ADVANCED ENERGY ECONOMY
the business voice of advanced energy

October 27, 2014

Robert B. Weisenmiller Ph.D.
Chair, California Energy Commission
1516 Ninth Street, MS-33
Sacramento, CA 95814

Andrew McAllister
California Energy Commission
1516 Ninth Street, MS-31
Sacramento, CA 95814

RE: Docket # 13-CCEJA-1: Comments on the Proposition 39 Proposed Guideline Revisions

Commissioners Weisenmiller and McAllister:

Advanced Energy Economy (AEE) is a national organization of businesses who are making the global energy system more secure, clean, and affordable. Member companies represent a wide range of technologies from energy efficiency, demand response, renewable energy, natural gas, small-head hydro, electric vehicles, smart grids, and many more.

We appreciate the opportunity to provide input on the proposed revisions to the Proposition 39 (Prop 39) Program Implementation Guidelines. A wide range of energy businesses, including our member companies, are currently working with schools to ensure they are achieving energy savings and deploying the best solutions on-site. Refining the guidelines will help build a stronger program that achieves the goals envisioned by the initiative.

To date, AEE has voiced the need for cost-effective implementation, which maximizes energy efficiency and advanced energy deployment. We offer the following comments and recommendations in response to specific sections in the guidelines:

Page 6: Definition of Eligible Energy Project

Consideration for Charter Schools

AEE is supportive of the proposed revision. In addition to the CEC staff revision, we recommend considering the unique challenge faced by select charter schools. Some charter schools share a facility with other schools but have a separate Prop 39 allocation and Local education agency (LEA). We urge Commission (CEC) staff to consider those charter schools that function as part of the larger district to qualify as part of the bundled group of energy projects.

Including Energy Storage
As CEC has done with other technologies, AEE supports including energy storage projects as eligible under Prop 39. CEC may want to consider providing program staff with authority to include technologies (as long as consistent with Prop 39) without Commission approval in order to limit implementation delay and confusion.

Page 11: Interest Earned on Proposition 39 Funds
CEC's proposed revision states that any unspent interest earned on Prop 39 funds will go directly to the General Fund. AEE urges the CEC to reconsider this revision and instead transfer any unspent interest to the Prop 39 program so that it may be redistributed to schools for qualifying energy projects. We believe this is consistent with the intent and vision of the original initiative passed by California voters.

Page 36: Contracts
The proposed revision isn't necessary and actually adds more confusion than clarity to the guidelines. AEE recommends reconsidering the added language.

Appendix D: Savings-to-investment Ratio (SIR) Calculation
On-Bill Financing
Need additional clarity around whether On-Bill Financing qualifies under the revised language.

Appendix F: Effective Useful Life of Energy Measures in Years
As listed in Appendix F and is to be transferred to the "Energy Expenditure Plan Handbook" per the proposed revisions, CEC lists the effective useful life of Solar Photovoltaic (PV) systems at 20 years. While CEC uses 20 years as the default warranty, many companies warrant their modules for 25 years. AEE recommends including flexibility to consider Solar PV systems on a case-by-case basis, specifically when a vendor can provide a project warranty period greater than 20 years.

Additional issues to consider
Early Adopters
As we move into another year of implementation, it is becoming clear that those LEAs that made progress on their Prop 39 plans early on are finding it difficult to meet the SIR now that they've met all the initial obligations and implemented the "low-hanging fruit". CEC should consider developing an exemption for early adopters if they've already met all initial measures and the associated SIR. This will encourage further investment in critical energy projects without leaving any prop 39 dollars on the table.

Water Efficiency
AEE encourages CEC to provide more clarity as to whether water efficiency projects qualify under the Prop 39 program.

Maximize Prop 39 Revenues by Leveraging Private Capital

In addition to our specific comments on the proposed changes to the Prop 39 Program Implementation Guidelines, AEE also encourages CEC to make full use of existing statutory flexibility to expand the effectiveness of Prop 39 by leveraging private capital and increasing overall funds available for Prop 39 purposes.

In implementing Prop 39, the California Legislature originally appropriated funds for "low-interest and no-interest revolving loans and loan loss reserves for eligible projects and technical assistance."[1] To date, however, despite the Legislature's authorization of funds for both revolving loans and loan loss reserves, CEC has focused only on its existing revolving loan program, and has not sought to utilize loan loss reserves to spur private lending. Indeed, in its recent draft 2015 Guidelines, the CEC stated that the "2014-15 Budget Act (Senate Bill 852) appropriated … $28 million for low-interest and no-interest revolving loans and technical assistance to the California Energy Commission." The language of SB 852, however, again specifically allows for those funds to be used for both loan loss reserves and loans and technical assistance.[2] AEE encourages the Commission to make use of this existing statutory flexibility and to use a portion of the funds available to build bridges to private capital providers through loan guarantees and other credit enhancements.

There are good reasons for such an approach. First, Prop 39 tax revenues are substantially lower than anticipated at the time of the 2012 ballot initiative. While it was originally expected that Prop 39 would generate $550 million each year for energy projects, in 2014-15, just $354 was available under Prop 39. As noted in the draft 2015 Guidelines, this represents a reduction of $102 million in awards to LEAs, and a reduction of $8 million to California community college districts. Given this decline in in available revenues, it is all the more important that available funds are used to leverage additional funding sources, and the utilization of loan loss reserves can serve as an important bridge to attract private capital. In addition, as we reach the mid-point of the five-year Prop 39 implementation period, building such bridges can serve to familiarize private sector lenders with energy efficiency and clean energy projects in schools and community colleges, helping to ensure that funding remains available from private sources for these types of energy improvements even after Prop. 39 expenditures are completed in 2018. For these reasons, AEE encourages the Commission to make use of loan loss reserves as allowed under statute to attract additional capital and increase the overall effectiveness of Prop. 39.

We thank you for soliciting our feedback on the proposed guideline revisions. We look forward to engaging further and are happy to provide additional comment and clarification as needed. Feel free to contact us at (415) 799-3718 with any questions. AEE appreciates your leadership on this effort.

Sincerely,

---

[1] CA Public Resources Code §26227(a)(1) (2013).
[2] CA Senate Bill 852 of 2014, Item 3360-403, as enrolled.

Amisha Rai
Director, State Policy

Steve Chadima
Senior Vice President, Communications and Director of California Initiatives

cc: Commissioner David Hochschild, California Energy Commission
Commissioner Karen Douglas, California Energy Commission
Commissioner Janea A. Scott, California Energy Commission
Rob Oglesby, Executive Director, California Energy Commission
Drew Bohan, Chief Deputy Director, California Energy Commission
The Honorable Kevin de León, California State Senate
The Honorable Nancy Skinner, California State Assembly
Cliff Rechtschaffen, Senior Advisor Office of the Governor