
Webinar
October 15, 2014
PUBLIC MEETING SCHEDULE

Two In-Person Meetings
Thursday, October 23 (9:00 AM – 12:00 PM)

Alameda County Office of Education
Rooms L-2 and L-3
313 W Winton Ave
Hayward, CA 94544

Los Angeles County Office of Education
Education Center West, Conference Center B
12830 Columbia Way
Downey, CA 90242
COMMENTS

Please email comments to:

docket@energy.ca.gov

Subject Line:
Prop 39 Guidelines: 13-CCEJA-01
AGENDA

1) Background
✓ Proposition 39 Program Status
✓ Guidelines Substantive Changes (June 2014)
✓ Questions/Answers/Comments

2) Proposed Changes to Prop 39 Guidelines
✓ Schedule
✓ Major Changes to the SIR
✓ Questions/Answers/Comments
✓ Other Changes
✓ Questions/Answers/Comments
Let’s talk about Proposition 39 Program Status
First Year Accomplishments (FY 2013/14)

1) Developed Proposition 39 Guidelines  
   *(Adopted Dec 19, 2013)*

   *(Released January 31, 2014)*

3) Provided Comprehensive Training (800 participants)

4) Established the Proposition 39 Hotline

5) Approved 141 Energy Expenditure Plans
PROPOSITION 39 PROGRAM STATUS

Energy Expenditure Plans
(As of October 13, 2014)

RECEIVED

- Applications received: 214
- Award funds requested: $136.9M
- Total projects/sites: 654

APPROVED

- Applications approved: 141
- Award funds approved: $95.2M
- Total projects/sites approved: 385
Energy Planning Funding Reservation Option

- Results of Energy Planning Funds request in 2013/14:
  - 1,644 LEAs requested this option
  - Over $150 million dollars.
PROPOSITION 39 PROGRAM STATUS

Two-Year Bundling Option

• 2013/14: Two-Year Bundling requests
  ✓ CDE Deadline was August 1, 2013
  ✓ 863 LEAs requested this option

• 2014/15: Two-Year Bundling requests
  ✓ CDE Deadline was September 2, 2014
  ✓ 199 LEAs requested this option
### Proposition 39 Program Status

#### Appropriations of Proposition 39 Revenue

<table>
<thead>
<tr>
<th>Program</th>
<th>Fiscal Year 2013/14</th>
<th>Fiscal Year 2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-12 LEA Program</td>
<td>$381</td>
<td>$279</td>
</tr>
<tr>
<td>Community College Districts</td>
<td>$47</td>
<td>$39</td>
</tr>
<tr>
<td>ECAA – (0% loans &amp; technical assistance)</td>
<td>$28</td>
<td>$28</td>
</tr>
<tr>
<td>California Workforce Investment Board</td>
<td>$3</td>
<td>$3</td>
</tr>
<tr>
<td>California Conservation Corps</td>
<td>$5</td>
<td>$5</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>$464</strong></td>
<td><strong>$354</strong></td>
</tr>
</tbody>
</table>
Let’s talk about
Guideline Updates
June 2014
PROP 39 GUIDELINES UPDATES (JUNE)

Updates from June 2014

• Charter School Eligibility
  - Publicly Owned Leased Facilities
  - Privately Owned Leased Facilities
  - Privately Owned Facilities
Eligibility – Publicly Owned Leased Facilities

- Charter Schools that lease a publicly owned facility, for example from a public k-12 school district, follow the general Proposition 39 program cost-effectiveness the Savings to Investment Ratio (SIR)
Eligibility – Privately Owned Leased Facilities

• Charter Schools in privately owned leased facilities may apply for Proposition 39 funding, following the general Proposition 39 program cost-effectiveness the Savings to Investment Ratio (SIR)

• If the charter school has not renewed its charter term at least once prior to applying for Prop 39 funding, an additional cost-effectiveness criteria applies:
  
  • In addition to meeting the savings-to-investment ratio (SIR) of 1.05, the eligible energy project must have a simple payback within the remaining period of the “charter contract term”.

PROP 39 GUIDELINES UPDATES (JUNE)
Eligibility – Privately Owned Leased Facilities

• Simple Payback:
  Total Project Cost ($)/Total Annual Energy Savings ($/year)

• The eligible energy project are all energy efficiency measures and/or clean energy installations at the school site. The combined total project cost divided by the combined total annual energy savings.

