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School Energy Efficiency Stimulus Program Workshop

California Energy Commission
April 28, 2021
Welcome and Opening Remarks

California Energy Commission
• Commissioner Karen Douglas, J.D.
• Commissioner Andrew McAllister, Ph.D.

California Public Utilities Commission
• Commissioner Genevieve Shiroma
Virtual Housekeeping

• Workshop/hearing conducted remotely via Zoom
• 3 ways to comment:
  • Use the “raise hand” feature in Zoom
  • Over the telephone: dial *9 to “raise hand” and *6 to mute/unmute your phone line
  • Type your question in the Q&A window
• Please limit comments to 3 minutes
• Written comments due May 7, 2021
• Submit through the e-commenting system at: https://efiling.energy.ca.gov/EComment/EComment.aspx?docketnumber=20-RENEW-01
Workshop Agenda

• Program Status and Overview
• Program Budget Allocation in Utility Service Territories
• Funding Award Allocations and Consideration of Maximum Grant Awards
• Reasonable Costs for Assessment and Maintenance Grants
• Challenges with Contractor Estimates
• Alternative Technical Requirements for Obsolete/Non-functioning Equipment
• Public Comment
• Next Steps
Program Status and Overview
Background: AB 841

- Assembly Bill 841 Signed by Gov. Newsom in September 2020
  - Authorized (in part) the School Energy Efficiency Stimulus (SEES) Program
- SEES Includes 2 Grant Programs:
  - Assess, maintain, and repair or replace ventilation systems
  - Replace aging and inefficient plumbing fixtures and appliances
- CEC is Program Administrator
  - Coordinating with Large Electric and Gas Utilities Funding the Program and CA Public Utilities Commission
Status - Implementation Progress

- **January 20/21** – Staff Draft Guidelines Posted (both programs)
- **January 22** – SEES Program Workshops
  - Public Comment Period through February 5
- **March 19** – Revised Staff Draft Guidelines Posted (ventilation program)
  - Public Comment Period through March 26
- **March 26** – Revised Staff Draft Guidelines Posted (plumbing program)
  - Public Comment Period through April 2
- **March/April** – Additional Stakeholder Communications
Eligible Applicants to be limited to California LEAs

An LEA is defined as either:

• A school district as defined in Section 41302.5 of the Education Code, which includes:
  • county boards of education
  • county superintendents of schools
  • direct elementary and secondary level instructional services provided by the state, including the Diagnostic Schools for Neurologically Handicapped Children as established pursuant to Article 1 (commencing with Section 59200) of Chapter 3 of Part 32 of the Education Code

• A charter school that has been granted a charter pursuant to Part 26.8 (commencing with Section 47600) of Division 4 of Title 2 of the Education Code
Program Overview - Eligible Sites

• LEAs may apply for grants to conduct activities at schools that:
  • Are on a site owned by the LEA.
  • Are on a publicly owned site, such as a site owned by a school district or other public entity, whether or not the LEA has a lease with that entity.
  • Are on a privately owned site, for which there is a lease with a term that exceeds the duration of the program, ending after December 1, 2026.

• In addition to the criteria above, a site must have an HVAC system defined as any air-handling units, rooftop units, and unitary and single zone equipment in a site’s HVAC system or systems, as described in PUC Section 1622. (ventilation program)
**Program Overview - Priority Eligibility**

- "Underserved community" means a community that meets one of the following criteria:
  - A “disadvantaged community” as defined by subdivision (g) of Section 75005 of the Public Resources Code.
  - Included within the definition of “low-income communities” as defined by paragraph (2) of subdivision (d) of Section 39713 of Health and Safety Code.
  - CalEnviroScreen score of 75 or higher
  - ≥75% of students eligible for FRPM under National School Lunch Program.
  - Located on lands belonging to a federally recognized California Indian tribe.
SEES Program – Ventilation Program

Provides funding to assess, maintain, and repair heating, ventilation, and air conditioning (HVAC) systems in public schools, prioritizing schools in underserved communities.

Revised Staff Draft Guidelines:

• Initial phase of program awards limited to HVAC Assessment and Maintenance Grants.
• All project requirements must be completed. No funding for partial projects.
• Grant award will be amount requested by LEA and verified with a contractor’s estimate.
• Contractor’s estimate must only be for reasonable costs of project requirements.
• LEA may request advance payment of up to 50% of the grant award.
SEES Program – Plumbing Program

Provides funding to replace aging and inefficient plumbing fixtures and appliances with water-conserving plumbing fixtures and appliances in public schools and state agency buildings, prioritizing facilities in underserved communities.

