BEFORE THE

CALIFORNIA CLEAN ENERGY JOBS ACT

CITIZENS OVERSIGHT BOARD

CALIFORNIA ENERGY COMMISSION

ROSENFELD HEARING ROOM

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

This meeting of the Citizens Oversight Board will include teleconference participation by one or more Board Members. (Gov. Code section 11123(b) (2).) The teleconference locations, in addition to the address above, are:

1401 NORTH BROADWAY
LOS ANGELES, CA 90012

TUESDAY, MARCH 21, 2017

1:00 P.M.

Reported by:
Peter Petty

APPEARANCES

BOARD MEMBERS PRESENT (*Via telephone and/or WebEx)

Kate Gordon, Chair

James (Walkie) Ray, Vice Chair

*Randall Martinez, Board Member

Chelina Odbert, Board Member

Arno Harris, Board Member

David Dias, Board Member

*Mark Gold, Board Member

COMMISSIONERS PRESENT

Andrew McAllister, California Energy Commission, Commissioner

CEC STAFF PRESENT

Michael Murza, Policy Adviser to Chair Weisenmiller

Jack Bastida

Haile Bucaneg

Elise Brown

PUBLIC COMMENT: (*Via telephone and/or WebEx)

Rick Brown, PhD, Terra Verde Renewable Partners

Anna Herrera, School Energy Coalition

I N D E X

THE BOARD WILL CONSIDER AND MAY TAKE ACTION ON THE FOLLOWING ITEMS:

P R O C E E D I N G S

MARCH 21, 2017 1:13 P.M.

CHAIR GORDON: Hi everybody, welcome to the Citizen Oversight Board meeting. We need to call roll to determine quorum, although I think we probably have one, because so many people are here, which is very exciting.

Jack, you want to do roll call?

MR. BASTIDA: Okay. Board Member Gordon?

CHAIR GORDON: Here.

MR. BASTIDA: Board Member Ray?

VICE CHAIR RAY: Here.

MR. BASTIDA: Board Member Harris?

BOARD MEMBER HARRIS: Here.

MR. BASTIDA: Board Member Odbert?

BOARD MEMBER ODBERT: Here.

MR. BASTIDA: Board Member Dias?

BOARD MEMBER DIAS: Here.

MR. BASTIDA: And online I have Board Member Martinez?

BOARD MEMBER MARTINEZ: (No audible response.)

MR. BASTIDA: Board Member Gold, can you hear me?

BOARD MEMBER GOLD: (No audible response.)

MR. BASTIDA: Board Member Martinez or Board Member Gold, are you on the line?

Oh, wait. Let's try this again.

Board Member Gold or Board Member Martinez, are you on the line right now?

BOARD MEMBER MARTINEZ: Yes, I am. It's (indiscernible)

MR. BASTIDA: Okay. We're taking roll. I'm sorry, I might have had the privacy button on.

All right, we're taking roll. Is Board Member Gold there?

BOARD MEMBER GOLD: Yes, here.

MR. BASTIDA: And Board Member Martinez?

BOARD MEMBER MARTINEZ: Yes, present.

MR. BASTIDA: Okay. Great, we have a quorum.

CHAIR GORDON: We have everybody, I think, that's very exciting.

Thank you, so many of you, for being here in person. That's really nice.

All right, we need to approve the minutes from last meeting on February 9. I don't know if people have looked at those, but can we have a motion?

VICE CHAIR RAY: So moved

BOARD MEMBER ODBERT: Second

BOARD MEMBER MARTINEZ: Second

CHAIR GORDON: Two seconds. All right, I'm going to say all in favor. Oh, wait. Go ahead, Board Member Dias.

BOARD MEMBER DIAS: Board Member Dias, I have a little amendment. You spelled my last name right in two, but in three you spell it wrong.

MR. BASTIDA: I will fix that. Thank you.

BOARD MEMBER DIAS: Thank you.

BOARD MEMBER HARRIS: And just on other, there's a typo in line four, "presentation."

CHAIR GORDON: There is, you're right. Any comments that are -- I think we can agree -- we can do a motion to fix those typos and then approve, unless there are substantive changes.

BOARD MEMBER HARRIS: So moved.

CHAIR GORDON: Great. So that motion, just again, is to fix typos and spellings and approve. So Board Member Harris has moved, a second?

BOARD MEMBER ODBERT: Second

CHAIR GORDON: Great. Thank you. All in favor.

IN UNISON: Aye.

CHAIR GORDON: Anyone opposed?

Any abstentions?

Great. Thank you. Okay, we have mostly one big item for today, but we're going to get through -- hold on a second, I'm looking at the wrong agenda -- yeah, we're going to get through just a couple, just one short thing first. So I wanted Staff Member Jack Bastida to give us a quick update on the status of the audit, which is of course is our other big thing that we have to do as a Board. So Jeff, do you want to give us a quick update then?

MR. BASTIDA: Yeah, so this is just a quick update on the financial and program audit for the California Clean Energy Jobs Creation Fund, which is one of the main priorities that the Board needs to accomplish.

So the first audit will audit will actually encompass three separate years that the Job Creation Fund has been active. And before you, in your binders -- and I also emailed Board Member Gold and Board Member Martinez. What's in front of you in your binders is confidential. It's actually not supposed to be released publicly until the audit is over, but we wanted you guys to see just an update of what is occurring, what the State Controller's Office is working on with regards to the financial and program audit. It goes into a little bit of detail on when it's going to be complete.

So we're looking at an end of May audit report from the State Controller's Office and that will be released. And then I believe we should have probably a Citizens' Oversight Board Meeting just to have the State Controller's Office in to answer questions from the Board on the audit reports that were presented.

If you have any specific questions on what's in front of you, you can meet with me and I can go over in more detail with you, because it's not supposed to be released publically until after the audit is complete. They didn't want to have it in public information as of right now.

CHAIR GORDON: Great, thanks Jack. So we are not discussing this item right now. This is just advisory and then with specific questions, Jack or I, individually can talk to you guys individually about it. But thank you for the update, so can you say one more time May is the anticipated date of the audit, is that correct?

MR. BASTIDA: End of May, will be the audit report -- will be released from the State Controller's Office.

CHAIR GORDON: Okay. Thank you.

MR. BASTIDA: Uh-huh.

CHAIR GORDON: Are there any questions that are not related to the content of what is in front of us, but are related to timing or any other logistical questions about the audit? Okay. And that will likely be our next Board meeting, where we talk in detail about the audit. And we'll do that in a couple of months after it comes out, so that will be a good chance to get to dig in those.

All right, so we are going on to item four of this agenda, which also has "presentation" spelled wrong, I just realized. That's why I was looking at the wrong one. I was like, "It can't be the same on both."

And I should have acknowledged that Commissioner Andrew McAllister is here with us. Thank you, and for Chair Weisenmiller, so thanks for being here, Andrew.

MR. BASTIDA: Oh, and Michael Murza from Chair Weisenmiller's office is also joining us as well.

COMMISSIONER MCALLISTER: Here next to me.

CHAIR GORDON: Nice to see you, thanks for being here. And that will be very useful because we may have some clarifying questions as we talk about this report.

So this item is going to be the meat of the meeting, this is focused on Proposition 39 Jobs Act Report to the Legislature which, as you know, is due to the Legislature, I think it's the 90th day after the first of the year, which means March 30th, this year. So we are looking at a draft today. And we will ideally be able to make a recommendation to move it forward with any commentaries from this meeting.

So I think the best way to proceed is maybe I'll do a quick overview of what we did and Jack, I don't know if you want to dig in on any of the pieces that are before the recommendation section? I anticipate we'll spend most of our time on the recommendation section.

Again, this report as you all know, is we are required to do it through stature. It's a report, essentially advised the Legislature on the status of the program. It's not the quantitative audit. It's the qualitative report on the progress of each agency and what it's done with the funding and what kind of results each agency has seen.

As you know, we attach the full agency reports to this report, so this is intended to be a summary. Jack and I have tried mightily to shorten it. That is something that we're open to suggestions about how to shorten it further. But what we tried to do -- you remember last year we had a much longer introduction section -- and we talked in detail last year about the timing of the whole beginning of the program and why it had taken the time it did to get from the vote, in 2012, to the first grants going out.

And so we didn't repeat that this year. We did refer back to last year's report. We gave a quick overview of the statutory authority, the goals of the program, and then we gave essentially a summary of each program report. And then point to the fact that they're attached.

And the summaries could probably be shorter, but right now they contain some of the important charts, so that the Legislature -- we assume that some of the legislators won't read the full reports, and also there's some pictures, because pictures are nice.

And then the last section, the kind of meaty section, is the findings and recommendations. The reason why that section is important is we're the only body in this whole thing that does any cross agency review or reporting. And so the theory is that we're able to see things that are happening across the program that the agencies won't necessarily see, or highlight.

So that's an overview. I don't know, Jack, do you want to go through any of the sections and kind of point stuff out? You've all seen this, at least as of a few days ago, so also questions. Let's focus questions on everything but chapter seven, right now and then we'll get to chapter seven.

MR. BASTIDA: Okay. So yeah, we basically tried to make it shorter than what I've originally written.

CHAIR GORDON: I will say it is 20 pages shorter than the original draft.

MR. BASTIDA: Yes, Kate came in and edited my original draft, which is good because I kind of went on in some areas that I probably didn't need to. But our report will use the other agencies' reports as appendices. So if somebody really wants to do a deep dive into one of the programs and how they function, they can do that in the appendices.

So I basically started off chapter one, we go into the background of the Clean Energy Jobs Act. We do an update of the timeline from last year. So this has to be included because in the Public Resource Code it does say that the Board has to kind of write out what their meetings are about yearly, so this is taking care of that section. And we go actually all the way until today's meeting.

We do an update on the funding allocations, so there's a little bit of change with that in last year. Just the numbers are a bit different, like for example the Energy Commission got 398.8 million in 2016-'17. So there's a little bit of a change fluctuation in everything. We tried to show exactly where the money's going for everything.

The chapter two is just going over the mandates of the Board, more of the history and the audit progress. And so, as I explain with the audit and I do in this report, it just talks about where the audit stands and when we're expecting the audit from the State Controller's Office.

Chapter three, is really the meat of the report. It's the energy projects, the Energy Commission and the Chancellor's Office programs. We go into the Energy Commission's program and we tried to keep it short, only focusing on kind of how schools get their funding. That's one of the sections.

We also talk about the results from the program, what we're expecting to see. The overall funding status, where does the money go? Does it go towards energy planning? Does it go towards energy project funding? And so that's kind of spelled out for the reader as well, which we thought was important.

Table three, goes into the spending and where exactly the projects are and what the status is of the projects. So that has been updated. You can see a trend in the projects finally becoming completed and as all the construction has been going on all this past year, you can see that more and more projects are being in the completed stage. Now there's still a 12-to-15 month delay with after a project is completed. So it does take some time for those projects to become completed with the K through 12 Program. So we talk about that.

We talk about the total allocation for this period. Just talking about the allocation going up, which is how much is being spent versus how much projects have been approved by the Energy Commission. So that's money that's finally working its way through.

Participation rates of LEAs, we wanted to talk about the different divisions of schools that the program hits: the public districts, the charter schools, where the money is headed in this program. So we talk about that.

One thing that Energy Commission was really good at is looking at the disadvantage LEA participation. And it's actually just at the same rate as the remaining LEAs, remaining schools. So there's no real advantage or disadvantage to being a smaller school with this program, that we can see. These are percentages.

The greenhouse gas emission reduction and interview savings, so this is where we talk about energy savings, obviously. And the annual energy saving cost and how much it benefits schools. I'll quickly go through here. So we also do a section on the type of energy measures approved. Just talking about how lighting still dominates, but HVAC and lighting controls are up there as well. It's pretty consistent with what's going on in the Community College Chancellor's Office Program as well.

And that's pretty much it. We wanted to keep it pretty short, just talk about what the program is going towards, and kind of the results of the program thus far.

The next section of course is the Community College Program. We really tried to keep these sections kind of the same, talking about identifying projects, how the Community College Chancellor's Office goes about doing that. It's a lot different from the K through 12 Program. So we have to explain that a bit.

We talk about the funding overview, how much was allocated towards the Chancellor's Office and we show the different divisions that get funding. So there's another division that we talk about later on that gets about 3 percent of the funding and that has to do with jobs.

We also talk about energy savings and greenhouse gas emission reduction, just as we did in the K through 12 Program. I've tried to keep it pretty consistent, looking at the same kind of kilowatts per hour savings, same kind of therm savings and so you can see the similarities of the programs or the differences.

But also the types of energy projects just as in the Energy Commission's program, lighting's pretty popular. Still 64 percent in Year Two, but it went down to 59 percent in Year Three. So it's a little bit dropped on that, a little bit evening out, so we just talk about that.

Chapter four, loans and technical assistant grants.

CHAIR GORDON: Can you wait just a second, Jack?

MR. BASTIDA: Oh, yeah.

CHAIR GORDON: Does anybody have comments or edits to -- let's just do these chapter-by-chapter -- to chapter three, having gone through it or things that you think we don't need to include in this summary.

Chelina?

BOARD MEMBER ODBERT: Sorry, I think the photos are a great addition. Would it be possible to put captions with them? I think it may be hard to know what we're looking at in some of the images.

MR. BASTIDA: Good suggestion, we could do that.

BOARD MEMBER ODBERT: Sorry?

CHAIR GORDON: Do you have the ability to find those?

MR. BASTIDA: I do, yes.

CHAIR GORDON: And can we have those include -- I mean you should add to this, Chelina, but at least the location of the school and maybe what the work is that is being done in the picture. Is there anything else you'd put in there?

BOARD MEMBER ODBERT: Yeah, just exactly. I think where the school is and what, is this a before picture and after, what program it relates to.

