax bill surprise, consider setting aside monthly what's being saved in utilities or ask your lender if you can include the added property taxes in your monthly mortgage payment.

Strong and immediate customer interest has validated the county's innovative actions. As of June 19, SCEIP has already received more than \$8.5 million in improvement applications. Liz Yager, SCEIP's daily operations manager, reports "great success in meeting our expectations for volume."

Completing the DeKays' project also happened quickly, taking only six weeks from their application's submission on opening day March 25, through approval, installation and final payout on May 6.

The couple's solar system started with a \$40,000 price tag, which was reduced by a California Solar Initiative rebate of about \$8,200 and a federal tax credit of about 30 percent of the after-rebate cost. With a final financed cost of \$25,500, the system is expected to cut their electric bill between 55 and 75 percent and prevent 13,451 pounds of carbon dioxide (CO₂) emissions, the equivalent of trimming 13,246 driving miles per year.

Jason Almirol, sales manager for Sebastopol's Solar Works (who installed the system), observes that people can be "a little skeptical when new programs roll out. [So] I think actually seeing a real check being cut and people taking advantage of it [shows that] there's a system and it works."

A new opportunity for contractors

Contractors are quickly recognizing that SCEIP can help them serve customers and generate more business. Solar Works has been "getting a lot of interest" in the program, says marketing manager Lisa Richie. "There's not much up-front cost for customers," she notes, so "a lot more people can make solar a reality."

Tom Thomason, owner of Petaluma's Thomason Mechanical & Design, which installs HVAC and solar systems, appreciates that SCEIP gives customers "another avenue to be able to do the right thing, which is put in high-efficiency products" even if they're more expensive.

He says, "If you put in a low-efficiency furnace because that's all you can afford today, the reality is, even though that homeowner may not be living in it in two more years, that house is going to have that furnace in it for the next 20 to 25 years, as inefficient as it is, [because] it still works."

Thomason, who's been "in the trades" for 29 years, indicates that, even if you only save 15 percent on energy costs, "if everybody on your block could save 15 percent on their fuel, it all would start adding up."

Thomason has familiarized himself with the SCEIP process so he can walk his customers through it. "We figure we'll become the experts on the paperwork, because we're going to do it so many times."

A unique SCEIP feature that Thomason especially values is that responsibility for repaying SCEIP's financing stays with the house, not the person. Thus, when a property is sold, the new owner takes over payments, because he or she is also receiving the lower utility bill.

The result, he says, is "the right product can go into that house" even if the owner is planning to move within a few years or is buying the house just to improve and resell it. "I think it's brilliant," he concludes.

Liz Yager, SCEIP's daily operations manager, poses with the company's forward-thinking mascot, Wilson the Worm. [Duncan Garrett Photography]

Asked by phone why he's so passionate about increasing efficiency, Thomason replies, "Well, I'm very in touch with the environment and what's going [on with it]. I'm standing here in Alaska right now, looking at glaciers that are disappearing as we speak. It's a huge thing we've done to the world, so we have to start changing it."

Showdown at the GHG corral

The environment is a key reason the county created the self-supporting SCEIP program, to help us reach our local goal of lowering countywide GHG emissions to 25 percent below 1990 levels by 2015. Sonoma county-based nonprofit Climate Protection Campaign (CPC), which, in 2005, partnered with all nine cities and the county to establish that goal, more recently co-authored a letter to the Board of Supervisors encouraging SCEIP's adoption.

Ann Hancock, CPC's executive director, explains "we need to retrofit 80 percent of Sonoma County's homes in the next six years" to meet these reduction targets. She calls SCEIP "an essential financing tool" that "helps overcome economic barriers for property owners to retrofit their homes and businesses."

CPC's Cool Schools Coordinator Maitreyi Siruguri says, "Energy efficiency is a key component of the [CPC's] Sonoma County Community Climate Action Plan. Through efficiency, each household can save hundreds of dollars while protecting the climate for future generations." The CPC Plan also calls for switching from fossil fuels to renewable energy.

Refining program implementation

Along with its successes, SCEIP's rollout has also had its challenges. Because it's such a new and innovative program, says Amy Bolten, public information officer for the Sonoma County Water Agency (which helped spearhead SCEIP), "multiple issues come up every day that we haven't thought of, and we have to figure out how to handle them on the fly while not delaying everything." To continue refining the program and keep it on track, a cross-departmental steering committee meets weekly to discuss and solve issues.

Bolten adds, "This program's only going to succeed if it's highly successful in the customer service area.

We try really hard to make it a retail program, not a typical government program that's laden with red tape. But we're forging a brand new path here."

Both Thomason and Almirol praise the County's receptiveness to suggested system improvements, such as contractor payment logistics.

Almirol says, "We really see that the County is interested in making it a successful program for all parties involved, and having that feedback loop shows a lot of cooperation. That's a recipe for a successful, long future for this program."

SCEIP's Yager adds that she especially enjoys this process of developing "something totally new," solving problems and making it better, which is reminiscent of her past job as a process engineering manager at Palo Alto's



Hewlett Packard (HP).

