The Future of Proposition 39: Opportunities and Challenges
Now and Beyond Year 5

Community College Facility Coalition
Sacramento, CA
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The Future of Prop. 39
Opportunities & Challenges

Fred Diamond
Director of Facilities and Construction
Citrus Community College District
Proposition 39—Overview

California Clean Energy Jobs Act
- Began with FY 2013-14
- Five (1) year programs that can be combined
- Granted approximately $32-40 million annually for CCD’s
- Job creation through energy efficiency projects
- Currently in Project Year #4
- Has been an absolute benefit for all CCD’s
- Enormous energy savings and financial savings
- Environmental benefits

Opportunities…predicated upon performance!

To the 5th year and beyond...
Performance Necessities

Finish the 5 Year Program with total success
- All CCD’s utilizing their grant funding
- All CCD’s installing their projects
- All CCD’s completing their projects
- All CCD’s receiving incentive grants
- All CCD’s closing-out their projects
- Final Program reconciliation and Close-out—reporting by the Chancellor’s Office to the CEC and Board of Governor’s Office

This is a TEAM SPORT

Team Sport

- Each college performs independently
- Each District performs as a whole
- The Community College System performs inclusively
- The Chancellor’s Office reports in totality
Performance

• *Unus pro omnibus, omnes pro uno...*

• *All for one, and one for all...*

Prop. 39

*Rocketing to Phase II*
Prop. 39…Phase II Preparation

Immediate District Requirements

- Complete all Phase I Projects in Totality
  - All 5 Years—all Projects
- Close-out all Phase I Projects in Totality
  - All 5 Years—all Projects
- Be very cognizant of your SIR
  - Do not fall below the minimum SIR
  - Do not underutilize the SIR

Preparation for Impending Challenges

- Future Expectations of a Continued Program
- Timeline—we don’t know what it could be
- SIR—we don’t know the requirements
- We don’t know the value
- We do know that we have a continued need
- What does this all mean?
Opportunity vs. Opportunity Cost

Opportunity Cost

— noun Economics.
1. the money or other benefits lost when pursuing a particular course of action instead of a mutually-exclusive alternative. The company cannot afford the opportunity cost attached to policy decisions made by the current CEO.

Opportunity

— noun, plural opportunities.
1. an appropriate or favorable time or occasion: Their meeting afforded an opportunity to exchange views.

Opportunity

• The opportunity must be taken while we have it!
• Preparation for upcoming opportunities must be taken now

• LUCK...being prepared when opportunity presents itself
Thank You...

Understanding SIR

Steven Clarke
Director
Newcomb Anderson McCormick
SIR – What is it?

• As Defined by Prop 39: Savings to Investment Ratio
• As Required by CCC: **1.05** cumulative (used to be 1.10)

\[
\frac{\text{Savings (NPV)}}{\text{Investment}} = \frac{\text{Energy Cost Savings}}{\text{Total Project Cost}} + \text{Maintenance Savings*}
\]

- Utility Incentives
- Grants
- Non-Energy Benefits*

*Savings and NEBs are calculated at a flat % of total project cost

SIR – Why does it Matter?

• Demonstrates that Prop 39 funding was spent on cost effective projects
  • Returning 5% more energy savings over life of project than cost of project
• Program will be evaluated on SIR
• Required to maintain cumulative SIR of 1.05 (per district) to keep Prop 39 money
• Target to hit when proactively managing SIR (more in a bit)
So my project does not meet SIR!

What can I do?
• Improve the ratio!

Savings (NPV)

Investment

(*Technically, to decrease total project cost, you want to increase utility incentives and grants)

Example Project – SIR Calculator

• Total Prop 39 Allocation: $300,000
• Interior Lighting Project
  • Estimated Total Cost: $500,000
  • Estimated kWh Savings: 300,000
  • Average Utility Rate: $.13/kWh

• Project SIR: .79
• Out of Pocket Cost for District: $200,000
Example Project – SIR Calculator

- Total Prop 39 Allocation: $300,000
- Interior Lighting Project
  - Estimated Total Cost: $500,000
  - Estimated kWh Savings: 300,000
  - Average Utility Rate: $.13/kWh
  - Available Utility Incentives (@$.24/kWh): $72,000

- Project SIR: .94
- Out of Pocket Cost for District: $128,000

SIR and Energy Savings

Prop 39 savings vs. IOU Eligible savings
- Prop 39 allows energy savings vs. existing baseline to count towards SIR calculation
- IOU Eligible savings typically only counts savings above existing codes
  - Affects available incentive for measure but not energy cost savings over time
- Make sure both are calculated when calculating SIR or filling out a form B
Example Project – SIR Calculator

• Total Prop 39 Allocation: $300,000
• Interior Lighting Project
  • Estimated Total Cost: $500,000
  • Estimated kWh Savings: 300,000
  • Average Utility Rate: $.13/kWh
  • Available Utility Incentives (@$.24/kWh): $72,000
  • Available Grants: $100,000

