DOCKETED

Docket Number:	18-MISC-02
Project Title:	Program Concept Workshop for Bus Replacement, ECAA-ED & Prop 39
TN #:	222763
Document Title:	First Note Finance Inc. Comments for Prop 39-SB110
Description:	N/A
Filer:	System
Organization:	First Note Finance Inc./Chris Ing
Submitter Role:	Public
Submission Date:	2/27/2018 4:49:49 PM
Docketed Date:	2/27/2018

Comment Received From: Chris Ing
Submitted On: 2/27/2018
Docket Number: 18-MISC-02

Comments for Prop 39-SB110 (18-MISC-02)

Additional submitted attachment is included below.

February 27, 2018

California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

Subject: **Prop-39 – SB 110 Comments**

Dear California Energy Commission:

Thank you for the opportunity to provide input and commentary on SB110 as we approach the rollout of the new program. Our firm has extensive experience in the current Prop 39e program, having worked since 2013 as a contracted Energy Manager for over 140 LEAs in which we have secured upwards of $30MM in program funding on behalf of our school clients. Being immersed daily in the guidelines and procedures of the original program allows us an informed perspective from which to offer comments on the new program. It is our belief that a review of the original program should inform and guide the creation of guidelines that spur participation and equal access to the new funding. We hope our comments may be utilized to help create a program that equitably funds the improvement of the learning environment and decreases the energy usage of all school facilities statewide.

A first concern in the new SB-110 program is the division of funding based on student enrollment. The proposed language divides LEAs into Tier 1 (<1000 ADA), Tier 2 (1001-2000 ADA) and Tier 3 (2000+ ADA) with the overall funding allocated as follows: Tier – 10%, Tier 2 – 10% and Tier 3 – 80%. The large school Districts will have a clear advantage over smaller Districts, COEs and Charter schools in this paradigm for, as Tier 3 LEAs, they will receive the vast majority of the funding. The larger Districts already possess the internal staff resources to undertake the program - as they did in the original Prop 39, a fact supported by the ~95% participation rate for large Districts in that program. The smaller Districts and Charters generally do not have the robust resources of the larger Districts and are therefore less able to participate, as evidenced by the 57% participation rate for Charter in the original program. Given that the larger Districts have enjoyed robust participation in Prop 39, it necessarily follows that the greater opportunity for improvements and energy savings exists in the smaller (Tier 1 & 2) facilities whose participation in the original program was far lower and whose facilities therefore remain unimproved. The proposed division of funding will only serve to widen the gap and will result in more facilities remaining unimproved. As currently structured, the 10%-10%-80% approach creates further inequities in a program legislated to assist all

California schools. We believe a 25%-25%-50% is a more representative and equitable division of the funding.

A second area of the new program we would like to address is that of geographic diversity. While on the surface such a distinction seems like a reasonable approach to ensure an equal distribution of funds, it has inherent drawbacks. As in the original Prop 39, a prime driver of the merits of an energy efficiency measure is its energy savings; and the savings-to-investment ratio (SIR) is the main quantifier of these energy savings. However, a measure's SIR is based to a large extent on the utility rates the LEA pays - a utility rate over which it has no control. Using Los Angeles, one of the four proposed geographic divisions under the new program, as an example: there are two electric utility providers in Los Angeles – LA Department of Water & Power (LADWP) and Southern California Edison (SCE). Two LEAs with similar facilities and comparable energy usage undertake similar energy efficiency measures, one served by LADWP and the other by SCE. Yet because of the difference in respective utility rates, one LEA may have a vastly higher SIR than the other. It is plausible that, in such a case one LEA would fall below the mandated 1.01 SIR, while the other would exceed it. The LEA with the highest utility rate will necessarily have the higher SIR and will therefore be the likely candidate for the funding. So while the geographic diversity may attempt to create parity across the four proposed regions, the various utility rates of providers in these areas will ultimately dictate the "successful" projects. The geographic designation does not address disparity within a given region, likewise owing to utility rates, as the LEA with the higher utility rate will be scored higher every time. If the geographic designation is to remain in the guidelines, we suggest that utility rates be equalized across LEAs with different utility providers (and therefore different rate structures). Doing so will help ensure a level playing field as well as an equitable distribution of the program funding.

We appreciate the opportunity to offer comments on the new SB-110 version of the program and we hope our insight, gleaned from significant fieldwork in the existing Prop-39 program, may be of value to the Energy Commission as it decides how best to administer the new program.

Respectfully yours,

Chris Ing
Vice President

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