



Jillian Rich
Expert Program Manager, Schools
Energy Efficiency Programs
245 Market Street, MC N6G
San Francisco, CA 94177
O: (415) 972-5378
Jillian.Rich@pge.com

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Marcia Smith
California Energy Commission
1516 9th Street
Sacramento, CA 95814

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Dear Ms. Smith:

PG&E requests the CEC’s consideration of the following comments on the *Proposed Draft Revision to the Proposition 39: California Clean Energy Jobs Act – 2015 Program Implementation Guidelines*.

PG&E enjoys working with our school customers on this unique and exciting opportunity to improve energy efficiency in school facilities. The comments and suggestions herein are derived from the vast network of PG&E staff members, third party vendors, and local government partners who are hard at work assisting schools to take full advantage of Prop 39.

Comments on Proposed Revisions

PG&E supports the updated definition of a project as the total of all energy efficiency and clean energy measures within a local educational authority (LEA). (p. 6) We believe that this added flexibility will allow more schools to look comprehensively at their facilities and achieve “deeper” energy savings.

PG&E advocates for all schools to stretch their Prop 39 allocation to the furthest extent possible by leveraging existing programs, incentives, and funding sources. That being said, we foresee a potential disparity in the depth of Prop 39 projects between schools with available bond funding and those without available bond funding to “buy down” the savings-to-investment ratio (SIR) under the updated Guidelines.

To create equity within the marketplace, PG&E asks the CEC to consider giving lower resource schools a way to “buy down” the SIR in absence of bonds or non-repayable funding. One possibility is to allow lower resource schools to deduct repayable funds from the Project Installation Cost (denominator of the SIR calculation) if and only if the repayable funds are less than or equal to the cash flow from the energy savings.

Additionally, without knowledge of how the CEC originally developed the Prop 39 SIR calculation, PG&E notes that there may currently be a mismatch in the manner that the SIR is calculated. The energy benefits in the numerator are discounted to their net present value, but the Project Installation

Cost in the denominator is not discounted. To address this, PG&E suggests that the CEC consider allowing customers to discount the non-Prop 39 portion of the Project Installation Cost based on either the direct financing used in the project or an approved cost of capital for projects that are self-funded. This will ensure that LEA's are encouraged to make comprehensive energy investments that might include longer paybacks.

To illustrate this, consider the example of a LEA that installs a project with a Project Installation Cost of \$100,000, net of Rebates, Other Non-Repayable funds and Non-Energy Benefits. The LEA uses the investor owned utility (IOU) On-Bill Financing (OBF) zero interest program for a portion of the project installation cost (\$60,000) and their Prop 39 allocation for the other portion. Assuming that the LEA is projected to realize \$10,000 in energy savings per year with an Estimated Useful Life of ten years, using the assumptions included in Appendix D (4% energy escalation and 5% discount rate), the Present Value of the energy cost savings is approximately \$93,000. Maintenance Savings would be capped at \$2,000 (2% of project cost). Utilizing the existing methodology, the LEA would not achieve a minimum SIR of 1.05 ($SIR = \$95,000/\$100,000 = .946$). By contrast, if the financed portion for the Project Installation Cost was discounted using the same assumptions as used on the benefits, then the project would meet the SIR requirement ($SIR: \$95,000/\$86,000 = 1.1$).

Additional Revisions

In addition to the above comments and suggestions on the proposed revisions, PG&E asks the CEC to consider the following additional amendments to the Guidelines.

Eligible Energy Efficiency Measures and Calculators. PG&E requests that the CEC consider the following technology-specific changes:

- *Lighting Calculator*- Add another ECM to the lighting tab of the Energy Savings Calculator for metal halide parking lot and gym lighting due to the high savings potential and eligibility for utility incentives.
- *Plug Load Calculator*- Convert ECM 19 into two ECMs – one for smart power strips and one for PC power management – to allow and encourage LEAs to install both technologies. We have also received some inquiries about smart charging carts for laptop or tablet computers and whether these could qualify as a smart power strip or similar. It would be helpful if the CEC could clarify.
- *Kitchen Appliances* - We realize that Prop 39 was intended to be specific to the building shell, but many kitchen appliances such as ice machines, refrigerators, freezers, milk coolers, ovens, dishwashers, spray nozzles, and steam traps save a significant amount of both energy and water. In light of our current drought, we feel it would be beneficial for schools to have these options available to them.

Charter Schools. PG&E appreciates the CEC's June update to the Guidelines specifically for charter schools; however, it has come to PG&E's attention that several charter school customers still struggle to take advantage of Prop 39 funding due to the size of their facilities, limited retrofit opportunities, and staffing constraints. PG&E asks that the CEC consider two changes to the Guidelines for charter schools to address these concerns:

- 1) The CEC allow dependent charter schools the option of undergoing a unified Prop 39 planning process (i.e. EEP development and submittal, SIR calculation, reporting) with their host school district. It is our understanding that dependent charter schools often share facilities and governing boards with their host schools, and that the separate planning process can create an administrative burden on both the host and the charter school.
- 2) The CEC give dependent and independent charter schools the option of bundling projects across charter schools within a defined geographic area or within the charter granting authority *for the purpose of the SIR calculation only*. This would create equity between how the Prop 39 SIR definition treats larger school districts and charter schools. Charters would submit their EEPs simultaneously and clearly indicate which portion of the project bundle is specific to their school, but each charter school would be treated as an independent LEA for all post-application activities including implementation, monitoring, and reporting.

We realize that these two suggestions would require significant input and discussion by charter schools and stakeholders, but we hope they are a constructive start to a conversation.

Procedural Guidance. PG&E has heard from several school customers that a standard set of EEP review and evaluation criteria would be helpful in preparing EEPs and knowing what to expect throughout the review process. We appreciate the CEC publishing the California Department of Education audit guidelines so that LEAs can prepare for the Prop 39 site audits.

Thank you for taking the time to consider our suggestions and observations. We look forward to working with the CEC on this program for many years to come. Please don't hesitate to contact me with any questions regarding these comments at (415) 972-5378.

Sincerely,



Jillian Rich, LEED GA
Expert Program Manager, Schools
Energy Efficiency Programs
Pacific Gas and Electric Company