And then one other comment in chapter three... Sorry, you can come back to me. I've lost the page, I have to find it again.

CHAIR GORDON: That's okay. Other comments or edits on this chapter or, Commissioner McAllister, anything that we got wrong or mischaracterized?

BOARD MEMBER ODBERT: Okay, I found it. On page 25 I think there are some -- under the energy savings and greenhouse gas emission reductions -- I think this first paragraph has some really kind of powerful statistics. I don't know if it would be possible to turn just the first two into some sort of a graph. I think this is where the idea of how many homes, the home equivalent of the energy savings and the one-year jobs in construction, I think these are the things that people generally ask about the program. And these are the summaries of the impacts, so maybe they could be just pulled out and highlighted, if other people agree?

CHAIR GORDON: Do we have -- I just don't remember from your full report, but does the full CEC report have any graphics showing the energy savings and greenhouse gas reductions, are there charts?

MR. BASTIDA: I believe so. Yeah, there is.

CHAIR GORDON: So we could just take the charts and put them in. Would that be --

BOARD MEMBER ODBERT: Yeah, I mean only if you guys agree. It's just an idea.

CHAIR GORDON: Yeah, I'm thinking that makes sense. I'm wondering if there's any others that are --

MR. BASTIDA: I could also add it to the table 7 at the end. It does talk about annual energy savings, but we could go into more detail and talk about how many homes that means. Because you put up a big huge kilowatt hour savings number and it doesn't really compute too well to what that means, you know?

CHAIR GORDON: On page 21, actually with the K Through 12 Schools, you do have an additional row for GHG emission reductions. So can we add that additional row to the Community College Chart and then add -- I think it's a good idea to, at least in parenthesis, add the number of homes after the energy savings. Does that make sense?

MR. BASTIDA: Yeah.

CHAIR GORDON: Does that make sense to you, Chelina?

BOARD MEMBER ODBERT: Yes.

CHAIR GORDON: So add the GHG row to the chart on page 26. And add on both page 21 and chart 26 add some descriptor about how much energy was saved.

Okay. Good catch, thank you.

Other comments on this section, which we know is long, but...

VICE CHAIR RAY: A question?

CHAIR GORDON: Yes. Make sure your mic's on, okay?

VICE CHAIR RAY: On commissioning and retro-commissioning, it appears to be --

CHAIR GORDON: Can you give us the page number?

VICE CHAIR RAY: Oh, I'm sorry, page 22. It's a trivial amount, could someone explain the meaning of "commissioning and retro-commissioning." Is this the process where air-conditioning belts are tightened and filters replaced. What is involved in that?

CHAIR GORDON: Commissioner McAllister, we're looking at you.

COMMISSIONER MCALLISTER: Yeah, sure. So commissioning is what -- and Dave or Arno, you know this probably as well as I do -- but commissioning is the process of sort of burning in and tuning up and making sure, at the initial installation, that everything is working properly and properly installed. So really sort of doing an initial tune up and quality check and everything's good. And that's upfront.

And then retro-commissioning is doing that for existing equipment that's been operating and you're tuning it up. You're making sure it works all good and is optimized, so that it -- and in that process you get its efficiency up to what it can be and there are savings associated with that process.

So it's pretty well-established now that there needs to be some ongoing touch of equipment, so that it operates well.

VICE CHAIR RAY: I completely agree. I'm flabbergasted at such a small number. And my experience, as an owner of properties, is that the calibration of the

HVAC equipment, the lighting, closing the windows, or opening the windows, whatever the case may be can make a huge different in energy. So I'm just surprised it's --

COMMISSIONER MCALLISTER: Yeah, our view is that it's best practice, everyone ought to do it and not enough people do it. And so that would apply to schools as well, the ones that have religion on that will be doing it and will be covering it with Prop 39 funds.

CHAIR GORDON: Let me just -- Commissioner Dias, did you want to add to that?

BOARD MEMBER DIAS: Yeah. Basically, also what they do is they go in and make sure everything is operating to design, original design and like a new building with all the high energy efficiency stuff. Make sure it's operating to that design, not off of that and everything else. And that's why commissioning and retro-commissioning is so important. It should be done, I don't know if its annually or biannually or whatever, but it's very important.

VICE CHAIR RAY: I agree it's very important. Yet it would appear it's not very important, based on the data here.

BOARD MEMBER DIAS: Yeah I see where you have it's like what 121 projects, and 1 percent of the --

VICE CHAIR RAY: No, 100th of 1 percent.

BOARD MEMBER DIAS: Yeah.

CHAIR GORDON: We have Rick Brown here, who does a lot of work with these LEAs. Rick, do you want to just, if you have specific knowledge of why the number is low, that would be great.

DR. BROWN: Yes, I don't know why the particular number in there is so low, but the problem is twofold. One is it's all about the SIR. And a retro-commissioning project, because it doesn't basically give you a very good SIR, because even if you're making the equipment more efficient, even any incremental improvement in HVAC equipment, just doesn't generate that much in terms of savings. It's helpful in terms of maintenance and operation. When you do retro-commissioning, you essentially make it less likely for breakdowns. But in terms of actual bill savings, it just doesn't get you that much versus the cost.

The second piece is the bigger piece, which I've come and talked about, and you all have been very supportive of. When you're a school district that has so many needs for this money you're going to put in on the stuff that is crying, equipment that's no longer working. And so in terms of when we do our energy audits and make the recommendations, the first things at the top of the list are the equipment that is just not operational and needs to be replaced or is so old and so poorly maintained, even any retro-commissioning is just not going to solve the problem. They need to replace the equipment.

So it's those two factors that when a school looks at, "Where am I going to put my limited Prop 39 dollars?, the retro-commissioning kind of falls off the list.

CHAIR GORDON: Thank you, Rick. We do get to your second point in the recommendations a little bit, so we'll talk about that.

Do we want to put in, Walkie, do we want to put in a sentence here before this table just noting that retro-commissioning is low and that that should be a best practice for the schools? I mean we are open to small amendments here; it's up to the Board.

VICE CHAIR RAY: Probably not, I'm just saying my experience is that the maintenance of the equipment and the ongoing commissioning of it, is in fact profitable, that it saves significant energy. And I just don't think this is representative of the savings we can achieve, but maybe that is best placed in the recommendations section. I mean these are the facts.

COMMISSIONER MCALLISTER: Yes. Okay. Also, it's a little hard to know what's actually happening in the world, because all we see is one slice of what they use the grant money to do for this particular program. And so whether it's some kind of programmatic limitation or choice, we depend on the people elaborating the projects at the schools to tell us what they want to do with the money and then we fund that. So their retro-commissioning may actually be going on at some of these places and we don't know about it, because it's not in the program.

CHAIR GORDON: That's a good point or it may be that they're combining funds and using other funds for it.

Arno?

BOARD MEMBER HARRIS: Yeah, I just wanted to ask if anyone on staff knows if it's a CEC best practice? Is there a requirement anywhere in here, in the Prop 39 Program, is there any requirement that they do it? I gather from the fact that only 121 have done it, or that they in -- I guess that there's two ways to interpret this. Either 121 of them are doing it and that seems fairly low. Or all of them are doing it, but only 121 are using Prop 39 funds to do it and therefore it's appearing in this report?

COMMISSIONER MCALLISTER: I doubt it's the latter and it is a best practice. But it actually is, in terms of utilizing public funds or even utility rate payer funds for it, it actually hasn't been a no-brainer. There's been some effort to include it over at the PUC and the utility portfolios and even that has gotten a mixed reception.

So it is something that I think everyone acknowledges that it's a good thing to do for multiple reasons. Not just a good thing to do for energy savings, but just it's just good management practices. But as to my knowledge we don't have a requirement that retro-commissioning be part of an installation.

Building code, in some areas like HVAC and stuff, there's a step you're supposed to do to meet building code, which is test the equipment when it goes in, make sure it's functioning well, refrigerant charge. Dave knows this really well. But so that in some sense is the commissioning piece of it, but as far as I know there's no retro-commissioning requirement.

CHAIR GORDON: Board Members Gold or Martinez, any comment on this conversation or on section three?

BOARD MEMBER MARTINEZ: No comment from Martinez.

CHAIR GORDON: Mark?

BOARD MEMBER GOLD: No comment as well, sorry I thought that came through.

CHAIR GORDON: No worries, those pesky mute buttons.

All right, anything else on chapter three, so we've got a couple of specific recommendations. I'll recap all these before we do a motion, so you won't forget them. And I did not get a recommendation out of that conversation we just had; is that correct? There's no change on this commissioning, it's just a clarifying question. Is that correct, in your opinion?

VICE CHAIR RAY: Sure

CHAIR GORDON: Okay. We can revisit it at the recommendation section if you want to.

All right, Jack, do you want to give us a very brief overview of chapter four?

MR. BASTIDA: Yeah, so chapter four deals with the loans and technical assistance grant that are funded by Prop 39. So we have ECCA-Ed and Bright School funding is included in this chapter. ECAA-Ed is a loan program, they give zero percent loans to schools for technical assistance. And we go over kind of the funding of each program.

Bright Schools is actually funded through ECCA-Ed. They did not receive any funding. They only received funding the first two years of Prop 39, but there is still programs going on with the funds that have already been allocated towards the programs, so I thought it should be still included in this report. It talks about how many loans have been approved, how many have completed their projects, who's filed the completion reports. There hasn't been any defaults on any of the loans, so there's a zero default on the ECCA-Ed loans thus far.

Bright School Program is also talked about in this section. We just go through the expenditures and program encumbrance of the program. The Bright Schools is -- Energy Commission has a contract to provide technical assistance for the Prop 39 K through 12 Program, so it's all connected, as it were. And that's basically chapter four in a nutshell.

CHAIR GORDON: Just as a reminder for those who didn't read the recommendations closely, which I don't blame you because we sent them late. But we do recommend reinstating funding for these programs so we can talk about that in the recommendations section. I think we recommended that last year too and it didn't get us anywhere, but we can keep trying.

Great, any questions on that section? Just again I had asked Jack the question in our conversations about why to include any information in this section since the programs aren't being funded at this moment. But he makes the good point that some of the work is still being done under previous funding.

So any questions on this section?

VICE CHAIR RAY: Yes. How are these loans repaid? There is zero interest, but is it over five years, equal installments, what is the nature?

MR. BASTIDA: I do not know the exact breakdown of that. I'd have to get Josie. (phonetic)

CHAIR GORDON: Does anyone on staff out there happen to know the answer to that question?

MR. BASTIDA: Oh, it's a 20-year loan, a 20-year loan.

VICE CHAIR RAY: But in equal installments?

MR. BASTIDA: Twice a year, yeah, biannually.

VICE CHAIR RAY: Thank you.

MR. BASTIDA: Yep.

CHAIR GORDON: Thank you. Great.

Okay. Chapter five?

MR. BASTIDA: Chapter five is the workforce programs and grants, so this has to deal with obviously the workforce programs that are funded by Prop 39.

The first one, which is the California Workforce Development Board, has apprenticeship grants. We heard last meeting from Sarah White, who talked about all the great work that they're doing in awarding grants to different programs that provide workforce developments.

So we talk about the grants that have been awarded thus far. I believe they are on their second round of grants thus far, so they have some good data with the first round of grants, which I included in here. And then I also talk about which ones have been awarded with their 2.0 grants as well.

We talk about the performance of the training implementation programs, so just how much percentage of each program is completed training, has enrollment and has placed people into good workforce development programs and jobs -- aimed at jobs, so we talk about that.

The second program that I talk about in this section is the California Community Jobs Chancellor's Office workforce development division grants. So as I said before community college takes a portion of the overall funds they get for their energy program, and they put it towards a workforce development division grant, similar to the Workforce Development Board's grants.

So we talk about how the colleges are allocated by region, so that's important. Where the funds are going towards and how many degrees can be attributed by the funds that are being put forward. So we kind of talk about the performance of the grants at the end of the section.

This third and final part of this section is the California Conservation Corps, Energy Corps Program. We talk about the funding allocation of the program, how much they've been funded each year. The energy surveys that have been provided to the LEAs. Energy surveys are an important component of the K through 12 Program, so that schools have an energy survey to go forward with their Prop 39 funds and so we talk about that. We talk about the retrofit services that the Conservation Corps gets and also provides for schools, so that they also provide some retrofit services.

And then we also talk a little bit about the next steps for these corps members, what they are expected to do after their program is over. They usually go into employment and energy industry sector, so we talk a little bit about that. And that's chapter five.

CHAIR GORDON: Just to clarify on that last point. We actually say here, but we don't know what they usually do --

MR. BASTIDA: Yeah. They don't keep records, right.

CHAIR GORDON: -- because they don't keep statistics, which means we can't include them. Kind of like the Pre-Apprenticeship Program.

I wanted to ask if we could, for this section, include captions that say something about the actual person in the picture. I don't know if we can do that for the corps member, but I know that the Pre-Apprenticeship Program has, from their attached report, for instance we can say that this someone who is a former veteran or who's a veteran who's been placed in the program or whatever. Or somebody who is -- I know they had at least one formerly incarcerated member -- it would be nice to have a little detail.

MR. BASTIDA: Okay. I can ask, yeah.

CHAIR GORDON: Are there -- go ahead.

BOARD MEMBER MARTINEZ: Okay. This is Randall Martinez.

CHAIR GORDON: Go ahead. Board Member Martinez, go ahead.

BOARD MEMBER MARTINEZ: Thank you. I recall when the California Conservation Corps was making their presentation to us and they discussed the elements of their Pre-Apprentice Program, we talked about the possibility of actually making a recommendation in this format that their Pre-Apprentice Program actually become registered and recognized as a full-fledged program with the state. So that their graduates can be considered pre-apprentices with the Union.

