



November 17, 2013

California Energy Commission

Dockets Office, MS-4

Re: Docket No. 13-ALT-02 (2014-2015 Investment Plan Update)

1516 Ninth Street

Sacramento, CA 95814-5512

California Energy Commission

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13-ALT-02

TN 72355

NOV. 18 2013

To the California Energy Commission:

Thank you for giving us the opportunity to comment on CEC's draft 2014-15 Investment Plan Update for the Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP Plan). For context and perspective, this letter provides a brief background on SRI International (SRI) before commenting on the draft ARFVTP Plan.

SRI International

SRI, a nonprofit research institute headquartered in Menlo Park, California, is committed to discovery and the application of science and technology for knowledge, commerce, prosperity, and peace. SRI conducts client-sponsored research and development for government agencies, businesses, and foundations. We employ 2,500 people worldwide, with more than 1,500 located at multiple California locations. To date, SRI has created and launched more than 50 spin-off ventures, with a total market capitalization exceeding \$20 billion. Many of these ventures, such as Intuitive Surgical, start in California and create jobs in the state. Intuitive Surgical, still headquartered in Sunnyvale, now has more than 2,300 employees worldwide. SRI also licenses its technologies, which are incorporated into widely used products that range, for example, from the computer mouse in the 1960s to Siri, the virtual personal assistant in Apple's iPhone. SRI has active energy research programs in many areas, including alternative fuels.

CEC's Draft ARFVTP Plan

SRI enthusiastically supports CEC's allocation of \$7 million to Emerging Opportunities, which includes funds to provide cost share for federal energy research programs that are consistent with ARFVTP goals. A simple and transparent program for organizations that conduct research in the state would enable organizations to (1) conduct more research in California that is consistent with California's energy goals and (2) accelerate the pace of energy innovation in California.

SRI anticipates that a pool for matching funds may be the single most effective way to leverage California's energy investments. The program would be of particular benefit to nonprofits, universities, and small businesses. These important sources of innovation frequently lack the resources to assemble cost share—especially in the tight time frame associated with responding to federal solicitations.

Most solicitations from organizations such as the U.S. Department of Energy's Office of Energy Efficiency and Renewable Energy (EERE) or the Advanced Research Projects Agency-Energy (ARPA-E) require organizations to provide from 5% to 50% of the total award as cost share. The cost share must be in place when the proposal is submitted. Although the cost-share requirement applies to the project team as a whole, the funding agreement makes the prime recipient legally responsible for paying the entire cost share. For this reason, the lead organization (the prime) must carefully consider not only its own ability to provide cost share, but also its potential responsibility to cover the cost share of any organization providing cost share to the project.

A cost-share pool would bring several benefits to the state. Specifically, the pool would:

- Enable organizations conducting research in California to respond to a greater number of federal solicitations and to submit larger proposals.
- Broaden the mix of organizations conducting research in California to address state energy goals.
- Improve the quality of proposals by (1) enabling organizations to form teams based on the strength of each member's technical contribution rather than their ability to provide cost share and (2) allowing teams to focus on proposal preparation rather than cost-share negotiations during the brief solicitation window.
- Leverage the investment in energy research made by California taxpayers and increase California-based companies' ability to attract federal energy research funds.
- Increase the likelihood that energy innovations will come out of California, be commercialized by California companies, create jobs in California, and address California's energy goals.
- Help California-based energy researchers move their innovations farther down the commercialization path without giving up intellectual property in exchange for cost share.
- Keep California competitive with other states that provide cost share for energy research.

An effective match program will need the following characteristics:

- A simple application process.
- Quick turnaround. Ideally applicants would be able to apply for funds the day after a federal solicitation is issued and receive conditional approval for match within 5 to 10 business days.
- Alignment with California goals. CEC would make cost-share funds available only for federal research programs consistent with ARFVTP goals. Match funds would be released only if the team wins and the research is performed in accordance with the federal award.
- Access to multi-year funding commitments.

California has already seen the tremendous impact a cost-share program can have on attracting federal research dollars. For example, in 2010, the Energy Commission allocated approximately \$73M from two of its existing programs (PIER and the Alternative and Renewable Fuel and Vehicle Technology Program) as ARRA cost-share,¹ ultimately providing about \$55M in matching funds to leverage \$620M in federal funds.²

Federal agencies such as the U.S. Department of Energy and ARPA-E carefully craft a variety of programs that frequently address challenges consistent with California's ARFVTP goals. Leveraging federal funds helps California make faster progress toward its goals while preserving funds for California-specific needs that are not addressed by federal programs.

SRI appreciates the chance to submit comment. Please feel free to contact us if you have questions.

Sincerely,



Barbara Heydorn
Director, Energy Center

¹ 2010 Integrated Energy Policy Report Update, CEC-100-2010-001-CMF p. 3

² Ibid, p. 17