

CLIENT NEWS BRIEF

California Energy Commission Makes Project-Friendly Changes to Proposition 39 Program Guidelines

On June 27, 2016, the California Energy Commission (CEC) issued a new set of proposed Proposition 39 Program Implementation Guidelines (guidelines). The proposed guidelines include a number of project-friendly changes, including a reduction in the Savings-to-Investment Ratio (SIR). These proposed guidelines are expected to be approved at the CEC's general business meeting on July 13, 2016.

The California Clean Energy Jobs Act, commonly referred to as the Proposition 39 program, provides funds to all local educational agencies in the State of California for a variety of energy projects. The guidelines are intended to define how the state will implement the Proposition 39 program, and to provide direction to potential applicants on the types of awards and required proposals, describe the standards to be used to evaluate project proposals and outline the award process. The revisions to the guidelines should create additional flexibility for local educational agencies and increase the availability of Proposition 39 energy projects and funding.

Savings-to-Investment Ratio

Any local educational agency seeking Proposition 39 funding must show that its proposed energy project is "cost effective." To be cost effective, the current guidelines require local educational agencies to achieve a minimum SIR of 1.05. The proposed guidelines reduce the SIR to 1.01, meaning that for every dollar invested on the project, the local agency must only accrue \$1.01 in savings. This new minimum SIR applies to projects that include only one school site, and also applies cumulatively to projects involving multiple school sites.

Zero Net Energy

As an alternative option to satisfying the minimum SIR, the current guidelines allow local educational agencies to submit a narrative describing how a proposed energy project would be cost effective if the local agency can show that each school site benefiting from a Proposition 39 grant has zero-dollar utility bills, referred to as "Zero Net Energy." Because very few local educational agencies are completely zero net energy, local educational agencies generally cannot take advantage of this option. The proposed guidelines allow the zero net energy option for any school site, i.e., on a per school site basis. This change opens the door for more local educational agencies to utilize the zero net energy option in lieu of satisfying the minimum SIR, even if the entire educational agency is not zero net energy.

The proposed guidelines also increase the maintenance savings assumption from 2 percent to 3 percent of project costs, remove certain size limitations to solar systems under power purchase arrangements and provide further clarification to other areas in the existing guidelines.

If you have any questions regarding the Proposition 39 guidelines or have any

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planned or anticipate planning energy projects and would like to discuss Proposition 39 eligibility and funding, please contact the authors of this Client News Brief or an attorney at one of our [nine offices](#) located statewide. You can also visit our [website](#), follow us on [Facebook](#) or [Twitter](#), or download our [Client News Brief App](#).

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