CHAIR GORDON: Just so, I'm sorry, just because there were two separate programs you talked about. So the California Conservation Corps does not run a Pre-Apprenticeship Program? It runs a very different kind of program and there is not -- we actually followed up on this -- the program the Conservation Corps runs would not qualify for a Pre-Apprenticeship Program, because it's just not technically -- the Pre-Apprenticeship Program is a multi-craft program and it includes other crafts. It's more rigorous. It's paid.

David, I don't know if you want to weigh in on this, but my understanding is that it doesn't meet the requirements of the Pre-Apprenticeship Program.

BOARD MEMBER MARTINEZ: Okay. Thank you for the clarification.

BOARD MEMBER DIAS: Exactly.

CHAIR GORDON: Board Member Dias agrees with that.

BOARD MEMBER DIAS: Yes, and that's the way it is. Like the Greenbuild, and the other ones are, the Pre-Apprenticeship Program that we do have direct entry into the unions with those programs. But they're very vigorous and intensive training and all that, towards overall building trades, and then they pick and choose the trade they want to go into. So that's the difference.

CHAIR GORDON: Thank you for following up on that though you're right, we did discuss it. And these three training programs are very different from each other. I think we tried to make that clear in this section. We could make it more clear, but they all lead to different types of outcomes.

The Pre-Apprenticeship Program is very much an entry into an apprenticeship program for the trades, whereas the California Community College Program is less directed and a little more general. And the Conservation

Corps Program is a little lower skill and a little more general.

BOARD MEMBER ODBERT: I think those three lines would be really helpful in the report.

CHAIR GORDON: We can add a couple of lines clarifying the different types of programs. They're all really important. They're just different from each other.

All right, other comments on the workforce section?

BOARD MEMBER ODBERT: Yeah, on page 39, the allocation table? In some of the other sections we were able to say both what the allocation was and what had been spent to date. Are we able to do that in this section or do we not have that information?

MR. BASTIDA: I can ask the Conservation Corps if they can provide what's been spent on the Energy Corps Program, but they did not provide that in their report.

BOARD MEMBER ODBERT: Okay. The only reason I ask is, because I think the numbers are quite large compared to some of the other programs. And when you go to the surveys provided, the numbers aren't that big. So it could raise a question of, "Is it because this money hasn't been spent or is it that it just costs this much to do these numbers?"

MR. BASTIDA: There is a lot of training

involved, which I know a lot of the funds go toward that, but we can get a more detailed breakdown from Conservation Corps to include in our report.

CHAIR GORDON: Just to clarify, are you asking for ideally spending to date on all of these, just all the charts that have funding?

BOARD MEMBER ODBERT: Oh, I was just specifically talking about the one that on page 39 relates to the Conservation Corps. Just because I think that one, the numbers are large, and then there's only one other chart in the section that sort of shows what's been done to date and those numbers aren't quite so large. So I don't think there's a direct correlation where someone sees the number and says, "Oh, here's what happened as a result."

CHAIR GORDON: Right. So you're saying they'll say, "Oh, this says $5 million in 2013-14," but we only have 20, whatever, 5 projects (indiscernible) --

BOARD MEMBER ODBERT: Yeah, and it could be easily explained, because maybe only a million of it has been expended to date. And so if that information were there, it might -- yeah, be helpful.

CHAIR GORDON: That would be helpful if you can find that out and add it. I think that's a good point. Thank you.

MR. BASTIDA: Okay.

CHAIR GORDON: Thank you. And I think you made a good point too though, Jack, that it probably -- if you can actually dig in a little. If it looks like there's a big discrepancy if you could find out just whether it's true, the assumption that most of the money's being spent on training.

COMMISSIONER MCALLISTER: Yeah. And I guess I'll just add a little narrative here. So it looks like the allocations are an even 5 million or so every year and then the actual work has varied quite a bit, so like 2014 was a huge year. And so maybe explaining a little bit the lumpiness of the actual delivery. I'm sure there's a good story for that, I just think.

MR. BASTIDA: There is probably, yeah. I will get more information on that.

CHAIR GORDON: Great, I captured that. All right, good questions.

Chapter six?

MR. BASTIDA: Chapter six is everybody's favorite chapter, the job numbers for the programs. So we go through basically just trying to pare down what was given to us from the California Workforce Development Board presentation and report, talking about the results of the jobs that we've seen. We do spell out more detailed information on the methodology and how theses job numbers are created, are given in more detail in their actual report that will be one of the appendices.

But we did talk about the job creation results, how much jobs have been created, the kind of jobs, whether induced, direct, indirect. We talk about the fiscal impacts that have been calculated that were part of the report that we wanted to include and then the quality of the jobs that have been created. We talk about that in detail. The distribution of workers and their training level with the program.

And one point of deception that I wanted to make clear in the introduction part is that this actually only includes the Energy Commission's K Through 12 Energy Program, so all the jobs that the Workforce Development Board looks at are just on that part of the program. It takes about 80 percent of the funds, but it is I believe in the recommendations to look at the complete picture as well, although that takes money, so.

CHAIR GORDON: And we'll put that in there too.

MR. BASTIDA: Yeah. We talk about the average hourly wage rate in each job category that have been looked at and that rounds off chapter six.

CHAIR GORDON: I just, one second, I want to note on this section the reason there's more explanation than any other sections is this tends to be the point the legislators are the most interested in. This chapter is one that they will probably all turn to, so it's a little more explanatory. It says more than some of the other chapters, you'll notice, and that's why.

Board Member Dias?

BOARD MEMBER DIAS: Yeah, I just was wondering, in page 44 it says about the job classifications and what type they are, but they don't actually tie a number into plumbers, pipe fitters, sheet metal workers, carpenters. Is that necessary or anything or maybe should we just keep it like it is?

MR. BASTIDA: I'm sorry, what was that?

BOARD MEMBER DIAS: It doesn't -- if you have 4,000 direct jobs or whatever how many of those are pipe fitters, sheet metal workers, or plumbers, carpenters?

CHAIR GORDON: That's a chart I made you take out. I think we have to --

MR. BASTIDA: It might have been, yeah.

BOARD MEMBER DIAS: That's fine.

CHAIR GORDON: Do you think we should put it back in?

BOARD MEMBER DIAS: I don't know.

CHAIR GORDON: There is a chart.

BOARD MEMBER DIAS: This is for the legislators or the legislation?

CHAIR GORDON: Yeah, this is for the legislators. There is a chart that talks about the breakdown between each of those classifications, so if you guys think it's important, we can put it back in. It's fine.

BOARD MEMBER DIAS: Okay.

CHAIR GORDON: Yes, Chelina?

BOARD MEMBER ODBERT: The chart on page 43, the pie chart, is that total for this year, because if it is can we write that or is that since the program started? Maybe just to clarify this 10,000 is over what time period?

MR. BASTIDA: It's since the program started.

BOARD MEMBER ODBERT: Okay. Should we say that just because of last year's report and we don't want people to feel like we're double counting.

MR. BASTIDA: Yeah. Right

CHAIR GORDON: Yes, we should. We should actually put dates in for all of the charts.

MR. BASTIDA: Okay.

COMMISSIONER MCALLISTER: Are these jobs years or are they permanent jobs or what's the (indiscernible)?

CHAIR GORDON: They're definitely not permanent jobs.

COMMISSIONER MCALLISTER: Okay. It must be job years, right?

CHAIR GORDON: Yes. I think it's job years under

Sarah's, (phonetic) yeah because that's how construction jobs are usually counted.

COMMISSIONER MCALLISTER: Yeah, we should be clear about that.

CHAIR GORDON: To clarify, let me just write this in, so clarify the years plus job years versus people. Okay. And did people understand that distinction? Just it's the way we count nonpermanent jobs so that we can count them as adding up to a certain number of permanent jobs, rather than counting them as you would in like manufacturing where people keep their jobs for longer.

VICE CHAIR RAY: Okay. Being as this is a political document those of us who live in Southern California are always suspicious of people from Sacramento and the Bay Area, because we don't --

CHAIR GORDON: I can't wait to see where this goes. (Laughter.)

VICE CHAIR RAY: We're not always comfortable you directing money our way, can we introduce some sort of tabular data, pie chart, indicating how much of the jobs and money were in Southern California and Northern California or some other geographical breakdown?

MR. BASTIDA: We could ask Sarah. Yeah, I mean I would guess they would just pick the population of each center.

CHAIR GORDON: You know, we did have map last year of the projects and there is a map of the projects and it would be a good idea to include that in this document, for sure. Not in this chapter necessarily, but in the K through 12 chapter maybe or the energy projects chapter.

MR. BASTIDA: Are you talking about the climate investment map?

CHAIR GORDON: No, the map that has the projects on that's like a -- it shows it's like Google. You know, you have little flags for all the projects and it's very clear that they're all over the state and a lot of them are in Southern California.

VICE CHAIR RAY: But, again suspicious minds. The population of Southern California is such and such. The population of Northern California is something else, so how many jobs are we producing?

CHAIR GORDON: We can't do that here, because as it says it's a model. It's not a count, so it's not a job count. It's modeling based on investment.

So in fact, it should mirror what that map looks like, because the more projects, the more jobs there'll be in those places. Theoretically, you know the model, right? But I think that's right, isn't it? This is a model, so we're not going to be able to count the numbers.

VICE CHAIR RAY: What is a model? I don't --

COMMISSIONER MCALLISTER: It's a formula where for X number of project dollars it produces Y number of jobs kind of thing. So it's really math that's based on some research that was done, but it's not like polling how m any jobs in this particular project.

VICE CHAIR RAY: No, I get it. I get it.

COMMISSIONER MCALLISTER: But it would correspond with the money that went to schools in Southern California, and so we could do those numbers.

VICE CHAIR RAY: Okay.

CHAIR GORDON: Yeah.

BOARD MEMBER DIAS: Okay.

CHAIR GORDON: Yeah.

BOARD MEMBER DIAS: So could we, all right and I don't know if this is adding too much into this, but could we correlate that to oaky X amount of this project, Project X, is half-a-million dollars. And it was for primary lighting and then you can see how many electricians that put to work. And then Project Y was HVAC or whatever. I don't know if you want to get into all that.

CHAIR GORDON: I think that it would be hard to get them to do. I mean, they would have to additional, right?

BOARD MEMBER DIAS: Well, I mean if you already have the model or whatever, that's what that correlates to is what I'm trying to say.

CHAIR GORDON: It sort of does. If Sarah were here, she could explain this better, but from what she presented to us last time it correlates more to -- it aggregates over a number of different trades. They don't break it down in terms of the individual project type within each larger project. It correlates to general numbers on construction and retrofitting jobs based on amount invested in those sectors' rates. I don't think we can actually. We'll ask, but I'm not sure if we can. I don't want to promise that we can break that down.

BOARD MEMBER DIAS: Okay. Thank you

CHAIR GORDON: I do think it's a good idea though, to show the geography whether it's in chapter three or this chapter. I don't know how to do it in this chapter, but chapter three we can certainly do it. But I think that, plus it would be nice to have a graphic that's not an Excel table. So and we know you guys have the map on the website, so we should just put the map in here.

All right, so let's put the map in here in chapter three. And it is a nice representation of geography.

Board Members Gold or Martinez, do you want to add in anything on this chapter?

BOARD MEMBER MARTINEZ: Martinez, no comment

CHAIR GORDON: Thank you.

Mark Gold, any comments?

BOARD MEMBER GOLD: (No audible response)

CHAIR GORDON: Okay, other comments on this chapter?

Those were great comments, thank you. This is an important topic at hand and those were very good comments. And actually the attached report is quite good at explaining some of these things, so we may want to look at just to make sure that we explain the modeling issue well enough.

Okay. And I assume the attached report will also be looked at by legislators. This is one where I think they will actually read the attached report.

CHAIR GORDON: Okay. We're going to go to chapter seven, which Jack I'll do, unless you want to do --

MR. BASTIDA: Feel free.

CHAIR GORDON: -- since I wrote it.

All right, so chapter seven I expect we're going to have some conversation on, and I know it's a lot. So I'm going to go through it at a very high level and then we can go into each of the recommendations; does that sound fair to everybody? The introduction is just -- sorry, that finding should be bigger -- the introduction to this section is just the fact that the program involves multiple agencies and institutions that we are one of the only bodies that looks across them. We are in a good position to offer high level findings and recommendations.

I say in general we're pleased with the progress, because so many more projects have been completed than last year. You may remember last year's report we only had like 17 projects to talk about, so this one is much meatier. And I will talk about being impressed with the job training programs and just the fact that we think the program is creating value.

The reason that that introductory is so positive is because some of the recommendations are recommending the extension of the program. So we need to say we like it, in order to make that recommendation. So we can discuss that, but that's why it's phrased this way. So let me go through the recommendations at a very high level. There are eight of them and then we can go into them in more detail. And several of these, we talked about at our last meeting, and several of them were out of discussions with some of you individually, or coming straight out of the agency report.

So first, we talk about the need for an extension of at least the encumbrance date and ideally the entire program. You may remember from the CEC report last time that the encumbrance date -- essentially schools have to apply for their projects before they know how much money they're getting from the Department of Education, because of the encumbrance date on the program. And it just will result in a whole bunch of unspent money if we don't extend that date, so that's the first recommendation. I just quoted the CEC on this actually. And the second one is a recommendation to extend the entire program by five years. We can discuss and should discuss that.

The second recommendation is one that came out. We all discussed at the last meeting, which is the need for an inventory. We keep talking about how it would be good to target unspent funds. How it would be good to understand which schools have the most need and the fact that there isn't a statewide inventory at this moment. We talked last time about recommending one, so that's in here as number two.

Savings to investment ratio for schools meeting specific conditions, this goes directly to some of the comments we've heard about schools that have less money in the bank. And a harder time meeting the savings to investment ratio, because in some cases they have different maintenance that has to be dealt with before getting to these projects. In some cases their energy rates are very low, because they're in parts of the state with low rates. There's different reasons for it, but it would allow for some flexibility.

