

August 5, 2009

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 09-OII-01
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Docket Number 09-OII-01, **ARRA SEP Guidelines**

Dear Ms. Hall,

Several organizations have been working together over the past year as the NorCal Collaborative, with a goal of demonstrating deep energy reductions in existing residential buildings. Many of those organizations worked together to produce these comments on the Commission's Preliminary Guidelines for the ARRA-funded SEP programs, and signed these comments as the "Joint Parties." The Joint Parties are very pleased to have the opportunity to provide comments on the Energy Commission's draft State Energy Program Guidelines. We would like to acknowledge first that the preliminary guidelines evidence a significant amount of work and thought by the Energy Commission's staff and the Ad Hoc Committee. We want to congratulate the Commission on a solid piece of work.

Most of the comments to follow are focused on the California Comprehensive Residential Building Retrofit Program. We also include a few suggestions related to the Municipal and Community Building Targeted Measure Retrofit Program and the Municipal Financing District Program, and start with overall comments.

General Comments on the Preliminary SEP Guidelines

Project Specifics

In discussing the Application Process and Selection Method for bidder's proposals on page 8, the Guidelines state that "applications for funding must, at a minimum, include the following:

- a) The name, address, and business contact information of applicant;
- b) The name, address, and business contact information of the project contact; an itemized budget for the project that identifies all related costs and expenses, including estimate of match amounts and sources; and
- c) Certification by an authorized representative of the applicant that the information included in the application is true and correct to the best of the individual's knowledge."

While this is the logical set of requirements for one-off projects, it will be nearly impossible for consortia expecting to bring in thousands or even just hundreds of projects over the term of the contract to know at the proposal phase what the participants' addresses will be,

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what to include in an itemized budget for those yet-to-be-determined projects, and what specific amounts will be offered as match funds by the myriad of local jurisdictions and utilities involved (before identifying the specific measures for specific projects). Can you please clarify the requirements and what the Commission's intent at the proposal phase is?

On-Line Tools

The Joint Parties recommend that, to the maximum extent possible, the Commission implement on-line processes for administration of the successful bidders' programs, including all required reporting on budgets, activities, and achievements of the programs. This will make the process much more efficient and transparent. Disparate, confusing, and onerous administrative reporting can often be one of the largest costs of implementing an energy efficiency program. An on-line system that is relatively intuitive will facilitate accurate reporting and, by helping to minimize the time program implementers spend on administration, increase the overall program cost-effectiveness. It will have the added benefit of making it easier for the Commission and the public to see how the stimulus funds are actually being spent.

Timing

There are two important timing issues that the Joint Parties recommend the Commission reconsider. First, with a window of only 26-28 months between the first issuance of awards to the end of the Programs, there may be too little time to provide the workforce training necessary for a large enough body of trained personnel if those training programs cannot begin significantly earlier than the anticipated start date for the programs themselves. The Benningfield Group recommends that the Commission allocate part of the SEP funds in September to established workforce training organizations with plans and capabilities to train the kinds of staff needed for the three SEP programs.

The other timing issue is related to the desire stated in the Guidelines to have all proposals lay out how the proposed program will coordinate with EECBG funded programs. The schedule for EECBG programs is essentially the same as for the SEP programs. In fact, it appears that some EECBG programs will be awarded grants well after the Commission has decided on the successful SEP proposals. SEP bidders will not know at the time that they write their SEP proposals which EECBG grant applicants will be successful, nor even what is contained in all the relevant grant proposals. Therefore, would it be acceptable for a bidder to simply state that they will coordinate with EECBG grant recipients in the areas in which their programs overlap?

California Comprehensive Residential Building Retrofit Program (CRBRP)

Three Tiered Approach

The Joint Parties fully support the Commission's choice of a three-tiered approach to identifying and pursuing residential energy efficiency. This approach will ensure that those who are positioned to learn about how their buildings work as systems will receive a comprehensive analysis from which they can learn; while at the same time making sure that owners who do not feel that they have enough time (or inclination) for a deeper focus on energy matters can still make some efficiency improvements. However, we would like to offer a minor amendment to the language of the Guidelines. Though it is important that the overall CRBRP include all three tiers, it is less important that each individual

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consortium's program include all three. For example, an organization with a focus on really deep energy reductions (say, 70%-90%) might want to avoid the middle tier because in too many instances it would create a barrier to truly deep savings. Such an organization could make a strong case for having just the introductory (Tier 1) and comprehensive (Tier 3) elements, and we encourage the Commission to amend the Guidelines to allow that program design.