• Project SIR: 1.24
• Out of Pocket Cost for District: $28,000

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Example Project – SIR Calculator

• Total Prop 39 Allocation: $300,000
• Interior Lighting Project
  • Estimated Total Cost: $500,000
  • Estimated kWh Savings: 300,000
  • Average Utility Rate: $.13/kWh
  • Available Utility Incentives (@$.24/kWh): $72,000
  • Available Grants: $100,000

  • Rate Adjustment from $.13/kWh to $.16/kWh

• Project SIR: 1.48
• Out of Pocket Cost for District: $28,000
Example Project – SIR Calculator

- Total Prop 39 Allocation: $300,000
- Interior Lighting Project
  - Estimated Total Cost: $500,000
  - Estimated kWh Savings: 300,000
  - Average Utility Rate: $.13/kWh
  - Available Utility Incentives (@$.24/kWh): $72,000
  - Available Grants: $100,000
  - Rate Adjustment from $.13/kWh to $.16/kWh
  - Remove Project Soft Costs ($28,000)
- Project SIR: 1.61
- Out of Pocket Cost for District: $28,000*

*Note: If you remove soft costs from the “Prop 39 Project Costs” they cannot be funded with Prop 39 money. The district must fund them out of another bucket of funding.

SIR and Project Cost: Soft Costs

- Reducing “Prop 39 Project Costs” can help SIR
  - Soft Costs vs. Hard Costs
- Soft Costs may be excluded from the SIR calculations, as long as they are not funded by Prop 39 money
  - Architect, Engineering and Design
  - DSA
  - Project Management
  - Permitting Activities
  - Procurement Costs

- Prop 39 Costs: (Prop 39 Funding Requested)
- Non-Prop 39 Costs: (District Funded Costs)
SIR and Project Cost: Soft Costs

• Advantages of not including soft costs:
  • Helps to reduce the overall project cost
  • Improves measure cost effectiveness and SIR

• Disadvantages of not including soft costs:
  • Prop 39 funding cannot be used to pay for these expenses
  • More out of pocket expenses for district

SIR and Project Cost: Hard Costs

• All hard costs, required to implement the energy project, must be included in the SIR calculation

• Hard costs should not include activities unrelated to the installation of energy efficiency or clean energy installation projects, where it can be clearly demonstrated those costs are external to and independent from the eligible project.
SIR Depends Upon:

These Factors:
• Utility Incentives
• Grants
• Utility Rates
• Measure EUL
• Overall Project Cost
• Energy Savings

But Not These Factors:
• Additional funding contributions from the district*

Note: Non-energy benefits and maintenance savings are calculated as a fixed percentage of overall project cost as defined by the CCCO/CEC, helping out SIR, but typically are not “adjusted” on a per-project basis

Managing SIR

Knowing, and actively managing SIR helps districts to:
• Balance district funding w. Prop 39 funding

Example Project:
District Allocation: $326,000
Hard Costs: $250,000
Soft Costs: $100,000
Utility Incentive: ($24,000)
Net Project Cost: $326,000
Energy Savings: 100,000 kWh
SIR with all Project Costs: .91

Scenario 1:
P39 $ applied to hard costs only
Prop 39 Contribution: $250k District Contribution: $76k
Net Project: $326,000
Leftover P39 Funding: $76k

Scenario 2:
P39 $ applied to hard costs and $45k soft costs
Prop 39 Contribution: $295k District Contribution: $31k
SIR: 1.05
Leftover P39 Funding: $31k

* This is a major difference between K-12 and CCC Prop 39.
CCC districts cannot directly “buy-down” SIR with their own funding.
Managing SIR

Knowing, and actively managing SIR helps districts to:

• Fund more capital intensive projects with Prop 39 dollars

Example Project:
District Allocation: $326,000
Hard Costs: $250,000
Soft Costs: $100,000
Utility Incentive: ($24,000)

Net Project Cost: $326,000
Energy Savings: 100,000 kWh
SIR with all Project Costs: 0.91

Scenario 1: District has not managed cumulative district SIR.
Cumulative District SIR: 1.05 (From $4.4M of past projects, saving 1.5M kWh)
New Cumulative District SIR: 1.04

Scenario 2: District has managed cumulative SIR knowing project pipeline
Cumulative District SIR: 2.25 (from $2M of past projects, saving 1.5M kWh)
New Cumulative District SIR: 2.03

HELP! That sounds complicated.