According to my conversations with the CEC, this would take a legislative change to the definition to cost effectiveness in the programs, so this is something that is a legislative recommendation we can talk about.

Fourth is the loan programs, they haven't been funded for two years yet with no defaults and are actually programs that put money back into the state coffers and are very successful. So we are saying again, as we did last year, that they should be funded.

Five is something that has come out of some of our conversations in these meetings, not last week but last month, but a couple of meetings before that. About the fact that it would be good to have some funds targeted toward schools. We have the recommendation on the disadvantaged schools. It would be good to have some funds targeted for schools doing really innovative projects that go beyond lighting and HVAC honestly, to maybe zero net energy, maybe energy generation, just something that's a little bit more far reaching.

Six is increased support for the jobs analysis. This goes to the point that right now, the Workforce Development Board can only do an analysis on the K through 12 Program and yet the job numbers are the single most looked at aspect of this and they're in the legislation. So the Department of Workforce Development is doing that whole job count with no funding right now and so recommendation for some funding for that and capacity.

Number seven needs some help actually, and when we get to it I want to talk to Commissioner McAllister about his recommendations. But essentially this is a recommendation about the lack of administrative support and capacity support for the CEC and the Department of Workforce Development, both of which -- Workforce Development Board, I'm sorry, it shouldn't say DOWD. It should say WDB -- which are doing a whole bunch of this work without funding or capacity, so it's sort of a general capacity one.

And then the last one, is one that came out of conversations with some of you, about the fact that it would be nice to put down some learnings from this program in a little bit more of a formal way. So that schools in the future and throughout California would have a better sense of what they could do, what some of the best practices are around the state, who they could talk to from some of those schools have done projects, essentially a "How can we capture some of the best learning here and use it for education?"

So the last thing I'll say before we start on the meat of these is you'll note that what we're anticipating here is some unspent money at the end of this first five years and the potential for a second five years.

There is a current bill, I've put this in my notes to you all, there's a current bill that Senator de Leon has on the table that would in fact extend this program and the encumbrance date. And there isn't a moment, right now, where the Legislature is actually thinking about what could make this program better if it's extended. And the potential moment if it's not extended for what to do with the unused funds. So many of these are directed toward that actual conversation.

So that is where they come out of and what they are, and we can go back and start with number one, starting with the encumbrance date. I don't know if they're --

Commissioner McAllister, do you want to just do two minutes on why this matters?

COMMISSIONER MCALLISTER: Sure, and I guess we programs staff right there and they could be more articulate about this than I, but basically the funds have to be encumbered by the school district, not just by saying "Hey, this is good to go." And so there's actually a process after which we get their plan, we approve their plan, we approve it. Tell the Department of Ed that they can cut the check and they cut the check, they send it over to the school. Then the school has to do their RFP, get their contractor on board. And then when they figure out what they are going to do, that's when they encumber the funds. That's when formally that's encumbered.

And so in order for that whole process to take place we have to get the advancement plan proposals from the school districts way early. And then they have to go through that whole process to get their funds encumbered by the end of the program. And so that basically means that what by August, we have to have all of the proposals in from all the schools across the state for their last hurrah, this coming August.

And that is just not going happen. They aren't planning that far ahead, many of the small ones. You know, we've done incredible outreach to them, so I think most of them know the program exists at this point. But the amount of handling it would take to get them to get a year ahead of it essentially, is more than is really likely to happen.

So I think extending the encumbrance date, we'd say hey, okay, the program is a five-year program. You actually have five years to get your plans in, and then we go through the approval and the contracting process and the encumbrance.

So in order to do that in a way that is transparent and works with the way the schools actually operate, another year would be very helpful for the encumbrance. Otherwise, we are going to have a bunch of money left over. That's the read on this.

Was that a fair explanation of this, so I'm getting nods from staff. So I guess --

CHAIR GORDON: A nod from staff.

Arno?

BOARD MEMBER HARRIS: Is it necessary then for our recommendation here to contain a greater level of detail on that as far as recommendation to the Legislature? Or is this sufficient, so it's simply saying that we want them to look at this again?

COMMISSIONER MCALLISTER: I think this is good actually. I know that this is good, actually. Let's see, I mean I know that this is good. This recommendation will reinforce what we've already been telling the Legislature and hoping that this happens, so yeah.

CHAIR GORDON: Go ahead, Walkie?

VICE CHAIR RAY: What we want is for the program to continue for another five years; isn't that right?

CHAIR GORDON: Yes, ideally. Yeah.

COMMISSIONER MCALLISTER: So just to be clear, our recommendation to the Commission is that's a legislative call. We're not saying another five years, the Energy Commission. That's really we're deferring to the Board and the Legislature, the COB and the Legislature on that issue. So really the one-year encumbrance minimum extension is sort of a Commission good program administration recommendation, but you guys definitely should have the conversation about the recommendation to extend the program overall.

VICE CHAIR RAY: Yeah, but if they can figure out that they can do it in a year, let's ask for what we want and leave out Plan B. And if they want to do Plan B, they'll give us Plan B, but I say we ask for what we think is best and not second best.

CHAIR GORDON: Conversation? Discussion?

BOARD MEMBER ODBERT: I guess the only concern would be that they may not understand the details of the loophole of the one-year encumbrance period. I don't know if you think that that's already something that is -- like would they come up with the Plan B on their own or is it too obscure?

BOARD MEMBER HARRIS: Yeah, I think that the recommendation here is quite clear and I think having both is actually important. Because we say very clearly the Board believes the better outcome will be to extend the entire program. But to the extent that that's not something the Legislature agrees with, we want to highlight this issue of the encumbrance and make sure that people understand the timeline sensitivity there and at least fix that. So it's sort of get the whole thing going for another five years or at least fix this major problem that's going to result in a bunch of the funds not being allocated.

CHAIR GORDON: We could reverse them. I mean you just said them in the reverse order, which is an action.

BOARD MEMBER ODBERT: Yeah.

VICE CHAIR RAY: As presented I think maybe they'll be able to extend the program a year, that's the easy thing to do.

BOARD MEMBER DIAS: I kind of now agree with Kate and Arno, that if you reverse it and ask what you want first, really want then you always have Plan B to fall back on. But I see what you're saying if you just take out Plan B all the way, the Commission's already expressed their concerns, so they should know about it, maybe.

BOARD MEMBER ODBERT: Well, if they already know about it, then I would say there's no reason not to lend their support to it. I don't know, I like the idea of reversing them and saying what we want first.

And I was going to say maybe to this whole recommendation, maybe we should add one more sentence of urgency to the beginning of it, because when we're talking about it here, it sounds very urgent. And maybe we could just make the language here reflect that and then start with the five years and then give the other one the second.

CHAIR GORDON: Walkie?

VICE CHAIR RAY: If we submit that, they're quite capable of figuring out Plan B without our help. And I mean, if we think this is a good program, let's fight for it. Let's advocate or can't we do that?

CHAIR GORDON: Okay. So what I'm struggling with, and I think all these all make sense, I'm trying to figure out a way that we -- so there's the possibility. The ideal world right, is I think an extension of five years plus another year. Because the encumbrance issue happens on the second five years too, so we'd have to add the encumbrance issue anyway.

But an extension of five years, plus the extra year for encumbrance in which other recommendations that we're making are part of that extension of the program in some way, right? Ideal world. The world that might happen though, is no five-year extension, in which we would need the year of encumbrance. And we might have unspent funds, in which case we also want the recommendations to be considered. So I'm trying to weigh we want to make clear that the recommendations stand either way, so how do we do that?

CHAIR GORDON: If it's extended for five more years, the unspent funds will theoretically probably be rolled into it, right? Let's say in the ideal world, right? But if it's not, there will be a whole other legislative conversation about what to do with the unspent funds, so there's two potential parallel legislative conversations. The unspent fund and encumbrance date, the other things that have to be legislative.

And then there's the conversation of the five-year extension that I actually have no idea what the political likelihood is of the extension. I don't know if anybody does here, but I certainly don't. So that's why it's sort of a question of what do we expect or hope for here.

BOARD MEMBER ODBERT: But even the one-year extension requires legislative action, right?

BOARD MEMBER HARRIS: This is above my pay grade, I don't know who's reading this. This is a complicated document, I think it is, and you --

MS. HERRERA: Chair, if I can clarify this?

CHAIR GORDON: Anna Herrera, yes. Yes, specific to this.

MS. HERRERA: So there's a couple of ways that this could happen and this is my world over here in the Capitol. But they have talked about trailer bill language to do the extension of the encumbrance date. That is just the date, no funding. It would allow for more time to spend the funds and also to encumber, which is what we're discussing with them. So it doesn't necessarily have to be a bill in the legislation, so that's to that piece.

The piece about money on the table --

CHAIR GORDON: I'm sorry, but it does have to be a trailer.

(Overlapping conversation.)

MS. HERRERA: It is a trailer bill, but it's --

CHAIR GORDON: It's still the Legislature that --

MS. HERRERA: -- (indiscernible) go through policy committees.

CHAIR GORDON: Right, but the CEC cannot make this change on their own, I think was the question, it has to be the Legislature.

MS. HERRERA: Yeah. And the question about money on the table, that's another issue that I am not sure if you would roll that all into that one year of the encumbrance date extension or not.

CHAIR GORDON: That's helpful. Yeah, and just to clarify, I was not rolling that into the encumbrance. I'm just saying that there's a five-year plan and longer than a five-year plan in there. They may be different conversations.

So I think where we are in this one is, at least I think we all think we should reverse the order, and make a clearer call for an extension; is that correct? And one way to do that is to make a clearer call for an extension that makes clear that the extension would have to have a year additional for the encumbrance. And then in the event that there is no extension, which we don't want to have happen, we would still need a year. Does that get to people's --

VICE CHAIR RAY: We'll make it a clarion call, all right?

CHAIR GORDON: Yes, sir. The urgency play was loud and clear, yes bold font exactly. No, that's very helpful.

Mark or Randall, anything on this from the phone, before we go to number two?

(No audible response.)

I'm going to assume not.

All right, number two is the inventory. We did talk about this last time. We actually had some testimony on it. And put it in here that essentially the way it's phrased here is that we keep coming up in our Board meetings to this question about how to better target funds. And we keep running up against the problem that we don't know how to do it, because there's no inventory. So there's no way to target funds.

This essentially allows for a way to target funds and says at the end this would be especially useful in the event of unused funds. So I don't know if we want to keep this in. I don't know if people agree with this, but that was the intention.

BOARD MEMBER ODBERT: I like it. Well, two questions, could this inventory be useful for other things? And if so, should we add a line about it? Meaning if the investment of funds in the inventory could be more compelling if the reader sees that this inventory could not only be used for this program, if it's extended for a year or five years, but it could also be used for I don't know what. I guess the question is could it be used for something else?

CHAIR GORDON: Mark, you've actually done some inventory work, I know at UCLA, I thought you might have comments on maybe what Chelina just asked or this section?

Mark, if you're still there?

MR. BASTIDA: He's online, but --

CHAIR GORDON: Mark Gold?

(No audible response.)

BOARD MEMBER ODBERT: Anyway it's just a minor comment, but I think we should keep it as you have it here, for sure.

CHAIR GORDON: Yeah. I'm open to it. I don't know what the other purposes would be, so.

COMMISSIONER MCALLISTER: Can I say, I almost think it would be, building on that I think it would probably be maybe a little better to delink the inventory from the reallocation of funds. Because I think there's a little bit of a hornet's nest internally when you start talking about reallocation, because you know if you'll remember the early parts of the program there was all that discussion about Prop 98? And there was lots of different opinions about how we should do the accounting on this program, and so I'm coming down with any position there.

I just feel like I think there are lots of ways to take advantage of an inventory like this to help do planning in schools across the state, kind of no matter what happens with this program. So there are plenty of other ways you could use that information. That that information could be used.

CHAIR GORDON: One idea to that, and in terms of delinking is to move this recommendation. They are not in any order that has strategy behind it. So is to move this recommendation to number seven, so because the best practices is a more general recommendation and this is also a more general recommendation. So what if we move it and that delinks it a little bit from the whole money discussion? Does that seem like a good idea?

BOARD MEMBER ODBERT: Yeah.

MR. BASTIDA: There you go.

CHAIR GORDON: All right.

BOARD MEMBER HARRIS: Madam Chair? I think just agreeing with Commissioner McAllister that maybe to avoid making it controversial, remove the section about unused funds and allocations from the end of the paragraph, right? So move the whole paragraph to the end as a recommendation overall, but delete that last sentence.

CHAIR GORDON: Any concerns with that?

(No audible response.)

CHAIR GORDON: And again, I will repeat all of these recommendations at the end of this conversation. I know that will be a fun conversation. All right, I'll be doing it in Chinese. (Laughter.) All right, great. So I'll bring it up again, but we're recommending moving it to number seven, deleting the last sentence.

Okay. Savings to investment ratio, everyone's favorite topic, especially the CEC's favorite topic. This one, and I should say on this entire section, actually we've already been doing this sort of out of order, but public comment to clarify in this section is welcome, so Rick I'm looking at you.

On each recommendation, public comment is welcome. I think for each individual recommendation if it's a clarifying point that's answering a question that the Board is bringing up, that will be great. We will allow time for more general comment at the end, as well.

DR. BROWN: Specifically on the encumbrance issue, the other issue that is not explained here, but is really important is one of the problems is that the encumbrance date is before schools know what their final year allocation is.

CHAIR GORDON: I think we say that.

DR. BROWN: Maybe I missed it?

CHAIR GORDON: Yeah.

DR. BROWN: Okay. Anyway, that's what makes it difficult for them to say, "Well, this is what my project's going to be in year five, because I don't know how much I'm going to get." Because they don't find that out until, I think October.

