



SCHOOL ENERGY COALITION

October 22, 2013

The Honorable Andrew McAllister
Commissioner
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

Proposition 39 Draft Guidelines

Dear Commissioner McAllister:

This letter serves as the School Energy Coalition's (SEC) comments and input on the California Energy Commission's (CEC) Proposition 39: California Clean Energy Jobs Act - 2013 Program Implementation DRAFT Guidelines. SEC is a statewide organization made up of school districts, county offices of education, community colleges and school construction professionals and consultants with a specific focus on school energy projects for California's students.

We appreciate the work of the CEC in crafting these guidelines. Our SEC members appreciate the focus of Proposition 39 funding on K-14 schools and the state's objective in creating good-paying energy efficient and clean energy jobs in California and leveraging existing energy efficiency and clean energy programs to increase economic and energy benefits.

Throughout the legislative and administrative processes for Proposition 39 implementation, SEC's message has been to keep the rules governing this process simple and flexible so that the bulk of the funding goes directly to school energy projects and retrofits. Therefore, our comments and suggestions are directly focused on doing just that.

Expenditure Plan Submittal and Reporting:

Allow Larger Schools to Submit Comprehensive Plans for Job Creation and Efficiency:
With regard to the expenditure plans, larger LEAs (Tier 4) should be allowed the same "Option 3" for their Energy Expenditure Plan (EEP) which allows for a Five-Year Complete Award Plan, as their counterparts in Tier 1-3. The importance of comprehensive planning, deep retrofits and job creation was discussed by the Legislature and the Administration. The ability to submit five-year plans will allow schools to comprehensively plan ahead for appropriate sequencing of projects and personnel to accomplish this.

Allowing Loading Order to Factor in to Project Approval: Might there be an opportunity to incentivize an LEA following the state's loading order? Allow districts that self-certify that they are complying with the State's loading order in order to access funding or receive some sort of adjustment in meeting the Savings-to-Investment Ratio (SIR) calculation similar to non-energy benefits?

Quarterly Reporting: SEC believes that the proposed quarterly reports that would be required for each energy expenditure report (which we will also refer to as "project" per the DRAFT guidelines) is excessive. It is unclear what is to be gained by having schools, especially smaller ones, prepare and provide a progress report every three months, and the staff time for preparation and submittal of such reports (no matter how simple that report may be) takes time and resources away from actual energy project work.

Schools are very familiar with an annual audit reporting process and we would recommend that the EEP could also follow or be incorporated into that process. We have received numerous comments on this from our Local Education Agency (LEA) members on this issue.

Change of Scope: The CEC's DRAFT Guidelines discuss relocating projects and changes in sequencing of projects as one of the triggers for a scope change report. We would ask for your further consideration as to whether this is necessary.

Also, if a project is added or subtracted from an expenditure plan after funding has been disbursed, a cost increase of more than 15%, a more than 15% increase in equipment being installed, and a relocation of project, these are all considered to be "significant" changes that will require approval by CEC. We would encourage the CEC to take into account that a 15% increase could occur due to inflation, especially if the plan spans multiple years, and we ask that this be taken into account so that an additional report is not needed.

Definition of Cost Effectiveness

Savings-to-Investment (SIR) Ratio: The 1.05 number is one that appears to be critical to the approval of an EEP and schools will quickly be learning the input and output of this calculation. In order to allow for the most flexibility in reaching this number, we suggest that each *individual school site*, be changed to LEA (submitted in one EEP) must achieve a minimum SIR of 1.05 (per paragraph 2 on page 19 of the DRAFT Guidelines).

Approval Process Timing and Disapproval Process

Post CEC Approval Funding Process: The DRAFT Guidelines state that the CEC will approve projects on a first-come, first-serve basis. Once approved, the proposed project expenditure plans will go to CDE for authorization of funds. The DRAFT Guidelines state that CDE will be processing approvals on a quarterly basis (i.e. every three months) and that process will take a month. After CDE authorization, the apportionment package will go to the Controller's Office and that office will "draw warrants" which is expected to take another 3-4 weeks.

It appears that the entire process, after CEC approval, could take a few months. Our members have expressed deep concerns over this timeline as it must be closely aligned to work with project development timelines for the summer construction period.

Disapproval Process: SEC appreciates that CEC staff has stated in outreach meetings that the goal is not to disapprove proposals, but to work with LEAs to move toward approval. However, the specificity of the “Disapproval Process” has raised some concerns with our members. It appears that once you move to this correction and resubmission docket it is a very formal and bureaucratic process. Given that a plan can be returned and for resubmission, is a disapproval process even necessary?

Monitoring and Verification

The CEC guidelines recognize that Monitoring and Verification (M&V) information is a snapshot in time and can be influenced by factors outside the LEA’s control. This includes climate changes in a given year that could account for increases in energy demand for heating and cooling. We would simply ask that there be a way for CEC’s staff to review in order to account for that.

We would also suggest that CEC staff become familiar with the impending requirements for schools that may require class size reduction and corresponding square footage and classroom configuration changes. The most significant of which could be the Local Control Funding Formula (LCFF) and the accompanying Local Control Accountability Plan (LCAP) that LEAs will be developing in the very near future.

These include:

- The requirement to return to 180 instructional days for districts and LEAs currently at 175 days.
- The class size reduction provision of the new Local Control Funding Formula increasing classrooms in use.
- Implementing the Common Core instructional system that requires greater use of technology and more staff professional development during more non-instructional days.
- Providing pull-out programs in additional classrooms to meet the academic and supplemental service requirements of the Local Control Accountability Plan.

We respectfully request that the guidelines recognize these issues and their effect on monitoring and verification results compared to baseline.

Forms and Calculators:

Schools have not yet seen DRAFT Guideline reporting forms and calculators for review and comment at this time. Because schools will have to fill out and return these documents to relevant agencies it is an important gauge as to whether, and how effectively, they will be able to comply with requests for information.

The same is true for the online calculator tools to be used by schools to estimate cost savings, job creation benefits and the SIR for the determination of the cost-effectiveness of a project. These tools should be available for review prior to final Guidelines.

Given that the SIR number goal of 1.05 appears to be a very important factor in approving these projects. It would be important to understand how the input and output process works, or doesn't, with the calculators.

Ideally, LEAs would like to have hands-on experience with these tools prior to the issuance of the final guidelines. We believe it could go a long way in relieving lag time for these Proposition 39 projects out of the gate.

Correlating with Other Energy Programs:

Schools have other state energy programs and regulations they must comply with. It would be useful to have guidance on how schools may integrate upcoming changes to the state's Green Codes and Title 24 requirements for schools with Proposition 39 projects.

Streamlining all school energy projects subject to Division of State Architect (DSA) approvals could also be extremely helpful for this reason.

We hope you find these comments useful and we are available at any time to discuss them in more detail. California's school districts and community college districts are ready to start energy projects and retrofits throughout the state, districts are only waiting for the guidelines they must operate under to set them in motion.

The interest schools have shown in these projects has been borne out of budget cuts, the housing crisis, dwindling bond funds and has grown exponentially in the past five years. It will be exciting to witness the LEA projects in every corner of state move forward to create jobs and provide better health and academic environments for students.

We appreciate the ability to share our concerns with you. Please do not hesitate to contact me (916.441.3300 or aferrera@m-w-h.com) with any questions regarding the information contained in this letter.

Sincerely,



Anna Ferrera
Executive Director

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