It was just two years ago, after having left HP to be a golf pro in Sonoma County, that she saw Al Gore's movie "An Inconvenient Truth" and was inspired to take action on global climate change. She educated herself about sustainability through books, conferences and "surfing the web"; volunteered at CPC

and the Leadership Institute; then joined the County's Energy and Sustainability Division last December.

"And then this happened," she laughs. "So it's kind of a wild place to be right now!"

Scoping the project

The first step for a building owner making an energy, waste or water efficiency investment is to identify which improvements will produce the best results incorporating financial, environmental and social impacts. Ken Kurtzig, CEO of Marin's sustainability consulting firm iReuse, observes that most companies use an "Elmer Fudd," scattershot approach to sustainability. "They sneak up and just shoot," he says.

To help people better prioritize possible projects, SCEIP offers various online assessment tools at www.sonomacountyenergy.org, under the link "Evaluations." SCEIP also strongly recommends an onsite energy and water audit to more specifically identify potential upgrades, costs and savings in both energy and money. Audits are optional for homeowners, but utility "evaluations" are required for commercial sites and are also usually offered free by utility companies, including PG&E. Free onsite water audits are also available from many water providers. Any additional audit costs can be rolled into the financing.

Yager says, "I always try to inform people about the advantages of getting a comprehensive test of their building environment so they can make an informed decision about what their options are."

Kurtzig has seen his clients receive notable financial return from well-targeted efficiency investments. This includes seven commercial office buildings that reduced their waste bills by 82 percent and increased their diversion from landfill by 85 percent.

He encourages people to look first for the most cost-effective

RESOURCES

- SCEIP

www.sonomacountyenergy.org

(707) 521-6200

404 Aviation Blvd., Santa Rosa.

It's open Monday through Friday, 8 a.m. to 5 p.m.

- PG&E

www.pge.com

(707) 577-1080

- Go Solar California

www.gosolarcalifornia.org

A "one-stop shop" for information about solar purchase incentives, including the California Solar Initiative, rebates and federal investment tax credits.

- Climate Protection Campaign

www.climateprotectioncampaign.org

This nonprofit's site has information about its Community Climate Action Plan and Sonoma County's GHG targets.

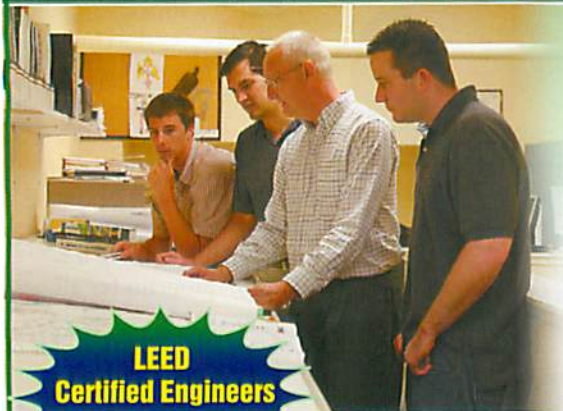


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projects. For instance, an analysis he did for one commercial client showed that a solar PV system would cost \$85,000 (after rebates) and reduce energy use by 9 percent, giving a 10-year payback period. However, if the company replaced all its light bulbs with energy-saving compact fluorescent lights (CFLs) instead, its cost would be half that, \$43,000, but energy use would drop a whopping 34 percent, for a significantly faster 2.7-year payback.

Thus, Kurtzig gave his client the same advice most solar folks offer: implement energy efficiency before installing solar, per the industry mantra, "reduce then produce."

Other efficiency improvements that can offer immediate savings include adding insulation to reduce demand on a heating/cooling system, upgrading an HVAC or hot water heater, and adopting water conservation measures.

Signing up with SCEIP

Once property owners have identified potential projects and costs, they can explore which funding source they'd like to use. Various loan options can let owners avoid up-front costs and lower their energy bills, thus shifting an expense into an investment in one's property.

One of SCEIP's advantages is it has fewer restrictions than traditional financing; for instance, it's not based on one's credit rating or annual income. The applicant is just required to own the

property free of involuntary liens and be current on their property taxes. The property can't be involved in a bankruptcy, and proposed costs need to be reasonable for the project and property. Additionally, commercial properties need lender consent and a utility evaluation. Any licensed contractor can perform work

under this program. (See sidebar, "SCEIP Basics for Property Owners" on page 28 for specifics.)

Kurtzig also suggests tenants wanting to make improvements can propose them to their landlord by offering to share costs, presenting evidence of increased property value, suggesting attractiveness to future renters or including modifications in lease negotiations.

Creating a new future

Over the past few years, because of many people's pioneering work, environmental action has gone mainstream, and increasing numbers of people are seeking to

integrate earth wisdom tangibly into their everyday lives.

Programs like SCEIP provide tools for doing just that, while also demonstrating what's possible when government, business and environmental folks find ways to constructively collaborate for the well-being of all. ■



Ann and Deke DeKay were the first to apply for SCEIP's innovative loan program.

Please email comments to editor@northbaybiz.com

REALTY

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How is your post-recovery tab going to cash out?

MENU OF SPEAKERS:

Peter Yesawich, Y Partnership
Beth Ziesenis, CheapskateFreelancer.com
Rob Eyler, PhD, Sonoma State University
Scott Becker, Global Wine Partners, LLC
Lisa deBruin, Hahn Family Winery



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