CHAIR GORDON: We did actually say that. You know what, it was in the first version and it's not here, but goog point taken. We'll make sure that's clear.

DR. BROWN: That's part of the problem. Yeah, thanks.

CHAIR GORDON: Okay. Savings to investment ratio -- Anna, go ahead?

MS. HERRERA: I'm sorry, just a clarification on that facilities inventory. Just so you know, from our perspective, school districts perspective, first of all, there are thousands of facilities throughout the state.

And it changes, you know, portables move. They are removed. They are put back on. I think you all should consider what that list -- who is in charge of that list. And if there's changes who is responsible if someone says, "Hey, this isn't there anymore." Who's the upkeep?

So I think the question about who uses these, I think schools are very sensitive to who goes through them and who decides who has funding and who can get marketed to and those sorts of questions as well. There's a reason why this inventory -- it seems like a no brainer, but it's really a lot more complicated than you might think.

And so if it's simply taking all the Prop 39 projects and putting them up somewhere again it's what agency, what staff, what upkeep and who's responsible, when they're inaccurate, let's say.

That's all I have to say.

CHAIR GORDON: Thanks, Anna.

Okay. Going back to the SIR, comments on this section, which comes out of various comments we've gotten over the past few minutes, so it shouldn't be a total surprise.

VICE CHAIR RAY: How politicized is the SIR? Is it an essential part of the legislation and does it have to be there at all?

CHAIR GORDON: The SIR is not in the legislation.

The SIR is in the CEC's guidelines. But the need for cost effectiveness is in the legislation. So the definition of cost effectiveness is what would have to change to allow for more flexibility. The SIR comes directly out of the fact that this has to create more savings than it has spending, to be cost effective.

VICE CHAIR RAY: So the correction of ADA noncompliance and I guess the school code embraces ADA. And I suspect many of our schools don't comply fully, so we can't use it for that or for asbestos without meeting the SIR?

COMMISSIONER MCALLISTER: So, you know, throughout the life of this program we've been having to try to balance here. Because totally recognizing that there are and we've heard a lot from the trades. They get into a building and they find all sorts of stuff and there's asbestos and there's deferred maintenance and that kind of thing.

So what we did is we made -- and I'm going to ask staff to back me up on this with some details potentially -- but we made sort of theirs 5 or 10 percent or wherever we ended up, of headroom, right? Where we're going to sort of lop off a small percentage of the funds on the top to cover that sort of overhead type stuff that comes up, but it's not energy savings related directly. And then apply the

SIR rigorously to everything else, which is the vast majority of the funds.

So we've made a little accommodation for some of the deferred maintenance and related things that you've mentioned. But really have made the judgment that's embedded in the guidelines that the bulk of the program funds have to be accountably cost effective.

So Haile, can --

MR. BUCANEG: Yes, that's correct. My name is Haile Bucaneg. I'm with the Programs staff. So the savings to investment ratio includes a number of items that are not just energy savings. They also include some maintenance benefits, which are added in there as kind of adders to help in meeting the savings to investment ratio.

Initially, when the program started as you know it was started out as a savings ratio of 1.05. And we've kind of dropped that down as much as possible while still meeting the legislation. So we're down to 1.01 savings to investment ratio right now.

BOARD MEMBER HARRIS: And with this recommendation though, it seems like we're particularly focused on areas where -- is it independent utilities or municipal utilities?

COMMISSIONER MCALLISTER: It's a little bit of both, but there are some irrigation districts and there are some public utilities generally, that have relatively low rates and long-term contracts with General Power and things like that. But also just the publicly owned utilities tend to have lower rates generally, so to make a project pencil in those areas you've got to save more energy to get the same benefits.

BOARD MEMBER HARRIS: Right.

COMMISSIONER MCALLISTER: So that's been kind of a complication and there have been a couple of cases where it actually has been the rates have been extremely low and so we've had to find some kind of accommodation. So but there's the SIR, just sort of being difficult to meet, easier to meet where you have expensive power.

And there are also just cases that crop up where yeah, it's just hard to meet in that particular service territory.

BOARD MEMBER HARRIS: Yeah, and that's certainly been something we've talked about and heard from program participants about. I wonder, is that something where just us just highlighting this issue, does it require legislative intervention or is this something that CEC program staff can fix simply by making adjustments to the SIR, under the authority that's already provided under the previous?

COMMISSIONER MCALLISTER: I mean, we've been very reticent to provide too much flexibility there, because it really opens us up to an interpretation. Like we've tried to use a common sense interpretation of cost effectiveness and there are accepted ways of doing that. And so straying too much from there makes us pretty nervous, because then it's sort of we can get called on it and, "Hey, you did something that the intent wasn't there for," so.

BOARD MEMBER HARRIS: Is this something where we need to provide more guidance then on the type of mechanism that we'd look for or is that something where we are simply saying this is an issue that needs to be addressed. And the CEC, working with the Legislature, can figure out if there's a problem, and that's acceptable or that works well?

COMMISSIONER MCALLISTER: I mean, obviously I would prefer the latter. If you're going to treat this issue, more flexibility is better. You know, I do think this conversation is broader than it was probably now, since the beginning of the program. I mean the SB 350 Barriers Report came out, which is looking at access to low-income and disadvantaged communities to energy efficiency renewable technologies.

There is more a focus, generally I would say, on sort of the low-income issue. There's an acknowledgement now. We have a lot of experience in this program and we can sort of start to learn from it and adjust in ways that I think are more substantive. I don't want to sit here and make specific recommendations. I think that's really your job. And I'm here just in an advisory capacity, but if the Board wanted to go there and make recommendations, certainly I think there's a lot of detail to go through. And we'd need the flexibility to do that.

CHAIR GORDON: Right now the recommendation's written, I think in probably the least directive way possible, so we should explore whether -- I mean it's just we'd encourage Legislature and CEC to explore the idea of giving more flexibility. It's extremely loose. What that means, we can talk about making that stronger if people want it.

BOARD MEMBER HARRIS: No. I think the answer was that it's adequate.

COMMISSIONER MCALLISTER: We do believe that this is a legislative fix. That we're not going to be comfortable just sort of making unilateral decisions on how to stray from cost effectiveness without getting some legislative approval of that.

BOARD MEMBER HARRIS: One last comment, just because I've been pointing out typos. Just I think R ratio should be capitalized in the headline there and yeah, maintenance needs an M.

CHAIR GORDON: Yep, got it. We'd already caught the maintenance one, but the R one is good. Thank you.

Okay. Other comments on this section? I can add just -- you didn't say this Arno, but we can say independent or publicly owned utilities or we can just say publicly owned utilities. If there's a better way say it.

BOARD MEMBER HARRIS: If independent is already a term that we're letting -- it captures that (indiscernible).

CHAIR GORDON: (Overlapping) I sort of made it up, so.

BOARD MEMBER HARRIS: Yeah, that's why I was curious if we had --

CHAIR GORDON: Publicly owned is fine, what would you -- you're the expert on this topic.

BOARD MEMBER HARRIS: POUs, irrigation districts, I don't know, what's the --

(Off mic colloquy.)

CHAIR GORDON: Okay. We will change that.

UNIDENTIFIED SPEAKER: What's a POU?

CHAIR GORDON: Publicly owned utilities versus IOU.

(Off mic colloquy.)

CHAIR GORDON: All right. We're doing this, we're getting through them.

All right, loan programs. This is just a recommendation to reinvest in the loan programs. That's ECCA-Ed and Bright Schools, we just heard about those again. But we made this recommendation last year, so I'm assuming there aren't any big problems with that. But if there are?

BOARD MEMBER HARRIS: One clarifying question, which is just in chapter four, we said that it had been funded for the first two years. And here we say it was only funded for the first year. Maybe I'm misreading it, but --

MR. BASTIDA: No, it's the first year.

BOARD MEMBER HARRIS: First year, so it says programs were not funded, so it should be not funded the third year program.

CHAIR GORDON: Yeah. I myself keep getting confused about how long this program has been going on, because the first year didn't have any projects in that. But I will clarify that it was funded for the first two years.

VICE CHAIR RAY: How do the loans get managed? Not by this organization, they're managed by the Controller's Office?

CHAIR GORDON: CEC.

COMMISSIONER MCALLISTER: Yeah, we have a program staff, that's the Local Assistance and Financing Office, here at the Commission that has been doing this for decades, actually. And so this was an additional fund that went into an existing program that we've done loans to local governments for years and years, so just added schools to that.

BOARD MEMBER ODBERT: One maybe a suggestion, I think Jack said earlier that of the loans that were made in the first two years there have been zero defaults; is that right? Should we be specific about that here?

I think you have a general sentence that says schools are good bets for loans. But should we say, just as a note, everything that's been given out so far has been good in repayment.

CHAIR GORDON: Yes, I think that's a good idea, anybody have an issue with that? We can make that more specific. Good point, thank you. It's always better to have real data.

Okay. And I do have a sentence in here about unspent funds, which I know we took out last time I had a sentence about unspent funds. We could take this sentence out of this one as well. So it's up to others.

BOARD MEMBER ODBERT: I think it's okay.

CHAIR GORDON: Any concerns about that sentence here?

(No audible response.)

Okay. I'm just thinking ahead to the potential of some kind of a stand-alone bill on unspent funds, so just to be clear.

Okay. Number five. This is was an attempt to capture a number of people's comments about the importance of having something available that went beyond lighting and HVAC to having something that's a little more ambitious. So it was an attempt to capture that I in no way think that this is perfectly written, so suggestions are welcome.

Board Member Dias?

BOARD MEMBER DIAS: David Dias, I was just going to ask. This is if there's no extension I'm assuming, because if there's an extension are we going to still have the unspent funds, or at least if it's a five-year extension, at the end of five -- I don't know.

CHAIR GORDON: That's a good question. This could be -- you're right -- it's framed as in terms of unspent funds, but it theoretically could be more than that. I mean, theoretically it could be also a way to allocate if there is an extension of the program, if the Legislature changes the allocation formula, which is possible.

BOARD MEMBER DIAS: Okay.

CHAIR GORDON: So maybe we should not frame it

all in terms of unspent funds, what's your thought?
BOARD MEMBER DIAS: A different bottle for allocation, maybe. I don't know, something like that?
BOARD MEMBER HARRIS: I actually think that leaving the conditional clause in there, so you're basically saying if there are any unspent funds, this might be another item to consider. And I think your anticipation is a good one, which is that to the extent that the Legislature does not pick up on the idea of a full extension, we want them to pick up on the idea of a punt where we just try to figure out what to do with funds that aren't allocated by the time the program comes to its calendar end.
CHAIR GORDON: Right, because there is a potential that that money could all be just put back in the general fund.
BOARD MEMBER DIAS: The only problem with that, if we do some kind of a 100 percent renewable or zero net energy or such like the goals here, or the stretch goals, it would probably take a bit of time for a school district to come up with a project for that. It might run out of time anyhow if we don't get an extension.
CHAIR GORDON: Possibly. Although it's also possibly true that funds left at the end of a five-year period, even if the encumbrance is extended for another

year, there could still be unspent funds.

COMMISSIONER MCALLISTER: Staff may have thought about this as well, in terms of the timing here. This timing issue is actually relevant for a number of these points. To the extent anything requires revisions of guidelines we don't actually have a lot of time for that left, because that in and of itself takes some time. And then the schools have to read them, interpret them, apply and then we go through the whole process, so not only an issue here.

I wanted to just remind of the conversation that we had a little while ago about the SIR and the need for legislation fix. So if we were to go there and do innovative stuff, presumably those are less cost effective, ZNE and things, so that also requires that SIR fix if we were going to go there.

Now some schools, as you know, are leveraging Prop 39 funds to get other funds. They're going ZNE and working with retail rebate funds and that kind of thing and so that kind of innovation is good, but it's not fully with these funds.

VICE CHAIR RAY: What is the amount approximately, of unspent funds? Is there a --

CHAIR GORDON: There may be none by the end of the program, right? Because it may be that the encumbered state gets extended and then everybody suddenly has projects and that there's none. But right now, it's in chapter three. There are the remaining allocation right now, is 147 million and will grow probably, possibly. We don't know.

VICE CHAIR RAY: Surely, the Legislature will at a minimum, continue the program. Nah, no? Oh, okay. (Laughter.)

CHAIR GORDON: There are vested interests in getting everything into the general fund, so we don't know. We don't know what's going to happen. We have no insight. But there are unspent funds today and if there's no encumbrance extension there will certainly be unspent funds. If there is an encumbrance extension, there will be fewer, right? But we just don't know, I think, is that right, Commissioner?

COMMISSIONER MCALLISTER: Yes.

CHAIR GORDON: So are there recommendations on this one? I recognize all of these are good points. It may be again, that this is more of a general recommendation than a specific one, and should be moved down. That's another thought.

BOARD MEMBER ODBERT: I would agree with moving it to the general.

CHAIR GORDON: Okay. Other thoughts?

BOARD MEMBER HARRIS: Just a clarifying question, I think the 147 million that's the remaining allocation right now is just 2013 through 2016 remaining allocation. The program goes through 2018 and so I guess isn't the issue, as I understand it, that the deadline for allocating those funds is coming up and we only have a few months left and so it's much more than 100. And so I just think the actual amount of potentially unspent funds is quite a bit larger. I was just trying to find it in here, but my impression is it's in the -- a billion or more.

CHAIR GORDON: Yeah this report only goes through June 2016, so.

BOARD MEMBER HARRIS: Right.

COMMISSIONER MCALLISTER: Yeah, I mean one question is what's going to happen when the final year allocation happens and how many schools have been just waiting around banking, so that at one fell swoop they can apply for all their funds? And I don't know that we really have a great answer to that question. And staff might have some insight, having talked to all the schools, but it really depends on their acting. And the ones that haven't gotten any of their money, we need to know that they're online ready to ask.

