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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

Below are comments, suggestions and clarifying questions from the Sacramento Municipal Utility District regarding the recently released draft State Energy Program guidelines.

General Comments

- While it may be desirable to spread the grant funds equitably throughout the state, setting maximum funding limits too low for individual applicants or geographic regions will restrict the Commission's ability to award funds to the best projects that have the greatest chance of completing projects within the necessary tight time frame, increasing the chance that money will have to be reallocated from poorly-performing projects. If the goal is to both get projects completed by March, 2012 and to spend the money as effectively as possible, the CEC needs the flexibility to allocate the funds to the applicants who can demonstrate a track record for fast and high quality implementation and provide evidence that they can meet the requirements in each program area. We recommend placing a greater weight on these criteria than on geographic equity. Any hard initial limit on awards should be no less than 2-3 times the proportionate share of the funds for the region covered by the applicant.
- It is probable that reallocations will be necessary even with the best selection process, and if such funds are not reallocated quickly and at the earliest indication of project delay or failure, precious time would be lost. The Commission should establish a clear and fair process for expeditiously reallocating funds from poor-performing recipients to better-performing projects throughout the project term. The process should prepare for the inevitability of reallocations by ranking proposals, particularly those that are not fully funded, for their potential to spend additional allocations above the initial award. Applicants who rank high would know that their chances of receiving additional funds are good, and could then be prepared to scale up quickly as soon as funds are approved for reallocation. Actual reallocations should be based on a combination of this initial ranking and demonstrated performance to date.

Municipal Financing District Program

- The requirements for applicants appear to limit the pool of applicants to the very few jurisdictions who already have a tax-bill financing program in place, or are nearly ready to launch one. A much greater number of jurisdictions are at various stages of developing programs. The CEC should make accommodations for local jurisdictions that may require an additional 3-6 months to launch a program, particularly if they have prepared a bridge strategy capable of financing projects in the interim period.

California Comprehensive Residential Building Retrofit Program

- The performance metrics and budget allocations within this program area should be designed with the flexibility to allow the awardee to direct funds to the tiers and activities that are getting the best market demand, without the need for frequent review and approval by the CEC. This is essential to expeditious project completion and expending of the funds. This would also facilitate staging of the implementation of parallel strategies--especially important given that certified raters and software tools for HERS II may not be in place until after the grants are awarded.
- The First Tier Checklist has similarities to residential energy audit programs deployed by utilities since the early 1980s. A lesson learned in those programs is that the best way to assure energy savings as a result of the activity is to do some low-cost installations at the time of the home visit and we are pleased that this is included in the program structure. Estimating energy savings for these and other technology-based measures is relatively straightforward, but this is not the case for behavioral changes. What specifically will be required for estimating and verifying energy savings for the range of measures in Tier 1?
- We are pleased to see that field verification is a component of the Second Tier Checklist as it further engages contractors in providing quality work. The field verification procedures are established in HERS Phase I (primarily for new construction) and appear to be appropriate. Please clarify the percent sampling that would be required to be verified by a HERS rater for existing homes that participate in this program. (p. 31)
- For the Third Tier approach, the guidelines mention a well defined HERS training infrastructure to address the HERS II approach. There does not appear to be a corresponding completely developed infrastructure for Home Performance with ENERGY STAR training. The training curricula developed by the California Building Performance Contractors Association, and shared with the Community College systems, certainly will meet the initial needs of SEP program sponsors. In the event that there are other curricula developed, and other providers of training, will the Energy Commission provide an approval and oversight infrastructure, similar to HERS, to assure program sponsors (utilities) that the curricula and training meet the SEP Guidelines?

- While a Tier 1 approach would provide temporary employment to a group of low-skilled workers or volunteers, it is difficult to see how demand for these job functions would be maintained after the stimulus funds are exhausted. Please explain the long-term role that the Commission envisions for these workers.
- The guidelines (p. 34) point out that there is an opportunity to collaborate with low-income weatherization programs, administered by CSD, to "achieve comprehensive retrofits in housing ...consistent with Second and Third Tiers" of the program. However there is currently inconsistency between DOE audit standards, which require use of the NEAT audit tool, and the use of the HERS II evaluations preferred by the CEC. Specifically, the NEAT audit tool is largely geared to measures that are more appropriate for heating-dominated climates, lacks the range of diagnostics-based measures in HERS II, and the overall scope of measures is inadequate to achieve the level of savings that the Commission seems to be looking for in the higher tiers. Will there be coordination and resolution at the State level to resolve this issue so that the funding can be leveraged effectively?
- The guidelines mention a "neighborhood approach" as a consideration for achieving comprehensive retrofits for the 200-300% of poverty income level (p. 34). Does the CEC anticipate that the SEP program will be the only source of funding that will address this income level, or will there be another special program? Does the CEC recognize the 200-300% income level as needing the type of (free) direct installation of measures associated with the low-income weatherization program or is some level of financial participation expected. What documentation of income for participants will be required? Currently, low-income weatherization through CSD and partnering agencies is done on a referral or first-come first serve basis in order to fairly distribute their services throughout the area. For the neighborhood approach, does the CEC intend to provide specific guidance on which areas to focus (e.g. neighborhoods within an area already targeted by the NSP program)?

Municipal and Commercial Building Targeted Measure Retrofit Program

- The current list of technologies that would fit under the commercial and municipal program does not include street lighting. Are there any street lighting technologies that the Energy Commission would consider adding to this list?
- SMUD is considering the development of a comprehensive commercial retrofit program that rewards customers for taking the initial step of evaluating all energy efficient retrofit and retrocommissioning opportunities before making an investment in energy efficiency. The purpose of this approach is to ensure that building owners understand the full range of cost-effective opportunities for improving building energy performance, and ultimately to increase energy savings through a more holistic approach to energy efficiency. This comprehensive approach to energy efficiency is similar to that proposed for the residential portion of the State Energy

Program under Tier 3. In contrast, the municipal and commercial building portion of the proposed State Energy Program is a targeted approach that includes a limited set of specific efficiency measures for all buildings. If properly designed to integrate with existing utility efficiency programs, a targeted technology program could add an effective tool to the energy efficiency toolbox. Improperly designed, the targeted technology approach could siphon customers away from utility programs and hinder the effort to promote a more comprehensive whole-building approach to energy efficiency improvements. Achieving California's goals for dramatically reducing energy use in existing buildings will require programs that can package simple, highly cost-effective measures (e.g., those targeted through the proposed SEP program) with measures that have a longer payback period.

SMUD requests that the SEP guidelines be carefully established so as to work with, rather than against, utility efforts to establish comprehensive commercial building efficiency programs. Applicants should be required to demonstrate that their program efforts will coordinate with utility programs in a manner that supports or enhances participation in utility programs.

- Following up on the comment above, SMUD requests that the commercial building audit process be established to allow for or favor a more comprehensive approach that identifies the full range of efficiency opportunities within a given building. These audits may require a higher level of expertise than could be obtained by entry-level workers. The end result, however, would be a more sustainable business model because these audits would support ongoing utility efforts to deliver advanced levels of energy efficiency.
- The draft guidelines indicate that training will be integral to implementation, yet the measures recommended are clearly prescriptive for lighting and HVAC. "Train entry-level workers to conduct relatively straightforward energy audits for these targeted measures ... target workforce development activities in economically depressed areas." There isn't a clear correlation between prescriptive electrical and mechanical commercial building measures with entry level audit workforce. Is the intent to encourage existing ESCOs and commercial building contractors to hire temporary workers through organizations such as SETA to perform the retrofits?

Again, thank you for the opportunity to provide input into the development of these guidelines.

Sincerely,

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