Revised Staff Draft Guidelines:

- Application must include documentation confirming plumbing fixtures and appliances qualify as noncompliant.
- Final report must include documentation to verify installation of water-conserving plumbing fixtures and appliances.
- LEAs must dispose or recycle all noncompliant plumbing fixtures and appliances in compliance with all local requirements.
- Grant award will be amount requested by LEA and verified with a contractor’s estimate.
- LEA may request reimbursement of incurred costs up to 50% of the grant award upon approval of the grant award.

Topic #1: Program Budget Allocation in Utility Service Territories
Program Budget

Funds derived from Gas and Electric Utility Energy Efficiency (EE) Rolling Portfolio Funds

- Part 1 – difference between previously authorized and approved annual EE budgets
- Part 2 – unused and uncommitted from prior year

- Funds accrue 2021 – 2023; annual amounts determined each year.
- Funds are received through rate payments and delivered to CEC quarterly each year.
- Funds can be used over a 6 year period - 2021 through 2026.
Program Overview – General Budget Considerations

• 2021 contribution to program is $276,931,128.
• Overall program budget estimated to be $500M (potential for higher).
  o Ventilation Program – 75% of Funds
  o Plumbing Program – 25% of Funds
• Funds must be spent proportionally within the service territories of the utilities from which they were derived.
  • Pacific Gas & Electric (PG&E) – further distinguished by electric/gas
  • Southern California Edison (SCE)
  • San Diego Gas & Electric (SDG&E)
  • Southern California Gas (SCG)
Funding Use and Availability

- CEC will have authority to enter into agreements for the full amount after FY 21/22 Budget is enacted (anticipated to be July 1).
- Quarterly installments means full $275M not available for payment until Jan 2022.
- Total funding is accrued (not necessarily made available in the same year or on the same schedule).
- Funds are not pooled – funding is separated into available funds by service territory.
Program Budget – Guidelines Update

• Originally identified as:
  o Pacific Gas & Electric (PG&E)
  o Southern California Edison (SCE)
  o San Diego Gas & Electric (SDG&E)
  o Southern California Gas (SCG)

• Updated allocation:
  o PG&E Combined Service/Electric Only
  o PG&E Gas Only
  o SCE
  o SDG&E Combined Service/Electric Only
  o SCG
## Program Budget

### Estimated Stimulus Program Funding for 2021 from Joint Advice Letter

<table>
<thead>
<tr>
<th></th>
<th>SCE</th>
<th>PG&amp;E</th>
<th>SDG&amp;E</th>
<th>SoCalGas</th>
<th>Total</th>
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<td><strong>2021</strong></td>
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<tr>
<td>Stimulus Program</td>
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<td>$92,466,340</td>
<td>$27,976,495</td>
<td>$0</td>
<td>$220,008,128</td>
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<td>Funding</td>
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<td><strong>Estimate of 2020</strong></td>
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<td>Unspent</td>
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<td>2021</td>
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<td>$102,466,340</td>
<td>$52,976,495</td>
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<td>for PY 2022</td>
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# Budget Breakdown by Utility Area

Based on Total Funds Provided in Year 1

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<thead>
<tr>
<th>Funds By Service Territory</th>
<th>SCE</th>
<th>PG&amp;E</th>
<th>SDG&amp;E</th>
<th>SoCalGas</th>
<th>Total</th>
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<td>$116,488,293</td>
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<td>$52,976,495</td>
<td>$5,000,000</td>
<td>$276,931,128</td>
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<tr>
<td>Percent of Total</td>
<td>42.06%</td>
<td>37.00%</td>
<td>19.13%</td>
<td>1.81%</td>
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<td>Administration</td>
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<td>$180,550.31</td>
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<td>Total Funding for Grants</td>
<td>$112,281,894</td>
<td>$98,766,274</td>
<td>$51,063,511</td>
<td>$4,819,450</td>
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<tr>
<th></th>
<th>SCE</th>
<th>PG&amp;E Electric</th>
<th>PG&amp;E Gas Only</th>
<th>SDG&amp;E</th>
<th>SoCalGas</th>
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<td>Funding For Awards</td>
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<td>$61,482,005</td>
<td>$12,592,700</td>
<td>$38,297,633</td>
<td>$3,614,587</td>
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<tr>
<td>SNPFA</td>
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<td>$20,494,002</td>
<td>$4,197,567</td>
<td>$12,765,878</td>
<td>$1,204,862</td>
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### Funds Available by Utility Area and Schools (Priority Schools Only)

Based on Total Funds Provided in Year 1 – For Illustration Only

These are not proposed allocations.