CHAIR GORDON: We know that's true for some of them, because we've heard from some of them. But I don't know if you have a sense of numbers or percentages or anything. I mean there's potentially a huge amount of money in this pot, if there's no encumbrance extension, especially. But we just have no idea what's in it, but we know there's something in it and it's not insignificant, which is why I think we're all focusing on it.

MR. BASTIDA: Rick?

CHAIR GORDON: Sure, Rick Brown?

DR. BROWN: Rick Brown, Terra Verde, so there are a lot of districts that submitted five-year plans, meaning they essentially encumbered all five years' worth of money, even if they don't know exactly what that last year money is. So by having encumbered the money, that money's not going to be available. That's not going to be unspent. They will spend that money once they know what the exact amount is. They may have to amend their plans, because the money may come either more or less than they anticipated in that original plan, but that part will be spent.

So it's not like the full fifth-year allocation is just -- the encumbrance date doesn't mean -- it's the districts that have either not submitted an energy expenditure plan, or have been doing expenditure plans a year at a time, and are waiting.

But the staff has done a really good job. Anna and her organization have done a really good job of getting the word out that August 1 you have to have your plan in by then, under the current rules or you will in fact -- your money is no longer yours. So I wouldn't worry too much about it being hundreds of millions beyond that 147.

BOARD MEMBER HARRIS: Got it, okay. Thank you.

CHAIR GORDON: Others on this section? We have one recommendation, which is to move it down to the more general set of recommendations with the inventory and the best practices, any other specific recommendations on this section?

(No audible response.)

Recognizing, I think, the good points that were made about yes, if there was some decision made by the Legislature to have some funds used for innovation whether it's leveraged or not they would have to figure out how to do that. I mean, that is a question of how to implement that, but this is more of a general recommendation.

Okay. Going on to jobs analysis, just once again number six, the point of this recommendation is everyone wants to know job numbers. The act is called The Jobs Act. The Department of Workforce Development has to figure -- I'm sorry -- I keep calling it that, because that's what it's called in Wisconsin or that's the way it used to work. But it's actually called the Workforce Development Board, I'll change that. The Workforce Development Board is responsible to count the jobs.

They don't get any funding to do that. And they're moving funding around internally. They're doing the best they can, but they can really only get to a piece of the program. So essentially this is recommending that they actually get some amount of -- that somebody target funding to them, which would have to be legislative in order for them to do a better job counting. Since that's the thing the Legislature is most interested in. That's this recommendation, any thoughts?

(No audible response.)

Good. People okay with this one, all right.

BOARD MEMBER ODBERT: Good.

CHAIR GORDON: All right, Workforce Development Board. Okay. Number seven, this is the one actually I need Commissioner McAllister to give us clarity on, because I didn't actually know how exactly the administration and funding works for your -- how that works. So I think this one does need wording change, can you give us some background or thoughts on it?

COMMISSIONER MCALLISTER: Yeah, so really there are two issues here. So administration and technical assistance, so there are two different issues really. And just I wanted to inform you all just about how the administration of this program is actually covered.

So the act did not actually give the Energy Commission funds to administer this program out of the Prop 39 fund pot. So we actually self-fund the administration of this program through our core funding, the ERPA funds, it's called, so that's Energy Resources Programs Account. That's what funds the vast majority of what we do here at the Energy Commission. So we're sort of taking our operational funds, that have to cover everything we do and carving off a piece to be able to administer this program. So it a way it's sort of an unfunded mandate to us.

Obviously, we think it's a great program and we are fully, fully enlisted in that. So that piece is good. I guess the thing that we would like to just bring up is particularly if there's a program extension, it would be good to sort of fix that piece. Because then we could do more of the things that we're talking about that are needed to make the program run better, like outreach and more hand-holding to the smaller schools and that kind of thing. We've done a lot of that, but obviously having it be sustainable for our funding source is good.

So that's the first piece, the administration funding. So that's just the Energy Commission, but we can have a similar, I think, parallel discussion on some of the other implementers of Prop 39.

And then on the technical support, we do some technical support and largely that's through the Bright Schools Program, which was discussed earlier, was mentioned earlier. So that I believe it's 10 percent of the funds that flow into ECAA Program are carved off for technical assistance. So if it was $20 million, that meant $2 million to help the schools with their assessments of their projects. Not enough to cover the whole need, but we do give that technical assistance. It's a first come first serve application process.

CHAIR GORDON: So just taking what you just said, and this is probably the largest change, so let me see if I can articulate it. If we were to change the first section of this recommendation to essentially mirror what we said about the Workforce Development Board in terms of you're self-funding your own administration here.

I mean so instead of saying you're not getting enough percentage of administrative costs, you're saying you are self-funding the administration.

COMMISSIONER MCALLISTER: Yeah. We're self-funding and that's a structural fix that would be needed.

CHAIR GORDON: And we recommend fixing that. And then the second part, what I actually hear you saying is, is that we should move the recommendation on reinvesting in Bright Schools from number four to number seven, because Bright Schools is a technical assistance, not a loan program; Is that right?

COMMISSIONER MCALLISTER: Let's see, I hadn't thought about it that way. I mean, the way that technical assistance happens is just I believe it's through the ECAA statute that enabled the ECAA Program initially. Actually, maybe help me out here staff, but by funding the ECAA Program by $20 million it was sort of automatic the Bright Schools would take 10 percent of that and become technical assistance. So I'm not sure how linked or delinked those two are, actually.

CHAIR GORDON: Go ahead.

MR. BUCANEG: Oh, yes. That's correct. For the ECAA program what happens is funding is set aside for the ECAA program and a percentage of that funding is allowed to be used for technical assistance, which is the Bright Schools Program.

COMMISSIONER MCALLISTER: Yeah. So I think it'd be okay to have -- if the Board is interested in that -- have a recommendation to directly fund the Bright Schools Program. I'm just not sure of what the ins and outs of the statutory context would be there, so we'd just have to figure that out.

CHAIR GORDON: I'm just trying to figure out whether to put the background on technical assistance into number four, which is where we talk about Bright Schools or whether to move the Bright School section to number seven, which is where we talk about technical assistance. It's an operational question.

Any thoughts on that from you guys? And also overall thoughts on this section, which is essentially about -- it's very similar to section six, actually in terms of (indiscernible).

COMMISSIONER MCALLISTER: Let me ask a question to staff. So are we doing technical assistance for schools who are filling out their Prop 39 applications, independent. Are we using Bright Schools funds to help those applications independent whether they're getting ECAA funds or not?

MR. BUCANEG: Yes, that's correct. The Bright Schools Program is technically a separate program -- not technically -- it's run as a separate program from the ECAA program. So if someone comes in through an ECAA loan they're going through the loan program itself and they're not required to go through our Bright Schools Program or vice versa. They're two separate paths.

COMMISSIONER MCALLISTER: Right.

MR. BUCANEG: We do have some LEAs that may go through both of them, but it's usually one or the other. That's just the way we've seen it come in.

COMMISSIONER MCALLISTER: So we have provided technical assistance to many LEAs that are only interested in developing their expenditure plans for Prop 39.

MR. BUCANEG: Yes, that's right.

COMMISSIONER MCALLISTER: So we could make an independent recommendation on that or you could.

CHAIR GORDON: My thought is that what we should do is on section four, I think keeping ECAA and Bright Schools together makes sense, because we did it in that report itself. They're grouped everywhere we talked about them. So I think my thought is what we should do is move the language about the importance of technical assistance up into number four here, and make clear that that's what Bright Schools funds. Is that fair to everybody?

MR. BUCANEG: Sure.

CHAIR GORDON: And then section seven, we need to clarify that what we're really talking about is essentially parallel to number six, which is the CEC doesn't have any funding to do any of its work either. Which is amazing, by the way, I didn't realize that.

MR. BUCANEG: It's not the first time.

COMMISSIONER MCALLISTER: We are just increasingly over time, as the Commission's trying to be clear with the Legislature about where our funds go, how we pay for things and trying to be as explicit. So if they ask us to do something new and big and important we want to make sure we have the resources for it, so we're just informing them about those issues. And then they choose how they're going fund what we do.

CHAIR GORDON: Okay. So those two points on number seven, other questions or clarifications on number seven? We're almost done. We're almost done.

Number eight comes actually straight out of some of the Board Members, so thank you for this one, those who weighed in on it in one-on-one conversations with me. This one is about funding and capacity for some kind of manual on best practices.

Essentially the idea that there's a lot that's been learned from this program and that we know not every school will be reached by this program. And that's there's an opportunity to communicate some of it and provide some funding to communicate some of it. So that's essentially what this calls for is a third party handbook, laying out the opportunities for best opportunities and key issues and sort of case studies. And essentially to increase their reach, so that's all that this calls for. It's a very general recommendation.

Any thoughts on this that could make it better or clearer?

VICE CHAIR RAY: Well, I think it should be more than a one-off manual. I sort envisioned something that was continually refreshed with new knowledge. As new energy saving thoughts came into practice they would be introduced into the manual and it would be available to every district facility's manager as a point of beginning for him to run an efficient operation.

CHAIR GORDON: Or her, just kidding. (Laughter.) I said "or her." I don't know, there are at least some, Anna, right? Some facilities managers in the state that are women right?

MS. HARRIS: (Indiscernible)

CHAIR GORDON: I'm just kidding. So Anna, being the person here who has the most contact with facilities managers, go ahead.

MS. HERRERA: Those are our numbers. We would certainly appreciate something like that, that we could go to, you know, especially for the smaller schools, charter schools. A lot of the discussion about money left on the table to look at that pie chart with the charter schools is tough and I think part of it is privately owned facilities. But I think for those folks who are trying to do it themselves, it would be very helpful.

I would also encourage you to take a look at what DSA has done with their 7x7x7, which is also this best practices kind of thinking from an architectural planning perspective. Maybe there is a way to work together on something like that, so we aren't having to go run around and try to look for these things. But we'd very much appreciate seeing something that would put all of this together.

COMMISSIONER MCALLISTER: Does everyone know about that 7x7x7? Yeah. Okay, because that might be little agenda item if you're interested in that for a future meeting.

CHAIR GORDON: I think that's a great idea, Jack, at a future meeting to have DSA and actually we haven't had DSA present ever, so and they were really a key part of this whole thing in the background. It would be great to have them come in and present on that and also just their role in project planning and what they're seeing out there. That would be great. That's a good idea.

MR. BASTIDA: Issue a subpoena. (Laughter.)

CHAIR GORDON: They're nice. They're very nice. So that one specific recommendation is to have this be a biannual, or annual, or something. I don't know if that's possible, but we should recommend that.

So what do you suggest, Walkie?

VICE CHAIR RAY: Annual.

CHAIR GORDON: Okay. All right, and just I like the idea of making it available to district facilities managers, specifically.

Okay. Are we missing anything? We did already talk about the potential for recommending the CEC as a pre-apprenticeship program and why we didn't put that in. Were there other recommendations that have come out of other meetings or that have been in people's heads or that we've talked about that are missing in this list?

BOARD MEMBER ODBERT: Kate, I think you had another potential recommendation that didn't -- there was the apprenticeship one and there was another one you suggested that I didn't see here. But let me look at my email, because I'm just curious why it didn't make it in there.

CHAIR GORDON: Yeah, there was one you're right, that I didn't put in here, but I don't remember what it was either. I think it was more funding to the pre-apprenticeship, which I didn't put in. I put in more funding for the jobs count.

BOARD MEMBER ODBERT: Oh, better -- oh, continued increased funds for pre-apprenticeship, we talked about that; the other -- better, more targeted outreach to charter schools focusing on those that own their own buildings.

CHAIR GORDON: I didn't put that in here, because there was a huge amount of disagreement from you all about whether to put it in here, so I didn't. But we can revisit it if people want to revisit it. If you want to revisit it, Chelina, we can revisit it.

BOARD MEMBER ODBERT: I think if it had already been discussed one on one and people didn't think it was great, I defer.

MS. HERRERA: Since I brought it up the charter schools, that I mentioned charter schools.

CHAIR GORDON: Yes, Anna just reignited that discussion. Go ahead.

MS. HERRERA: I think that that is something that the school districts -- you know, if we are looking at recommendations -- some way of being able to jointly provide a plan. Obviously, that would be a legislative fix, but if you're including those kinds of things. I think part of the reason why the charter schools are having difficulty spending the funding is they're very small and school districts are trying to do outreach with them, but there's that firewall.

So I don't know if there's a way if we could look at submitting joint plans with a charter school that let's say was dependent and maybe be able to submit a plan that way, just a thought.

CHAIR GORDON: Is that definitely a -- can the LEAs do joint planning; theoretically, could they, if they wanted to?

COMMISSIONER MCALLISTER: I'll let staff get that one.

MR. BUCANEG: Unfortunately, LEAs can't do joint energy expansion plan applications. What happens is each LEA is given their own allocation, meaning that the district as well as each of the individual charter schools are given their own allocation. And CDE awards those allocations independently to each one, so each LEA has to submit their own application to us for review and approval.

CHAIR GORDON: Why can't -- I mean I understand that the allocations are separate, but why can't they? Why can't a charter school that's within a district work with the biggest based LEA in that district and combine their allocations and come up with a joint plan?

MR. BUCANEG: So I'm not sure where the actual direction came from. What I mean is who was pushing for it, but I know that the intent of it was to keep the overall district from taking money allocated from the LEAs, for their own purposes. That was the biggest concern was that if a charter school didn't have the specification to submit their own energy expenditure plan, their district may kind of co-opt their money.

CHAIR GORDON: Take it, yeah. No, I get that part, but organizations submit joint grants proposals all the time. I’m just wondering why, if it was driven by the charter school and an LEA, working together, why they couldn't do a joint application?

COMMISSIONER MCALLISTER: Have we had a charter school come to us and say, "Hey, I'd really like to be under the umbrella of this bigger LEA?"

