PowerHouse

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Submitted by email: sep@energy.state.ca.us.

To Whom It May Concern:

PowerHouse Service, Inc. is a company that designs, develops and administers Municipal Financing District Programs for municipalities and joint power authority organizations. We are very interested in the possibility of using SEP monies as a source of funding for these programs.

Below are our comments to the Preliminary State Energy Guidelines released on July 16, 2009:

Question 1: Page 21, Section II(B)(4):
"Programs requesting funds from the Energy Commission's Municipal Financing District must: …(c) pursue measures consistent with the state's loading order."

The Eligible Improvement "loading order" requirement for the Municipal Financing District Program may deter municipal interest in SEP funds because of the limitations on renewable energy, specifically solar PV systems. Most Municipal Financing District Programs are designed to increase the implementation of solar PV because (1) this allows property owners to benefit from current federal and state solar PV incentive programs and (2) participation rates increase due to the marketability of a solar program. A Municipal Program that provides financing for all residential and commercial improvements included in the proposed Guidelines, but wishes to emphasize solar PV rather than requiring that all solar PV borrowers do extensive energy efficiency improvements first, may be deterred from applying for SEP funding. Further, if a municipality were to structure its program to meet the SEP "loading order" requirement, this could inhibit property owner participation rates, and in turn, prevent widespread program implementation.

Question 2: Page 21, Section II(B)(3):
"In order for the program to be considered for SEP funds, you must be willing to match the Energy Commission's SEP funds received with an equal amount of your own Energy Efficiency Conservation Block Grants (EECBG), or the total amount of EECBG received, whichever is lower, or other match funding approved by the Commission."

Municipalities eligible for EECBG direct allocation must submit applications by the extended deadline of August 10, 2009. The EECBG program requires the applicant to detail specific information about the specific project and its proposed use of funds at the time of application. As the application period for EECBG funds will be closed before the application period for the SEP funds begins, any municipality who did not already specifically allocate funds to a Municipal Financing District Program will be unable to meet the matching funds requirement of SEP through EECBG funds. Moreover, finding matching funds elsewhere may be difficult.

Additionally, municipalities, especially municipalities most impacted by the current economic conditions, do not have the unallocated funds available to match SEP funds. While the Guidelines do say that the match requirement is waived for municipalities with unemployment rates lower than the state average, many municipalities greatly impacted by the economic crisis do not have unemployment rates greater than the state average. While establishing commitment to a Municipal Financing District Program is important, the abundant availability of funds to meet the match requirements should not be a precondition. At the very least, the CEC should consider lowering the SEP match requirement to a lower ratio, for example, 70% SEP funds to 30% funds from the municipality, or even lower. Alternatively, "eligible" matching funds might need to be borrowed funds or funds coming from the repayment of borrowings by program participants.

Question 3: Page 26, Section II(C)(2):
"3. Economically Disadvantaged Areas – extent to which applicant's program is targeted to create jobs and enhance the economy in economically disadvantaged areas of the state that have been particularly impacted by California's housing and economic crisis. "

When determining how much priority will be given to applications from "communities most impacted by the current economic conditions," please consider the effect this may have on communities wishing to implement Municipal Financing District Programs who do not meet this criteria. Many of the municipalities most impacted may not wish to or be able to implement these Programs because they include too many property owners who are already at a higher risk of foreclosure. This could take away or delay SEP funds for programs with high potential and accelerated timelines.

Question 4: Page 22, Section II(B)(6):
"For residential customers the requirements of the California Comprehensive Residential Building Retrofit Program must be met, including providing California Home Energy Ratings or California Energy Audits, as specified by the California Home Energy Rating Program (HERS II), for third tier measures…In addition municipal and commercial customers will benefit from energy audits and/or building commissioning projects to evaluate appropriate and comprehensive energy efficiency retrofits and operational improvements prior to installation of on‑site solar electric generation."

There may be an insufficient supply of HERS raters in the marketplace to meet the residential energy audit requirement and cause a bottleneck in a Municipal Financing District Program, especially in the early stages when the SEP funds are available. While ARRA workforce training monies are also rolling out to increase the "green" workforce as quickly as possible, there still may be a backlog of property owners trying to get an energy audit before/during the application process for the Municipal Financing District Programs. These Programs may have difficulty providing enough notice to property owners to both obtain an energy audit and then contractor bids before the application deadline without causing a slowdown in the solar and construction industries. Perhaps SEP could grant funds to Programs that highly promote it by such avenues as giving priority to applicants who complete energy audit, etc.

Additionally, if energy audits are a requirement for residential properties, they should also be a requirement for commercial, municipal, and industrial properties. As these properties are often much larger, and therefore more inefficient, energy audits for these properties can result in even greater cost savings.

Question 5: Page 22, Section II(B)(7):
"To guard against this possibility, municipal financing district programs should screen applicants for creditworthiness and require a loan-to-value ratio of at most 1:10."

While such a loan to value ratio is fine in coastal and other high property value areas, the 1:10 loan-to-value ratio maybe a limiting factor in areas where housing values were lower to begin with and/or most impacted by the current economic and housing crisis. Also, the 1:10 loan to value ratio may be limiting for older homes, as older homes often have a lower overall value, but generally need more work.

Although primary focus for SEP funding is energy efficiency, a low loan-to-value ratio may preclude a homeowner from moving forward with both energy efficiency and solar improvements, which is not necessarily a desirable result. SEP may want to consider increasing the loan-to-value ratio to 1:15.

Question 6: Page 36, Section III(C)(California Comprehensive Residential Building Retrofit Program Measure Checklists):
"Install WaterSense Toilets, Showerheads, Landscape Irrigation Controllers"

General law municipalities may not be able to include water conservation improvements into their Municipal Financing District Programs. This is because AB 811, the only legislative framework currently available for general law municipalities, lists solar and energy efficiency improvements as eligible for financing, but omits water conservation improvements.

Thank you for your efforts and we look forward to the next version of the SEP Guidelines.

Thank you,

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