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<tr>
<th></th>
<th>SCE</th>
<th>PG&amp;E Electric</th>
<th>PG&amp;E Gas</th>
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<td><strong>Total Schools</strong></td>
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<td>2,239</td>
<td>481</td>
<td>389</td>
<td>996</td>
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<tr>
<td><strong>SVREVR</strong></td>
<td>$84,211,420</td>
<td>$61,482,005</td>
<td>$12,592,700</td>
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<td>$3,614,587</td>
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<td><strong>SRVEVR $/school</strong></td>
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<td>$27,459.58</td>
<td>$26,180.25</td>
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<td>$3,629.10</td>
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<tr>
<td><strong>SNPFA</strong></td>
<td>$28,070,473</td>
<td>$20,494,002</td>
<td>$4,197,567</td>
<td>$12,765,878</td>
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<td><strong>SNPFA $/school</strong></td>
<td>$13,930.76</td>
<td>$9,153.19</td>
<td>$8,726.75</td>
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20
IOU Funding Buckets

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<td>2,239 Schools</td>
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### IOU Funding Buckets Cont’d

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<th>SDG&amp;E Underserved</th>
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<tr>
<td>Schools</td>
<td>2,015 Schools</td>
<td>996 Schools</td>
<td>389 Schools</td>
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Topic #2:

Funding Award Allocation and Maximum Grant Awards
Maximum Grant Awards

Stakeholder feedback indicates reasons for CEC to consider establishing a maximum grant amount:

• Traditional allocation method is not feasible due to the source of funds.
• Some LEAs may be at a disadvantage with first-come first-serve application process.
• Allows for certainty in number of grant awards available.
• Maximizes the reach of program funding.

• Revised Staff Draft Guidelines state:
  • Grant awarded for the amount requested by the LEA in the application and verified by a contractor’s estimate
Maximum Grant Awards

Possible Approaches:

• Establish a maximum grant awards per school
  ○ Maximum grant award could be determined using one of the following:
    1. Predetermined Reasonable Cost Value for Each - Large, Medium, Small School Tiers
    2. Student Enrollment – Value/Student Maximum
    3. Number of Classrooms Using a $/classroom
    4. Facility Square Footage Using a $/Sq Ft
Topic #3: Reasonable Costs for Assessment and Maintenance Grants
Reasonable Costs

Revised Staff Draft Guidelines provides:

• HVAC Assessment and Maintenance Grant must follow a prescriptive process and meet certain requirements.

• Grant amount requested in application may only be for reasonable costs of HVAC Assessment and Maintenance Grant scope of work, including:
  o HVAC Assessment Report
  o General HVAC maintenance
  o Adjustment of ventilation rates
  o Filter replacement
  o Carbon dioxide monitor installation

• To demonstrate that costs are reasonable, the contractor estimate must provide line item cost estimates for materials, labor, and other costs.
Reasonable Costs Cont'd

- Grant award amount for reasonable cost of HVAC Assessment and Maintenance
- Wide range of estimates indicates parties are unclear on activities for assessments
- Replacement of HVAC systems not a reasonable cost in initial phase
- A maximum grant award may ensure reasonable cost and limit scope of work to assessment and maintenance only.
Discussion Break

Maximum Grant Awards Questions:
• Generally – do you feel a maximum award is a beneficial addition to the program? What are the benefits of a maximum grant award?
• What are the disadvantages to having a maximum grant award?
• What is the best metric to use in setting a maximum grant award?

Reasonable Cost Questions:
• Are there additional criteria that should be used to demonstrate that the grant amount requested is only for reasonable costs of the HVAC Assessment and Maintenance Grant work and requirements?
• Do the reasonable cost criteria cause any challenges for LEAs?