MR. BUCANEG: Yes, we've had quite a few charter schools come and ask for that, if they can do that. Unfortunately, we've had to decline them.

CHAIR GORDON: Rick, you have insight on this issue?

DR. BROWN: Yes, just that we've had probably a dozen situations where, as Haile said, they have to submit separate energy expenditure plans, which means -- it's really an administrative hassle. But where the district has the relationship with the smaller charter, such that they coordinate how they do that, right?

So you have, let's say, an elementary school campus there's a wing that's a charter school. And it's a wing that's actually shared between the district and the charter school. But we have to go through the hassle, no offense, but we do it because that's how the rules are set up, to set up two separate plans.

But because the charter and the larger district have a cooperative relationship, we work together with them. And we say, "Okay. Fifty LED lights are in this charter school energy expenditure plan, seventy-five LED lights are in this overall district plan." And it works. It's awkward. And it only works when you have a charter and an LEA in a larger district that have that cooperative relationship. And that just doesn't always exist.

MS. HERRERA: That's like the super exceptions.

DR. BROWN: Well, our clients are that way.

COMMISSIONER MCALLISTER: So I mean, I'll just say from an administrative perspective, we have to make sure that there's accountability up and down the chain and the Department of Ed it's going to be the same way, right? So when they send their money that's allocated for a charter school they want to know that it was spent at that charter school. And that's kind of their obligation to make sure that it's set up such that that happens.

So I think that's a great model if the cooperation exists, absolutely. They ought to coordinate and if the LEA is willing, should absolutely help the charter and get the schools. And in that case it sounds like the building actually belonged to the district, so that made sense, right.

DR. BROWN: (Off mic.) Yes, (indiscernible) --

COMMISSIONER MCALLISTER: Yeah, exactly.

DR. BROWN: -- the law versus separately.

CHAIR GORDON: Yeah, we just had to make sure that we're talking into microphones.

MS. HERRERA: We've definitely heard more from our districts that it's a big problem. That there's just to coordinate at that level and make it work, so that you've got the hold there for them. I think they would rather work together, so that they have one seamless plan.

So again, I know that was something politically was really fought for, but I think if we're looking at an extension it's something that we'd be interested in being able to do.

CHAIR GORDON: I mean, I think we've heard a lot and we've seen the numbers that the charters are not participating at the rates that other schools are, but I have yet to hear a good proposal of how to deal with that, that we can recommend, so that's probably why it's not in here. I just don't know if anybody has a thought.

I mean we could include something if we can -- we called it out a little bit in the report and we did also last year. And last year we encouraged better outreach, which the CEC has done, significantly more outreach this past year. The numbers are still really low.

So honestly, the floor is open if we want to add something here. I just don't know what it is. Honestly, I do not know.

BOARD MEMBER ODBERT: From the people that have just spoken, do you guys feel like the idea of allowing the -- I forget the technical way you just described it, but the joint application, do you feel like that may increase numbers in a significant way?

DR. BROWN: I think that'll address part of the problem, because it avoids then that workaround that creates an obstacle. What it doesn't fix, and this is really the biggest piece and I think staff would concur, is the charters that are in private facilities, right?

CHAIR GORDON: Yeah.

DR. BROWN: And we talked about that last time. The five-year charter contract becomes really difficult to spend the money. So that, I don't know what to say about that one. But this joint procurement thing would definitely remove an administrative obstacle. You'd still have the accountability and you still get the scale economies. And the scale economies or actually the best part about it, is that these small charters get to have their procurement bundled with the larger district. So the purchasing power of that larger district of the charter lowers the cost overall of the measure's that your implementing.

And that's why I think it's good idea.

BOARD MEMBER HARRIS: Rick, do you have a sense of what percentage of charter schools are leasing facilities form the education district versus what percentage are in private?

DR. BROWN: That's not my expertise, sorry.

CHAIR GORDON: I think we asked the CEC this last meeting and so I don’t know if you guys have a sense of it.

MR. BUCANEG: Oh, yes. I believe we shared that information with Jack pretty recently.

CHAIR GORDON: Jack?

MR. BUCANEG: Like really recently, we did have contact with Bay Area Charter schools and it seemed to be around 40-ish percent of -- was it 40 or 53 percent --

UNIDENTIFIED SPEAKER: 43 percent.

MR. BUCANEG: -- 43 percent of schools are in leased facilities, so it's a pretty high percentage.

BOARD MEMBER HARRIS: Or are at least privately owned facilities, okay. But conversely it's 57 percent of them then are in -- I mean, I wonder if there's a way to ask -- I agree with Rick. It's pretty challenging to figure out how to make an energy improvement when you're counting the long-term benefits of that over time, in the SIR. But the lease on the facility is five years or less.

But in a case where you have a school district owned building that the charter is leasing, if that's 57 percent, that's a sizable chunk. Why not suggest that we make a change in that situation, so in the event that the charter schools are renting -- I mean then it also makes sense that they would have a coordinated effort around putting their plans together.

COMMISSIONER MCALLISTER: Was it 43 percent are in the LEA's facilities, or the reverse?

BOARD MEMBER HARRIS: Forty-three percent in the leased facilities, correct?

UNIDENTIFIED SPEAKER: Forty-three percent in the leased facilities (indiscernible) --

COMMISSIONER MCALLISTER: Okay. Got you.

CHAIR GORDON: Wait. We need people to use microphones, I'm sorry, just otherwise it doesn't go on the record. So could you please repeat that?

MR. BUCANEG: Okay. So 43 percent or in a lease space, 57 -- or the remainder and presumably much of the remainder is in school facilities.

MR. BUCANEG: Their property.

COMMISSIONER MCALLISTER: Yeah. Okay.

MR. BUCANEG: And that was, as Armin (phonetic) said, it was based off of information gleaned from the Bay Area and applied out.

COMMISSIONER MCALLISTER: Yeah, so I mean that would make sense to me that, but I (indiscernible) --

CHAIR GORDON: One way to address this given that we don't know the answer is to do something along the lines of the very high-level recommendation we made on whatever it was that we made it on. On the SIR, on whatever other thing we did it on where we could say that we just recommend the Legislature explore ways to address the low participation rate among charter schools, specifically charter schools located in district facilities. Does that make sense? And just add that as a recommendation?

COMMISSIONER MCALLISTER: Another recommendation that you discussed had to do with this inventory. And it sounded like there may be some additional discussion was needed. But maybe that's an issue that the inventory could get at as well as understanding the charter schools and where they are.

VICE CHAIR RAY: Well, it would have to include them, right? So I'm aware of a charter school in Santa Anna and has some involvement with it. And they leased the land from the school district, but they built the facilities. Now, is that a go, or a no go?

UNIDENTIFIED SPEAKER: It's easier.

VICE CHAIR RAY: It's easier?

MS. HERRERA: I mean, what happened with charter schools, the rules with charter schools, is that school districts, public school districts, if they have facilities available they are required to provide those to a charter school if a charter school wants them. So there's still the public school kids that are within that district, so if they have facilities available often times you'll see that it's still a tug and pull between districts and charters. But technically, they are supposed to be offering those facilities to charters if they have those available.

So that's different. Sometimes you have a charter in school district facilities, sometimes you have dependent charters that are under the budgetary framework of a school district. Sometimes it's both. They're also in a school facility. So there's a number of ways that you can do it. The ones that are different, like Rick said, are the ones that are independent, leasing or have their own space that they're leasing from a private sector entity, like a store front of a mall or something like that. So those are very different.

Getting at those, we probably just look for the flexibility, so that if they were dependent. If they were in a school facility, so that the upgrades would benefit the public school then we would suggest making it easier for plans to be submitted together. Because similarly to what was said earlier about the cost for a larger school district, is lower than for a small charter who is trying to contract for that separately.

There's ways that you can do it. "Oh well, you could call us your energy manager," and give that money to the school district. It just gets complicated enough that it's just not being done. And so in those places where it works, we would appreciate having the flexibility of submitting a plan together.

God, there's a lot of different ways they do it.

VICE CHAIR RAY: There are quite a number of scenarios, aren't there?

MS. HERRERA: Yes.

VICE CHAIR RAY: And those scenarios could be put in some kind of a matrix and surely some solutions brought to bear. I know another school, the Orange County High School of the Arts, and their original campus they did a sale lease back with the state. They sold it to the state and the state gave them the money to pay the developer who built it --

CHAIR GORDON: Yeah.

VICE CHAIR RAY: -- who subsequently bought other land, pardon?

CHAIR GORDON: Go ahead, I'm going to let you finish and then I'm going to -- and then we're going to wrap it up (indiscernible) --

VICE CHAIR RAY: Okay. I'm through. It's just that there are lots of scenarios.

MS. HERRERA: There is. And there's been some adjustments to the program for charters, because some of them weren't even in existence a year ago, so there's different rules for charters, even under Prop 39. But in the desire to submit a plan together is something that we've seen a lot with our school districts. And it's not been as easy, because of the firewall between them. And the requirement that you have to have to plan submitted separately.

CHAIR GORDON: Which is and allocation formula issue. Yeah, yeah.

So at least adding a recommendation on that recommends further discussion and exploration of this. And then what we may want to consider doing is having a focused time to have this conversation with some more people in the room who have expertise on this issue. So Jack, that's another thing to think about for future meetings.

All right, I need to go back through all of these recommendations, but first if there's any other public comment on this whole section seven? I think we've heard a lot of it, thank you, our stalwart public commenters for that.

What I'm going to recommend here is a motion that allows for all of these amendments we've just made and fixing any typos and other grammatical issues. So let me tell you what those amendments are and then I'm going to ask for a motion. Does that make sense? You ready?

All right, don't worry Jack, I have all these written down.

MR. BASTIDA: I took notes as well, but I'm glad.

CHAIR GORDON: Okay, on chapter three which was the energy program chapter, captions on the photos including the school names, locations, and ideally what work is being done.

On page 25 taking -- actually forget that one, hold on -- adding the greenhouse gas emission road to charts on pages 21 and 26, and adding a parenthetical remark on how much energy savings that is in terms of, for instance, numbers of households.

On page 22, oh we have no recommendation on the commissioning, re-commissioning thing, so take that out. Also in chapter three, adding the map of projects from the CEC website. Those are all the chapter three recommendations.

There were no edits on chapter four, amazingly.

On chapter five, captions to include information on the people in the pictures, so those who are graduating from the apprenticeship programs and are doing the work.

Adding a few lines on the difference between the three types of training programs, to indicate the different levels of training and their kind of interrelationship.

On page 39, the allocation table, adding spending to date if we can get that information from the CCC. And yes, those were my only -- oh, and I'm sorry, an explanation of difference between the allocation and expenditures for the CCC. Those were my recommendations for chapter five, your recommendations.

Chapter six, reinserting the chart that includes the distribution of trades that I took out. So that was my fault. Clarifying we're talking about job years, not years of employment.

On chapter seven --

MR. BASTIDA: Oh, also I have down to clarify the dates that the job years encompass.

CHAIR GORDON: Thank you. Verify the dates and the titles of the charts, right?

MR. BASTIDA: Right.

CHAIR GORDON: Thank you.

Chapter seven, recommendation one, we're reversing the order. We're calling for a five-year extension with an additional year for encumbrance. We're highlighting the need for additional year of encumbrance even if there's not extension, but we're making clear that we are strongly recommending a five-year extension. A clarion call, a clarion call.

Number two, we're moving the entire inventory down to a more general section, so down to section number seven, I think. We are taking out the last sentence of the inventory, the section that talks about unspent funds and reallocation, okay?

Number three, we are changing my random phrase of independent utilities to publicly owned utilities.

Number four, we are clarifying that ECAA and Bright Source were funded for the first two years, not the first one year.

We are changing the general language about default rates to specific language, indicating that there have been no defaults so far on the program.

And we are moving the technical assistance detail and justification from section seven into section four, from section seven or from recommendation seven.

Recommendation five, we are moving down to the more general recommendations.

Recommendation six, I need to change from Department of Workforce Development to Workforce Development Board.

Recommendation seven, we are actually rewriting to be clear that -- to basically mirror recommendation six to be clear that the CEC does not get any funding for this work and that it's essentially an unfunded mandate and that they need some support.

Recommendation eight, we are going to recommend this is an annual report available to district facilities managers.

And we are adding a recommendation -- it may not end up being nine -- but we're adding a recommendation on charter schools that will essentially say that we are recommending the Legislature and the CEC explore ways to address the low participation rate among charter schools. And to better target or to increase participation rates, particular in those schools that are in district buildings.

Okay? How does everybody feel about this?

I also am going to add one more recommendation is that we just add a sentence of conclusion at the end that says thank you for your attention to this report and all the work whatever you do to support schools or whatever, something. Some sentence at the end to conclude.

Okay? Those are all of the amendments that I am asking that you let me and Jack make through a motion.

BOARD MEMBER HARRIS: Yeah, a motion to approve those changes and provide you with the latitude to make changes for typos, grammatical errors, and general readability.

BOARD MEMBER DIAS: Second.

CHAIR GORDON: Okay. Let's do roll call. This is an important one.

MR. BASTIDA: Okay. Board Member Gordon?

CHAIR GORDON: Yes.

MR. BASTIDA: Board Member Ray?

VICE CHAIR RAY: Yes.

MR. BASTIDA: Board Member Harris?

BOARD MEMBER HARRIS: Yes.

MR. BASTIDA: Board Member Odbert?

BOARD MEMBER ODBERT: Yes.

MR. BASTIDA: Board Member Dias?

BOARD MEMBER DIAS: Yes.

MR. BASTIDA: And Board Member Martinez?

BOARD MEMBER MARTINEZ? (No response.)

MR. BASTIDA: I believe has dropped off, abstention.

And Board member Gold?

BOARD MEMBER GOLD: (No response.)

MR. BASTIDA: Is not responding.

CHAIR GORDON: It's not working this time.