• The eligible energy project must have a simple payback within the term of the charter contract term.
Eligibility – Privately Owned Leased Facilities

• Building Owner Written Certification to Transfer Energy Cost Savings to LEA if:

  ➢ An LEA leases a privately owned facility or building that does not have a separate meter

  ➢ An LEA leases a privately owned facility or building, and the lease payment includes the utility cost
Eligibility – Privately Owned Facilities

- Charter Schools may own their school building(s) and apply for Proposition 39 funding, following the general Proposition 39 program cost-effectiveness the Savings to Investment Ratio (SIR).
Eligibility – Privately Owned Facilities

Again…..

• If the charter school has not renewed its charter term at least once prior to applying for Prop 39 funding, an additional cost-effectiveness criteria applies:

  • In addition to meeting the savings-to-investment ratio (SIR) of 1.05, the eligible energy project must have a simple payback within the remaining period of the “charter contract term”.
QUESTIONS…

About Prop 39 Background or June 2014 Revisions?
Let’s talk about
Proposition 39 Proposed Draft Revisions
Substantive Changes Schedule

1) First Draft Released (September 26)
2) Public Meetings/Webinar (October)
3) Final Draft Release (November)
4) Commission Business Meeting: Proposed Guidelines Considered for Adoption (December 10, 2014)
Draft Guidelines:


2) Summary of Proposed Changes

All documents are online now!
http://www.energy.ca.gov/efficiency/proposition39/index.html
Major Change to the SIR

1) **New Definition** for an Eligible Energy Project: SIR at the LEA level – not at the school site level.

2) **Added Leveraged Funding** that can be deducted from the Project Installation Cost. This can generate a higher SIR.
Definition of Eligible Energy Project

✓ An eligible energy project is an energy efficiency measure or bundled group of energy efficiency measures and/or clean energy installations (in or at one or more school sites) within an LEA. Therefore, the eligible energy project is the total of all energy efficiency measures within an LEA.

✓ An eligible energy project must achieve a minimum Savings-to-Investment Ratio (SIR) of 1.05 to be approved for a Proposition 39 award.
Definition of Eligible Energy Project (continued)

Lighting Measure
Lighting Measure
Lighting Measure
HVAC Measure
HVAC Measure

SIR = 1.05

Total of all LEA Bundled Measures
Leveraging Funding

LEAs can now leverage funding to reduce the Project Installation Cost used in the SIR formula (Appendix D)

- Removed the word “Grant”
- Added: Non-repayable funds
  1) Bond funding
  2) General operation budgets
  3) Deferred maintenance
  4) Other funds
Leveraging Funding (continued)

Savings to Investment Ratio (SIR) = 1.05

- The SIR is calculated based on net present value of savings divided by project installation cost

\[ SIR = \frac{\text{Net Present Value of Savings}}{\text{Project Installation Cost}} \]
Leveraging Funding (continued)

Net Present Value of Savings (Numerator):

Energy Cost Savings + Maintenance Savings

Definition:
Total energy cost savings realized over the life of the equipment including kWh energy, kW demand, natural gas, and other liquid fuel savings
Leveraging Funding (continued)

Project Installation Cost (Denominator)

Project Installation Cost – Rebates – **Other Non-repayable funds** – Non energy Benefits

**Definition:**

The Project Installation Cost is the total of all project design, equipment and labor costs
Leveraging Funding *(continued)*

**EXAMPLE #1**

**Current: Project Installation Cost Calculation**

- Project Installation Cost = $100,000
- Rebates and Grants = – $2,000
- Non-energy Benefits = – $5,000
  
  *(fixed adder of 5% of project installation cost)*

**Project Installation Cost:** $93,000
Leveraging Funding (continued)

EXAMPLE #2

**Proposed:** Project Installation Cost Calculation

- Project Installation Cost = $100,000
- Rebates = $2,000
- Other Non-repayable funds = $30,000
- Non-energy Benefits = $5,000

*(fixed adder of 5% of project installation cost)*

Project Installation Cost: $63,000
**PROPOSITION 39 GUIDELINES - REVISIONS**

**Leveraging Funding (continued)**

SIR Comparison:

<table>
<thead>
<tr>
<th>Example #1 (Current Formula)</th>
<th>Example #2 (Proposed Formula)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIR = Net Present Value</td>
<td>SIR = Net Present Value</td>
</tr>
<tr>
<td>(Project Installation Cost</td>
<td>(Project Installation Cost</td>
</tr>
<tr>
<td>Rebates  Grants</td>
<td>Rebates  Non Repayable</td>
</tr>
<tr>
<td>Non-energy Benefits</td>
<td>funds  Non-energy Benefits)</td>
</tr>
<tr>
<td>$105,000 = 1.13 (SIR)</td>
<td>$105,000 = 1.67 (SIR)</td>
</tr>
<tr>
<td>$ 93,000</td>
<td>$ 63,000</td>
</tr>
</tbody>
</table>
QUESTIONS…

