

City of Davis Comments
CEC Draft Guidelines for SEP
August 5, 2009

Section	Page(s)	Comment
General Comment Multiple Sections	p. 21 B.3.; C.4.c.; p. 31 B.1.c. & B.1 generally; p. 35 C.1.; p. 41 B.5.; p.43 C.4.	<p>Matching Funds/Leveraging Funds.</p> <p>Each program either requires or encourages the applicant to match or leverage the CEC's SEP funds with an equal or total amount of EECBG funds received or other matching funding approved by the Commission, or the extent to which they leverage EECBG funds is an evaluation criteria.</p> <p>This is a large match requirement for some agencies. Since this is also one of the evaluation criteria, agencies with larger federal EECBG allocations will have an advantage over agencies with a lesser allocation. Remember, the EECBG allocations are based on a population formula.</p> <p>How are small cities and counties treated under the SEP that don't receive an EECBG allocation but must apply to the State program for these funds? Under the draft guidelines they would be ineligible or would need to obtain approval for other match from the Commission.</p> <p><u>The stipulation to match with EECBG funds is a major concern for the City of Davis.</u> As one of the agencies that complied with the original June 25th Federal deadline for applying for the EECBG program – especially those agencies that provided a complete Energy Efficiency & Conservation Strategy with their submission – the City will be unable to meet this SEP requirement. The City strongly objects to this provision as it would penalize agencies that prioritized completion of their EECBG applications and worked diligently to meet the original DOE deadline.</p> <p>Since the SEP guidelines were not available until July 16, EECBG submissions completed by June 25th would be unable to include any SEP funded program in their strategies or funding requests and thus will be unable to meet this SEP requirement. Less than three weeks between the release of the draft guidelines and comment due date effectively precludes any California public agency from modifying their previously submitted EECBG grant application and strategy (and receiving approval from DOE to do so), to satisfy the SEP guidelines.</p> <p>Thus agencies who are more likely to be further along in their energy efficiency and sustainability efforts and thus more likely to have 'shovel ready' projects that can actually be completed by the funding deadline will be penalized for being 'ready'. Suggest the guidelines exempt such applicants from the EECBG match requirement.</p>

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		As the guidelines are currently written, the burden would be on the applicant to obtain Commission approval for ‘other matching funding’. We request/recommend that the guidelines stipulate or identify several options for matching funds that are pre-approved by the Commission, so there would be no doubt of the project’s eligibility before applicants expend significant staff time applying for funding.
General Comment Multiple Sections		General Funds Issues 1. Will there be a minimum or maximum amount for applicants to request or to be awarded? 2. Any guarantee of a certain amount or portion of funding split between north and south sections of the State? What about a portion guarantee between urban and rural? Small and large communities? 3. Will there be any restrictions or requirements on administrative costs, e.g., a maximum portion of grant allowable for administrative costs? 4. Will there be an allowance for ‘in-kind’ staff or other expenses costs for part of the match requirement? This may be a helpful substitution for the EECBG fund requirement.
General Comment Multiple Sections		Program interdependence. The SEP programs stress interdependence with other energy efficiency, green jobs training, low-income weatherization, and neighborhood stabilization programs. While this will enable an entity to leverage additional funds to implement a larger project in their jurisdiction, it also has the effect of congregating the funding into fewer jurisdictions rather than spreading the economic stimulus across a broader geographic area or ultimately impacting the statewide population.
Chapter II Section 3	21	Matching Funds – AB 811 Program. It is unclear how the matching funds in AB 811 programs will work. If a City is requesting only loan guarantees/loan loss reserve/interim financing to initiate its program, it is assumed that those state funds would not be drawn upon unless participants default or they would be paid back as participants pay off their loans. What is the City’s match requirement in these situations? For example, if the City has 1,250 households signed up for participation in a local program and needs \$12.5 million dollars in interim financing to launch its program, would a SEP contribution be considered a grant or a revolving loan because it would be paid back over time? How would the CEC want matches for loan guarantees/loan loss reserve/interim financing to be structured?

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		Suggest that the CEC permit the participating households' loans be considered the local match for these types of interim financing measures.
Chapter II Section 4	21	Eligible improvements – AB 811 Program. Program should specifically include water conservation as a class of eligible improvements.
Chapter II Section 6	22	Home Energy Ratings, Energy Audits and Building Commissioning – AB 811 Program. Unclear the level of detail required in: “Proposals for the Municipal Financing District Program must include <u>a description</u> of how residential measures will be provided consistent with the California Home Energy Rating Program, and how commercial energy audits and benchmarking will be conducted and funded as part of the Municipal Financing District Program.” Suggest clarifying language or provide example.
Chapter II Section 7	22	Credit worthiness – AB 811 Program. Unclear how the CEC concludes that “local governments” have a major concern that participants may incur more debt than they are able to repay. The City supports establishing basic due diligence safeguards such as checks on payment delinquencies, liens, etc. However, to establish an effective public financing program there needs to be a reasonable balance between establishing credit worthiness and a streamlined financing program. In particular, the City believes that establishing a fixed loan to value ratio would put local agencies into the role of lending institutions and threaten the viability of these types of programs.
Chapter II		Existing programs – AB 811 Program. The guidelines are unclear how existing and “in the pipeline” AB 811 programs will be treated under the SEP program. Questions exist such as: <ul style="list-style-type: none"> • Will an existing and/or pending local AB 811 program that did not establish an unqualified legal opinion be eligible for SEP funding? Is an unqualified legal opinion required to qualify for SEP funding? If a local program is challenged in the verification process, does SEP funding get reallocated because it is unlikely that performance measures will be met? • Does an existing/pending local 811 program that includes more measures than described in the guidelines (e.g. water conservation) qualify for SEP funding? If not, when will

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		potential SEP applicants be notified so they can evaluate potential modifications to their local programs to give adequate time to consider modifications to their SEP applications?
	p.31 B.1.; and p. 43 D.	Eligibility Concerns The guidelines are vague about the Program Administrator and Local Consortia. Does the Commission have specific consortia that already exist in mind? If so, please identify them. It appears that both of the Retrofit programs really require a regional applicant and not a single local public agency. The guidelines should identify the eligible applicants to be only regional applicants or local consortia.

Thank you for considering the City of Davis' comments on this important energy and GHG reduction program.