

State of California Partnership With IOUs

Business Plan Strategies

State buildings represent only about 1% of the energy usage in the commercial sector. However, it is arguably the sector with the most aggressive energy goals in California, established by the Governor through Executive Order B-18-12.

- B 18-12 directs state agencies to reduce grid-based electricity purchases by 20% by 2018.
- B-18-12 also directs that new state buildings beginning design after 2015 be ZNE and 50% of facilities beginning design after 2020 be ZNE. For existing buildings, the goal is to achieve ZNE for 50% of existing building area by 2025.

This is for good reason. The state is setting aggressive statewide energy and carbon policies that will serve to lead the nation and the world in climate change mitigation. It's crucial that state facilities serve as a visible example to the local communities in implementing public policy in all areas of sustainability. It's also key that efficiency retrofits be done as a first step. This charge is, unfortunately, coupled with difficult challenges when it comes to implementing energy efficiency building retrofits. Amongst those challenges are lack of funding, lack of technical resources to target highest opportunity areas, and a lengthy and comprehensive public accountability process:

1. The lack of funding has resulted in the state relying upon an ESCO process that integrates financing of all aspects of the project, including upfront assessments. While this process has certain advantages, the approach comes at a cost. It is a lengthy process that is dependent on reaching ROIs that will be attractive to lenders with all costs included. This is frequently the first un-scalable barrier which stops a project. The state is interested in more creatively exploring other options for project execution and is strongly reaching out to IOUs and other program administrators to be a partner with us in finding creative solutions.
 - Adapting OBF to include upfront construction costs would help to enable the state to leverage this financing approach
 - Most of the projects in large state buildings exceed the current \$1M limit for financing via OBF. Increasing this limit would address another barrier.
2. Further, there is a need to more strategically identify the retrofit opportunities with the highest and most comprehensive savings potential long term. Implementing investment grade audits for all buildings would be cost prohibitive. The state is seeking support from IOUs and PAs to provide this strategic targeting support.

- To target the limited partnership budget most effectively, it is important to strategically identify the best retrofit opportunities within the portfolio of state buildings. The state does not have the financial or technical resources to do so and would greatly benefit from support from the Partnership in this area. Approaches such as remote audits and greater use of interval meter data for analytics would be cost efficient to complete this critical first step. This would benefit both the State and the Partnership in most efficiently identifying the highest value opportunities to target Partnership funding.
3. It is critical that the state utilizes a fair, appropriate, transparent, competitive process in soliciting work. Given those parameters, the state is seeking support in executing retrofit projects that comply with these requirements while offering more time saving and efficient approaches.
- The state is exploring alternative models for engaging with ESCOS more effectively, at lower costs and more timely execution. The Federal Government has effectively modeled an energy services relationship with the IOUs that may be modified to work with State entities. We encourage the Partnership to work with us to develop alternative ways of delivering efficiency projects to state customers
 - The state is open to piloting metered based savings approaches with incentives tied to measured savings
 - Extending the current direct install program to small/medium state facilities statewide would help to save time and resources. Further expanding the direct install program to include HVAC measures and control measures would capture a larger portion of the current needs.
4. Given the example that the state must set with its own facilities, coupled with the significant barriers the state faces with implementation, it is important that the budgets and levels of support to the state be sufficient to scale the financial and resource barriers. The current budgets proposed appear very insufficient for the support needed and described above.