It is! But luckily you have resources at your disposal
• Your friendly neighborhood IOUs
• Other districts
• NAM
• Tools
The CCC/IOU Energy Efficiency Partnership

Community College Facility Coalition
Sacramento, CA
November 14-16, 2016

Amy Discher – Account Manager, Southern California Edison
Alison Erlenbach – Program Manager, Pacific Gas and Electric Company

Resources through the Investor Owned Utilities

- Benchmarking and Utility Data
  - CISR Form needed to provide information to CEC or Third Parties
- Screening and Project Identification
- Audits
- Assistance with Applications and Incentives
- Calculations and Verification of eligibility
Program Incentives for 2016

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>INCENTIVE RATE</th>
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<tbody>
<tr>
<td>Electricity</td>
<td>$0.24 / kWh</td>
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<tr>
<td>Packaged HVAC, HVAC Controls, Motors, Drives</td>
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<td>Lighting, Lighting Controls, Daylighting</td>
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<td>Central Plants, Chiller Retrofits, and other major Energy Efficiency Infrastructure Projects</td>
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<td>IT Projects</td>
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<td>Natural Gas</td>
<td>$1.00 / therm ($1.50 for SCG)</td>
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<td>ALL Gas Measures</td>
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Note: Lighting and lighting controls project incentives capped at 50% of project cost, all other measures capped at 80% of project costs

How do Utility Incentives Work?

• Natural Science Building Air Handler Unit Replacement
  – Project Cost $824,012
  – Prop 39 Funding $801,667
  – Utility Incentives $22,214
    • 86,475 kWh annual savings x $0.24 = $20,754
    • 973 therms annual savings x $1.50 = $1,460
  – Cost to District $131
Program Benefits

10-Year Cumulative Impacts

Electricity Savings: 725,562,048 kWh
Natural Gas Savings: 23,080,884 therms

$1 for sustainable facilities yields $2 energy savings

Every $1 invested by a district for sustainable facilities improvements through the Partnership will yield $2 in energy savings over the next 10 years

2016+ Program Updates

CPUC issued Final Decision
- Approves Energy Efficiency Rolling Cycle and Business Plans – potentially 5 years of funding for the CCC’s
- Future of Energy efficiency
- Leveraging all applicable dollars
- Public sector

Key Legislation
- SB 350: Doubled Energy Efficiency Goals by 2030
- AB 802:
  - Bring existing buildings to code and beyond
  - Meter-Based Performance (P4P)
  - Behavioral and Operational Measures
Building Energy Efficiency for the Future

- Utilizing the IOUs for audits and project identification
- Leveraging bond and scheduled maintenance dollars for projects
- Creating a revolving fund for incentives that can roll into additional projects
- Work as a team to accomplish results – expertise internally and externally will drive success

Management Tool—Helps business and organizations by offering a platform to:
- Assess whole building energy and water consumption
- Track changes in energy, water, greenhouse gas emissions, and cost over time
- Track green power purchase
- Share/report data with others
- Create custom reports
- Apply for ENERGY STAR certification

Metrics Calculator—Provides key performance metrics to integrate into a strategic management plan
- Energy consumption (source, site, weather normalized)
- Water consumption (indoor, outdoor)
- Greenhouse gas emissions (indirect, direct, total, avoided)
- Compare your building’s Energy Use Intensity (EUI) to 80+ similar property types
- ENERGY STAR 1-100 score (available for 20 property types)

Accessible in a free, online secure platform: www.energystar.gov/benchmark
What You Can Do with Benchmarking

- All buildings can be benchmarked.
- Portfolio Manager contains more than 80 property types to compare your building to.
- Benchmarking through Portfolio Manager enables you to:
  - Compare one building against a national sample of similar buildings (Energy Use Intensity).
  - Compare all of your buildings of a similar type to each other.
  - Set priorities and targets for improving efficiency of building.
  - Track performance over time and gain recognition.

CCC PROPOSITION 39 PROGRAM
PROCESS CHEATSHEET

1. Download and Review Prop 39 Guidelines

2. Contact CCC/IOU Partnership Utility Account Rep (or NAM if in POU territory)
   http://www.cccutilitypartnership.com/

3. Develop Project Lists, Perform Energy Savings Calculations, and Submit Utility Incentive Application and Prop 39 Form B
   CCC/IOU Partnership can assist with Technical Resources. See Guidelines Section 4 & 5 for more information

4. Utilities Approve Incentive
   CCCC0 Approves Prop 39 Funding
   If project meets all criteria. See Guidelines Section 6 & 7 for more information

5. District Issue RFQ/RFP, Award Contract, Install Project
   Review Guidelines Section 9 & 10 for more Information

6. Project Close-Out
   Utility Incentive Inspection & Verification, Submit Form J and Form F
   See Guidelines Section 12 for more Information

For assistance or more information go to:
http://www.cccutilitypartnership.com/
Proposition 39

Project and Funding Status Update

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<th>Program Cycle</th>
<th>Project Funding Approved</th>
<th>Total Funding Allocated</th>
<th>Total Available Funding</th>
<th>Total Projects Approved</th>
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<th>Annual Energy Cost Savings</th>
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<td>$15,892,107</td>
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Data as of: November 8, 2016

CCC/IOU Partnership

Tips & Best Practices

• Appoint a lead
• Develop a strategy
• Partnership Resources
  – Calculation Assistance
  – Technical Services
  – Auditing Support
  – Enhanced Incentives
• Share sense of urgency
• Importance of timelines
• Working together
• Flexibility & Adaptation

We are here to help!
Questions?

Key Contacts

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