Groups Involved

On page 29, in the Program Summary paragraph, the Guidelines indicate what kinds of groups the Commission is interested in working with. On page 31, this discussion further clarifies these groups as "Local Government Consortia." In the presentation given in Stockton on July 28th, further clarification was provided that the Commission desires a government entity to be at the lead of the consortium and to be identified as the prime contractor in the proposal. Benningfield Group is working with a currently loose-knit consortium called the Northern California Collaborative. The NCC includes local governments (e.g., the Cities of Berkeley and Stockton), utilities (e.g., PG&E and SMUD), performance contractors, the California Building Performance Contractors Association, HERS Raters, HERS Providers (CHEERS, CalCERTS, and CBPCA), specialty contractors, general contractors, representatives from U.S. EPA and HUD, representatives from the CEC, workforce trainers (e.g., CACTUS, Diablo Valley College), and private consulting firms with deep program implementation experience.

While we recognize that in many aspects this might be just the kind of consortium the Commission is hoping will provide a proposal, there is a potentially show-stopping barrier in the requirement that a government entity be at the lead. Having a local government entity at the helm of a consortium may be the best way to get a high number of projects in a relatively small geographic area. The goal of the NCC is to produce 40-100 deep energy reduction (at least 75%) retrofit projects in a region that comprises over half the area of California, from Humboldt County down to Fresno. The NCC would not strive to be the only CRBRP program in Northern California, but would work with the more local consortia and focus on the best opportunities to achieve really deep energy savings. Therefore, it would not be appropriate and might not even be possible for any one city or county government to lead this effort. There may not even be a regional government entity (e.g., SACOG, ABAG, or the Great Valley Center) that could be the prime contractor for an organization with so broad a geographic reach.

The Joint Parties recommend that the Guidelines be amended to allow for other entities to be at the lead on contract—as long as there is a governing board that includes representatives of state and local governments. That entity could be a utility, a private consulting firm, CBPCA, or one of the non-profit workforce training organizations.

Multifamily Focus

Approximately one third of the over 13 million households in California live in multifamily dwellings. The Joint Parties are pleased to see that the Preliminary Guidelines do not create any restrictions that would limit participation to single-family homes. However in several ways, the language of the Guidelines shows a strong bias toward single-family homes. For instance, the program that the Guidelines repeatedly encourage coordinating with, Home Performance with Energy Star, is only for single-family residences. A "Whole House" approach is appropriate language for a single-family home, but for multifamily, the

term is “Whole Building” approach. While changing the Guidelines’ linguistic focus from single family to one that overtly recognizes the importance of multifamily buildings may seem like a mainly cosmetic issue, the Joint Parties are concerned that it could make a significant difference in what bidders propose and how evaluators score proposals.

A second issue that also affects multifamily buildings is how effective specific energy efficiency measures are in single-family and multifamily buildings. The checklists on Page 36 of the Preliminary Guidelines include nearly all the measures that make sense for single-family homes, but exclude some of the most effective measures for multifamily buildings. For example, controls on central domestic hot water (CDHW) systems can save as much energy as any other measure and save more gas than any other measure in multifamily buildings. Also, there are potentially very effective community solutions available in multifamily buildings that might not be workable in most neighborhoods of single-family homes. For example, it could be a more cost-effective retrofit to significantly increase the efficiency of an AC unit in a common area for community cooling than upgrading all the smaller, individual systems in each apartment; especially if there are only a dozen or so days per year that the AC is truly needed.

Scoring

One of the criteria for evaluating CRBRP proposals is “Total Energy and GHG Emissions Reductions.” The Joint Parties heartily support that criteria, but suggest that depth of energy savings per project should also be among the criteria. If California is serious about meeting the AB32 goals, residential retrofit projects that achieve deep energy reductions—the kinds of retrofits that are now generally considered heroic—will need to become relatively common place. The scoring should provide additional recognition for program proposals that will demonstrate how to get 70%, 80%, even 90% energy reductions in residences, compared to otherwise equal programs that only pick the low-hanging and even the mid-level fruit. Those levels are targets the state already knows how to achieve. We believe there might even be cases where a deep energy reductions program should score higher even if the total energy saved within the 2+ year period is somewhat less. In fact, if total savings is a criteria and depth of savings is not, the programs that the Commission will fund may very well increase barriers to really deep energy savings. Often, settling on a list of measures that will achieve energy savings of 20%-45% will in turn create an economic barrier to installing the measures needed to make that building really energy efficient.