MR. BASTIDA: I believe, yeah.

CHAIR GORDON: Then we'll have to have him abstain also, but we have a majority.

MR. BASTIDA: We do have a majority, yes.

CHAIR GORDON: Great. Thank you. That was impressive and a really good discussion. I appreciate it.

BOARD MEMBER ODBERT: Thank you for doing all of the --

CHAIR GORDON: Oh, absolutely.

And thank you Jack as well --

BOARD MEMBER ODBERT: Thank you, Jack.

CHAIR GORDON: -- who did a huge amount of the work.

All right. We are calling for public comment on other items. Rick, I know you have some. (Laughter.)

DR. BROWN: A new issue, but this is great. The report and recommendations are really important. Thank you for doing that.

Again Rick Brown, President, Terra Verde. For some background our company has been engaged by over 50 LEAs to help them implement their Prop 39 programs at 300 schools, totaling about $53 million of projects, about 13 million of which are not Prop 39 funds. Those are leveraged funds, funds that are coming in from other sources be they rebates, geo-bond money, modernization money, other kinds of incentives, particularly for solar PPA projects where the Prop 39 money is being leveraged with third-party capital to do the solar projects.

What I'm here to talk about today is battery storage. Battery storage is an eligible Prop 39 project and I found out today that we need some clarification, unfortunately. Either within the guidelines or on the handbook on how battery storage projects are handled in the consideration in energy expenditure plans.

A number of those projects have already been approved in the past, so it's not like there hasn't been a precedent for approving these projects. Including one that was submitted by us last spring, for a school district that used what's called a shared saving financing. It's similar to a PPA in that Prop 39 is only part of the funding. A third party puts in the rest of the capital and then the benefits are shared between the third party who finances the project and the school district.

The problem that has come up in terms of the guidelines is that last November we submitted an energy expenditure plan for a second district, using this shared savings arrangement and by the way, this is a very disadvantaged district. The 84 percent of their students are from basically Title I eligible or low-income families, so it's a very poor district.

So they don't have a lot of money to put into projects like this and so leveraging, using this leveraged approach, both from the standpoint of they just don't have the money to buy this system, so they need some other third party approach. And because, frankly the battery storage leveraged that way helps with the SIR under the remainder of their energy expenditure plan, which mostly has to do with being able to put in HVAC units that are many, many years old and are basically dying.

But after a comprehensive review by staff, going back and forth with our engineers, the technical part of the plan was approved. But when they found out that this was a shared savings model the staff, in this case said, "No, it's not eligible." Even though there had been the precedent of a previous plan being approved. And we asked why, we were told that the previous staff had made a mistake in that previous plan.

And in their statement to us, in an email, they basically said, "The only exception for doing this kind of third party capital approach is with PPAs for solar."

I would contend that since the guidelines don't exclude that third party approach for battery storage, that's a sort of unfair interpretation of the guidelines. It doesn't exclude it. It doesn't say they can do it, but it doesn't exclude it. So there's clearly some ambiguity in this issue.

The last point I would make is that there's significantly policy direction from the state on supporting battery storage in this kind of way. The California Public Utilities Commission has a rebate program. That rebate program allows for shared savings financing of battery storage. They give rebates for these kinds of projects. Legislation last year was passed to double the amount of money for rebates for behind the meter storage and there's legislation in this year's session to extend that rebate program for ten years and increase funding for it.

The CEC's own studies, last summer the CEC released a study encouraging that what are called distributed energy resources, and in particular battery storage, should be promoted in places as an alternative to very expensive transmission and distribution capital projects that cost as much as ten times as much as non-wired alternatives.

I had a call today from Southern California Edison, sorry, wanting to look at how schools and Edison could work together to use behind the meter storage for supporting Grid needs. So there's clearly a direction here. And the clean energy piece is that the requirements for these battery projects is that they be charged 75 percent by solar. In this particular school district they're going to be charged 100 percent by solar. So it's clean energy. It's leveraging money. It's helping SIR for a low-income district.

For whatever reason, the staff -- and I understand they have to do what they have to do -- have interpreted the lack of direction in the policy to say that we can't do this, even though previous staff had said we could do this. I encourage you to bring forward a recommendation to CEC. And if that doesn't work, to the Legislature to clarify this issue. Thank you.

CHAIR GORDON: Thanks, Rick.

I think we need to hear from CEC, see if there's anyone here who feels that they can address this question just to clarify it.

MS. BROWN: Hi there, my name's Elise Brown. I'm the Manager of the Local Assistance Financing Office that covers Prop 39. So this came to my attention last week or maybe earlier this week, and there was a lot of discussion about this, this morning. My understanding, the reason that earlier applications were approved with the same sort of set up, was because -- I don't know that it was, "We've made a mistake," or if they weren't forthcoming in the ownership scheme, okay? Had we known that, it would not have been approved.

I'd also like to point out that PPAs are the exception to the rule. We don't state that you have to own all of the equipment, because that's sort of common sense. PPAs are the exception to the rule, which is why they're lined out in our guidelines. For example, we don't say that you have to own HVAC or windows, etcetera. So staff's recommendation is that this isn't approved. We're happy to work with the LEA to come up with a solution by dropping this measure and finding another measure to find cost savings. But considering the ownership issue, we don't think it should be approved.

CHAIR GORDON: I know this is your world, so.

COMMISSIONER MCALLISTER: Can I provide a little more flavor here?

CHAIR GORDON: Please.

COMMISSIONER MCALLISTER: So this has recently come to my attention as well. So there are a number of complications here and I guess we went through a similar, but not identical, conversation with the P-Solar PPA, maybe a year or two, a couple of years ago I guess, in a previous update of the guidelines. And there was quite a bit of uncertainty or it was a bit nebulous. Okay, what is the Prop 39 money actually going to get used for? You know, is it paying for energy upfront? Wouldn't the school be doing this if it's so cost effective, without the existence of Prop 39? And therefore why do they need the Prop 39 funds?

There were some ins and outs of this that made it not intuitive actually about how we can ensure that the use of general fund money, you know, public money is going to something that is a physical asset that provides clean energy services.

And the storage discussion is much broader. I would say yes, there is generally a policy direction that wants to promote storage, but that doesn't mean that it's cost effective. And that doesn't mean that the SCHIP money has the same kind of limitations that this project has. So I think certainly that's where technology is going, but this program had specific ends and it's not clear that the SIR construct sort of fits this particular technology.

So one last thing I would say, there may be some errants there that we haven't appreciated or something. We can have that discussion.

I guess I'll just point out that the PPA discussion, you know, it did require quite a bit of staff resources to update the guidelines. And at the end of the day, I think 27 PPAs have actually come through the program and there have been 350 or so solar projects. The vast majority of them are owned by the LEA, which makes the project sort of more straightforward in a lot of ways.

In the case of storage, you know, it's not actually generating any energy, right? So this shared savings approach could kind of be seen as arbitrage of the bill, right? So it's letting you use your storage from your solar say, if I understand Mr. Brown. So you charge the thing with solar and then you inject it when you have a better rate or something like that. But essentially that's arbitrage and the savings for storage, as I understand it, could come about whether or not you have any Prop 39 funds.

So it's not clear exactly what the Prop 39 funds are needed for except to have kind of a little bit of free money on the side to improve the SIR if you bundle it with a bunch of other stuff. So I'm playing Devil's Advocate a little bit here for you, but I think it is more complicated than all that.

MS. HERRERA: I would only say that once you said battery storage is eligible it's like -- I remember the discussion about solar and the split between the PPA being allowed, because if someone else is owning those panels that are up on your roof and selling you the power back, is that infrastructure? Are those jobs created? All of that, all of those questions.

I just think from a school's perspective we want as many options as possible and battery storage was something that got added on later. I don't know if schools are running to do more of it, but if you're allowing it to happen and be eligible, we would want as many ways to do that as possible, similar to the PPA. And I don't think schools are playing hide the ball on this. It's just it's been allowed and if they're going forward with these types of projects then we'd want to see more flexibility, not less, is my two cents. Thank you.

CHAIR GORDON: Thanks, Anna. I just want to be clear to the Board, while we're talking about this, we're not voting on anything on this today no matter what.

Because we would have to have it as an item on the agenda, so (indiscernible) --

COMMISSIONER MCALLISTER: This is essentially a guidelines update discussion.

CHAIR GORDON: This is a guidelines update discussion, it's just a discussion responding to public comment, but we're definitely not voting on anything today. So with that caveat go ahead, for now, if you want to --

COMMISSIONER MCALLISTER: Yeah, I would be interested in Arno's view of this.

CHAIR GORDON: Yeah, me too.

COMMISSIONER MCALLISTER: And then I guess I would ask Mr. Brown -- I mean, yeah we're riffing here in real time here when really we probably ought to just have a staff discussion or meet on this specific issue. But one concern is what is that public money actually going to buy? If a third party is making the investment and the savings that are generated by the arbitrage that storage enables are then shared, then why is public money needed for this?

BOARD MEMBER HARRIS: It strikes me as yeah, a complicated question, I mean I think for all the reasons that Commissioner McAllister brings up, which is just -- I mean, I think the battery is quite a different thing than self-gen in that it's not generating energy. It's storing energy. And so I guess I have the same question, which is are the savings that are being injected into the SIR calculation coming simply from a rate arbitrage? Is it coming because -- so I guess that would be my question -- is where are the savings coming from?

DR. BROWN: And I don't usually stand on ceremony, but it's Dr. Brown, whatever. So yeah, there's clearly some education here. It has nothing to do with rate arbitrage, okay?

BOARD MEMBER HARRIS: Got it.

DR. BROWN: What it has to do with is demand charges. Over the last three years, the utilities in particular, the IOUs in particular, have proportionately increased the portion of their bill that is the demand charge. And that demand charge is determined by the 115-minute interval in any month when demand spikes. When you have solar you do reduce your demand and therefore impact your demand charge. But you can't do it reliably, because solar isn't always there when those spikes occur.

The battery is there in concert with the solar, to offset that spike in demand. And in the process it is delivering more clean energy, because you size the system, you size the solar system to take into account that it's going to have to charge the battery for that purpose. So it does in fact, contribute to clean energy goals. It does in fact reduce the cost to the customer, in this case the school district. And that's the reason why initially batteries were included as an eligible project. That's not the debate here. The question is the financing.

And I understand, Commissioner McAllister, you're being the Devil's Advocate, so that's fine. But in terms of the question the reason why the district needs to use public money is the same reason in the PPA situation. Not every district, particularly very low-income districts, have sufficient funding to buy batteries on a standalone basis. This district does not have the funding to do the optimal size of these batteries to work in concert with the solar that they already have to buy it outright.

And so what this shared savings model does, very similar to a PPA model, is it allows them to essentially buy down the cost of the batteries. So it's like a PPA. And by the way, the language does not say anything about PPAs being an exception, so that's not true.

The other part that's not true is we did not in any case -- I really resent the attribution that we withheld information. We were very clear when we submitted this energy expenditure plan a year ago, so I don't like being characterized as withholding information. That is not how we should be dealing here in the way in which we've worked closely with this Commission over the last five years.

CHAIR GORDON: Thank you, Rick. I'm sure it wasn't meant as an offensive comment. It seems like this is a conversation that needs to happen between you and staff and we'll, you know, please -- Jack will be in touch with both sides to see if we need to put something on the agenda. But it seems like a conversation that needs to happen with staff, and for clarity. And to ask for clarity in the regulations potentially or to understand the intent, potentially.

So that's where I think we are right now, but thank you for bringing it up. Because it's really useful for us to hear about what is happening at the schools themselves.

So other public comment before we close the meeting, anybody? Anna? Anna is back, all right.

MS. HERRERA: Sorry, just one last. We are a school energy coalition working diligently with the Legislature to try to move legislation forward for the five-year extension. You know, if there's anything that you all need in terms of case studies and all of that, we're collecting that on the natural for the Legislature. We'd love to work together with you and share the information that we're hearing.

We do have a great relationship with your staff in working together to make some of this happen, because we really do believe that we're just hitting the point where schools are familiar with the program. That they're ready to go. That they want to go further and deeper and all of that and get to ZNE.

So I think that all of this discussion is so very important to us, especially at a time where there's broader goals that the state is trying to attain for climate change and energy diversity. So we stand ready to work with you. Thank you.

CHAIR GORDON: Thank you. Anna, really quickly, do you know if they're going to have a hearing on the bill?

MS. HERRERA: I heard that the bill was set for April 4th, but right now it's a straight extension. I don't even think there's money attached to it, so that's the other piece. From a school perspective, we'd like to see a set amount of funding, but that Proposition 98 application of those funds really means that each school district will have to continue with that ADA allocation.

So some of the things that you're talking about like innovation grants and other things, it's hard to say how that gets worked in if that's the way that they want to continue to do it budget-wise. But that discussion is yet to be had as well as whatever the money is that they're looking at on an annual basis.

One of the things we're looking at is taking a look at what's been already provided and averaging or looking at something similar going forward. But there's nothing in it yet about money.

CHAIR GORDON: So it's just a straight extension along the same lines as the existing?

MS. HERRERA: Yeah, it takes the encumbrance data, five years, and also the Citizens Oversight Board terms about that.

CHAIR GORDON: I think it's an encumbrance of six years and the program extended by five, yeah.

MS. HERRERA: Yes.

CHAIR GORDON: And then it will be the same allocation. Jack, if you just want to be in touch with de Leon's office and let them know that our report is coming. And let them know that our report is coming and include your recommendations. And we would be obviously if there's a hearing we should talk about it.

All right, thanks everybody. I'm going to close the meeting. Thank you to everyone. Thank you again to Jack for all your work and to everybody, particularly Dr. Brown, Anna Herrera, for your comments. And to CEC staff as well. Thank you. See you next time.

(Adjourned at 3:45 p.m.)

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