About the SIR proposed revisions?
Let’s talk about
Other Changes
Schedule (Page 9): Significant Date Changes

- **Award Calculation completed by CDE**
  - *Now October 30th (Annually)*

- **SSPI to begin allocating awards for approved multiple-year energy expenditure plans**
  - *January (Annually)*
Interest Earned (Page 11):

NEW ✓ Any interest earned on Proposition 39 funds shall only be expended toward Proposition 39 energy projects.

Two-Year Combined Award Option (Page 11):

✓ Clarification that qualifying LEAs can choose this option twice during the five year Proposition 39 program.
Large Eligible Energy Project Award Requirements (Tier 4 Awards) (Pages 14 & 15)

- LEAs that receive an award of more than $1 million in any one fiscal year must use at least 50 percent of the funds for projects larger than $250,000.

- **Clarification of Definition:** A large eligible energy project is defined as an energy efficiency measure or bundled group of energy efficiency measures and/or clean energy installations with a project cost totaling more than $250,000 in or at a single school site.
PROPOSITION 39 GUIDELINES - REVISIONS

Large Eligible Energy Project Award (continued)

- $125,000
- $125,000
- $125,000
- $125,000
- $250,000
- $250,000

Large Energy Project
Large Energy Project

SIR = 1.05
Large Eligible Energy Project Award (continued)

- Large Energy Project
  - $500,000

- $125,000
  - SIR = 1.05

- $125,000

- $125,000

- $125,000
Step 1: Electric and Gas Usage/Billing Data

As a requirement to receive Proposition 39 funding, LEAs sign and submit a utility data release form. LEAs need to use the Energy Commission’s utility data release authorization form found on our Proposition 39 web page.

- **Deleted** the option for an LEA to use the utility’s standard data release form.

  ➢ This is clean-up to match what is now the agreed practice with the utility companies.
Step 8: Energy Project Tracking and Reporting
(Pages 30-34)

- **Annual & Final Reports** – Clarification that the Energy Commission will add an online program reporting system. Details will be included in the Energy Expenditure Plan Handbook.

- **Job Creation Benefits** – Added: Certified Payroll reports from Department of Industrial Relations and verifiable self-reported employee wage records for workers employed by LEAs.
Audit (Page 34)

✓ Added clarification on payback, project and property related to PRC 26240(h)(1).

“LEAs must not sell or demolish the approved energy measure installed with Proposition 39 program award funding prior to the payback of the energy measure. The payback is calculated as dividing the total energy measure cost by the total annual energy savings.”
Audit (Page 34) (Continued)

✓ Provides web link to CDE’s current audit guide booklet.

http://eaap.ca.gov/audit-guide/current-audit-guide-booklet/

Look under Table of Contents:
(S) California Clean Energy Jobs Act
Energy Expenditure Plan Implementation Changes (Page 34 & 35)

✓ Deleted: Relocating an approved energy measure to a different school site.

This would now require a new energy expenditure plan submission.
Contracts (Page 36)

✓ Clarification that the no sole source applies to all Proposition 39 program award funding, including energy planning funds

NEW ✓ Added: However, pursuant to Public Contract Code (PCC) Section 20111, any public projects involving an expenditure under $15,000 do not need to be competitively bid.

Note: There may be modifications or additional clarification to this language in November.
Public Works Project Award Notification and Payroll Reporting (Page 37)

✓ Updated language regarding Labor Code Sec. 1773.3, 1771.4(a) and 1776.
Appendices

**Removed Appendix B: Energy Savings Calculators**
- As of January 2014, all are available on-line and included in the Handbook.

**Removed Appendix F: Effective Useful Life for Energy Measures in Years**
- This will be moved to the Expenditure Plan Handbook
COMMENTS

Please email comments to:

docket@energy.ca.gov

Subject Line:
Prop 39 Guidelines: 13-CCEJA-01
THANK YOU!

Please view the Energy Commission’s website, or contact us by phone/e-mail if you have questions

http://www.energy.ca.gov/efficiency/proposition39/index.html

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QUESTIONS…

About the proposed revisions?