3 ways to comment:
-Use the “raise hand” feature in Zoom
-Over the telephone: dial *9 to “raise hand” and *6 to mute/unmute your phone line
-Type your question in the Q&A window
-Please limit comments to 3 minutes
Topic #4: Challenges with Contractor Estimates
Contractor Estimates

Revised Staff Draft Guidelines require:

• Contractor estimate must provide:
  o Reasonable cost of project work
  o A detailed site-specific budget, timeline, and accurate description of work

• LEA must adhere to its own bidding and contracting requirements
Contractor Estimates

• CEC staff received feedback that some LEAs may face challenges with the requirement to provide a contractor estimate with the application.

• Considerations include:
  • Delays in completing the estimate limit ability to participation in a first-come first-served grant.
    • May be compounded by procurement requirements for the process to obtain an estimate.
  • Inconsistencies with procurement policies – some LEAs do not allow the same party to create a proposal and then complete the project.
  • Language – use of the word “contractor.”
  • Applying this requirement to work already completed.
Discussion Break

Challenges with Contractor Estimates Questions:

• What are the challenges with obtaining a contractor’s estimate? If there are barriers, please provide specific examples of LEA bidding and public contracting process and requirements.

• What timeframes are expected for obtaining contractor’s estimate?

• Are there proposals for guidelines changes to reduce these challenges?

• For projects completed since August 2020 seeking reimbursement, are there other changes that are needed and still maintain parity with requirements for planned projects?

3 ways to comment:
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- Type your question in the Q&A window
- Please limit comments to 3 minutes
Topic #5: Alternative Technical Requirements for Obsolete/Non-functioning Equipment
Alternative Technical Requirements

Reasons suggested to consider alternate requirements include:

- HVAC system that is past its useful life may be unnecessary
- HVAC system may already be slated for replacement
- No access to technical documents required to complete maintenance as described

Sample comment - Any HVAC unit 20-25+ years (some may argue 15-20 years) of age should not be mechanically assessed or serviced in the first round of funding, it should automatically be submitted for replacement in the second round.
• *Revised Staff Draft Guidelines* require:
  • HVAC assessment and maintenance must follow prescriptive process as outlined in the guidelines
  • All HVAC Assessment and Maintenance Grant requirements must be completed.
  • There will be no payment for partial completion of project requirements.

**Possible Changes:**

• Alternate requirements for HVAC systems that are already scheduled for replacement
  o Requires additional criteria for HVAC systems to qualify for the alternate requirements
Alternative Technical Requirements Questions:

• When would completing the current technical requirements for the assessment and maintenance process be unreasonable or impossible?

• Are LEAs interested in an alternate assessment-only pathway without the HVAC system maintenance in certain cases?
  • What specifically would be criteria for an alternate pathway but maintains systems to the degree possible until replacement or repairs can be completed?

• What documentation can be provided to demonstrate that the HVAC system is scheduled for replacement or that it meets other replacement criteria?

3 ways to comment:
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- Please limit comments to 3 minutes
Next Steps
## Anticipated Schedule

<table>
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<th>Next Steps (subject to change)</th>
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<tbody>
<tr>
<td>Comments Due</td>
<td>May 7, 2021</td>
</tr>
<tr>
<td>Release Final Draft Guidelines</td>
<td>May 2021</td>
</tr>
<tr>
<td>Adoption of Guidelines</td>
<td>May 2021</td>
</tr>
<tr>
<td>Notice of Funding/Grant Applications</td>
<td>June 2021</td>
</tr>
<tr>
<td>Begin approving grant applications</td>
<td>July 2021</td>
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- **Comments Due**: May 7, 2021
- **Release Final Draft Guidelines**: May 2021
- **Adoption of Guidelines**: May 2021
- **Notice of Funding/Grant Applications**: June 2021
- **Begin approving grant applications**: July 2021
Public Comments

• Limited to 3 minutes per comment

• 4 ways to comment:
  o Use the “raise hand” feature in Zoom
  o Type your question in the Q&A window
  o Over the telephone: dial *9 to “raise hand” and *6 to mute/unmute your phone line
  o Submit your comments in writing during the 14-day public comment period
Written Comments

• Written comments due May 7, 2021

• Comments may be submitted directly to SEES docket (20-RENEW-01) through the e-commenting system at:
Contact Us

Contact us at
SEES@energy.ca.gov

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