Along those same lines, energy savings are highlighted but peak demand reductions are not mentioned. The Joint Parties recommend that the Guidelines make peak reductions an explicit criterion for evaluation of proposals. There are measures that can save energy while making the utilities’ load curves worse. Since electricity generated during peak hours produces greater GHG emissions per kWh than off-peak generation does, off-peak energy savings without significant on-peak reductions, could even have a negative GHG emissions impact and partially offset the total GHG reductions expected by the CRBRP implementers. Through the switch to time dependent valued (TDV) energy in the building standards, the Commission has helped to bring down peak demand. It would not be appropriate to now reverse that trend by ignoring peak demand in the SEP programs.

Finally, several items within the scoring criteria could potentially be fairly subjective. For example, each bidder might think they have maximized the potential within a scoring

category, because they all look a bit differently at calculation methods. On searching the Internet, one can find at least a half dozen “accepted” ways of calculating GHG emission reductions associated with various energy efficiency measures. Likewise, there are different ways to calculate job creation, impacts on economically disadvantaged areas, sustainability, and even the leveraging of funds. In fairness to all bidders, the Commission should provide a uniform way of self-scoring against each of the evaluation criteria. The methodology should be available at least a month before proposals are due, and should be on-line so that any updates or amendments the Commission makes to the criteria are instantly available to all bidders. This is very similar to the statutory requirement that the Commission has to make ACM programs available six months before a new iteration of Title 24, Part 6 becomes effective.

Municipal Financing District Program

During the presentation on July 28th, the Commission stated that one or more of the requirements of the program (e.g., required match funds) might be suspended for localities with particularly high unemployment rates. This is a laudable exception, particularly in light of the fact that the stimulus monies were specifically approved by Congress to help stem the tide of unemployment that is accompanying the financial crisis. However, the financial crisis is creating other very important effects that California’s cities and counties are having to deal with, and it makes sense to provide a similar “back door” for jurisdictions disproportionately suffering from those effects. For instance, the Legislature and Governor have placed a very large proportion of the burden of “solving” the state’s budget crisis—a direct result of the larger financial crisis—directly on cities and counties. Their redevelopment funds have been reallocated to other purposes. Their capital and operations budgets have been slashed. At the same time, sources for bond funds have become harder for them to find, and significantly more expensive when they can find them. The Commission should provide the same kind of exceptions from the rules requiring match funds for those jurisdictions that just cannot garner the funds, and/or whose legitimate priorities for allocation of the EECBG funds that they are receiving are important, but not exactly in line with the MFD Program goals.

We again applaud the work that the Energy Commission’s staff and the Ad Hoc Committee have completed thus far. We are excited about the opportunities that the State Energy Program provides to help California move closer to meeting the goals laid out in AB32, while also fostering job creation for millions of Californians. Ambitious goals require ambitious visions and programs, and we thank the Commission for this chance to contribute to crafting a program that will achieve deep energy reductions in the housing sector.

For over six months, the following signatories (Joint Parties) to this set of comments, have provided personal and professional support to the NorCal Collaborative, a project of Affordable Comfort Incorporated. Collectively, we have been working through how to achieve cost-effective, verifiable, deep energy reductions in California’s existing housing stock. We believe that the Commission’s SEP programs can definitely help make deep energy reductions a reality, and we offer these comments with the intent of helping to ensure that outcome.

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Respectfully,

Nehemiah Stone, Principal
The Benningfield Group, Inc.

Linda Wiggington, Director
Affordable Comfort

Robert Scott, Executive Director
California Home Energy Efficiency Rating Service

Derrick Chapman, Director
Community Alliance for Career Training and Utility Solutions

Mary James, Publisher
Low Carbon Productions

Rick Williams
Green Mortgage Consultant

Tom Chatagnier, Energy instructor
Diablo Valley College

Alice La Pierre, Energy Efficiency Coordinator
City of Berkeley

Jim Lutz
Energy Research Professional

Tenaya Asan, Program Manager
Build It Green