



LOCAL GOVERNMENT BUILDING ELECTRIFICATION PROGRAM HANDBOOK

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1 Summary of Changes to This Document

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3 Program offering

Peninsula Clean Energy's mission is to reduce greenhouse gas emissions by expanding access to sustainable and affordable energy solutions in its member communities, which includes all of San Mateo County and the City of Los Banos.

Local governments served by Peninsula Clean Energy are working to decarbonization their facilities, but have had difficulty finding funding for electrification projects. Peninsula Clean Energy's Government Building Electrification Program "GovBE" aims to make it easier local government agencies to replace methane gas appliances at these facilities with clean and efficient electric equipment.

The GovBE Program will include two funding components:

- Incentive funding that will be provided as a grant, which will not require repayment with an annual pool determined each budget cycle.
- A \$10 million revolving loan will be established to provide financing capacity. Loans will require repayment as outlined below

3.1 Incentive levels and limits

Projects will be selected through a competitive process. If a Project receives funding, an incentive will be provided based on the following criteria:

1. Maximum incentive based on projected methane savings at a rate of \$16 per therm saved per year (see Section 6 Fossil fuel Savings estimation and verification methodology)
2. The maximum amount of incentive support available for each jurisdiction is \$600,000 per year
3. Must meet minimum 25% match requirements as outlined below

3.2 Loan levels, terms, and limits

Awardee projects will also be eligible to receive additional loan financing as follows:

1. Total financing may not exceed the net cost of the project (total cost, less other funding and PCE incentives, less 25% cost share requirement)
2. 7-year loan term
3. 1% interest rate
4. Minimum loan size of \$50,000 per jurisdiction per year
5. Maximum limit of \$600,000 per jurisdiction per year
6. Payments will be made monthly to Peninsula Clean Energy
7. Must meet minimum 25% match requirements as outlined below

3.3 Minimum 25% match requirements

A minimum of 25% of a Project's total cost must be covered by non-Peninsula Clean Energy funds. This funding can come from existing local government capital improvement budgets, or from other sources of funding, such as: state or federal grants, donations, etc.

4 Definitions

- Agency – For the GovBE Program, a Local Government Agency Customer (Agency) is defined as an agency of county, or local government that is governed by publicly elected officials. Such Customers may include but are not limited to, city or town offices and facilities, County of San Mateo offices and facilities, public schools, and public libraries.
- Project – a planned electrification retrofit construction project at an Agency's building, facility, or group of buildings and/or facilities.
- Therm – a unit of measure for the sale of methane gas is equivalent to 100,000 British Thermal Units.
- Fossil Fuel – a greenhouse gas emitting fuel, including: methane gas, propane, fuel oil, diesel, or gasoline
- GHG – greenhouse gasses

5 Customer and project eligibility

5.1 Customer eligibility

The GovBE Program is only available to Peninsula Clean Energy customers who meet the following criteria:

1. Is a current Peninsula Clean Energy customer.
2. The customer must be a, county or local government Agency. (see Definitions)
3. The Customer currently receives service from Peninsula Clean Energy at the location of the retrofit project and meters to serve the equipment to be installed.
4. The Customer must be in good credit standing from when the Customer's program application is approved through the funding of the loan. A Customer's credit standing will be determined according to a Payment History Screening, which may be based upon the existence of any 24-hour disconnection notices and payment plans in the last 12 months.

5.2 Project eligibility

Eligible Projects must meet the following criteria:

1. Must be at facilities currently served by PCE, and the proposed equipment must be served by electric meters which are served by PCE.
2. Must be an existing local government building, facility, or group of buildings and/or facilities.
3. Project construction has not commenced as of the date of application of the project, or January 1st, 2024; whichever is later.
4. The Project will replace fossil fuel equipment on-site used for space heating, water heating, cooking, clothes drying, pool heating, lab processes, or other use types with heat pump or electric equipment. Replacement of backup gas generators or cogeneration systems is an ineligible measure.
5. Project is past the concept phase and can feasibly begin construction in the following 18-month period.

5.3 Eligible costs

Eligible electrification project costs that may be covered under the incentive or loan may include projects costs may include:

- Electrification equipment costs.
- Implementation costs, such as material costs, labor, lift rentals, etc.
- Engineering and Design.
- Costs associated with building code compliance which must be addressed in direct relation to electrification measures.
- Initial and ongoing Measurement & Verification (M&V) expenses, only if paid upfront.
- Training, if paid upfront under the loan disbursement.
- Quality Assurance (QA) Provider costs.

The following charges are not eligible for project funding:

- In-house labor or project management costs for electrification measure installation.
- Equipment installed prior to project application.
- Efficiency projects that save electricity usage but do not result in fuel switching or reduce methane gas usage.
- User behavioral activities: behavioral measures, e.g., customer staffing or occupant behavior programs.
- Add-ons to existing renovation projects.

6 Fossil fuel Savings estimation and verification methodology

Peninsula Clean Energy will determine the estimated fossil fuel savings with the following method, and will verify for the period 12 months after installation to confirm greenhouse gas emissions savings for the program.

6.1 Estimating fossil fuel savings

6.1.1 Leveraging Peninsula Clean Energy data

Peninsula Clean Energy receives daily methane gas usage data for each customer approximately quarterly. This data can be provided by Peninsula Clean Energy to local governments upon request, to inform project proposals. Peninsula Clean Energy does not have information for buildings using propane or fuel oil. Alternatively, the Agency can leverage their own bills and energy management systems to determine fossil fuel use at the site(s).

6.1.2 Estimating fossil fuel savings for project application

The maximum incentive award for the Program is based on methane gas therms saved per year due to the Project. Project awards will be prioritized – in part – by total methane gas therm savings opportunity.

The applicant should estimate methane gas savings in therms per year, and that estimate should be based on utility data of existing gas usage data at the site. For example, if the project will be result in full electrification – the projected savings should be based on total annual gas use at the site in previous years. For partial electrification projects, the applicant should summarize their approach to estimating project savings. Peninsula Clean Energy staff will review all estimates for reasonableness; and will ask Applicant to revise is savings are over-estimated. We recommend slightly underestimating savings if there assumptions that may be variable.

For buildings served by propane or fuel oil, use the following approach:

- Provide minimum 12 months of propane or fuel oil purchase receipts;
- Summarize in a table;
- Convert from gallons to BTU to therms to attain a “therms equivalent” savings;
- Provide PDF memo summarizing usage and conversion;
- Attach receipts to memo in a single PDF.

6.1.3 Recommended approaches to estimating fossil fuel savings

PCE recommends the following approaches for calculating fossil fuel usage for simple projects:

- Whole building electrification – if all end uses associated with a building or gas account will be electrified, provide annual gas use for the previous three years, and justify why a particular year or average savings estimate was chosen.
- Whole HVAC electrification – if the HVAC system which serves an entire building or account will be electrified, use monthly billing data for the previous three years to estimate baseload gas use unassociated with HVAC systems; and identify typical annual gas usage associated with the heating system. Justify why a particular year or average savings estimate was chosen.
- Small, residential-type water heaters – municipal buildings have a variety of usage patterns for water heating depending on use type. Some water heaters serving community centers are rarely used, while water heaters serving fire stations receive more use. We recommend using the CA Residential Appliance Saturation Survey estimate of 258 therms/yr for each water heater replaced with a heat pump water heater. If the Agency believes their replacement will result in additional savings, provide a justification for the alternative calculation methodology.

6.1.4 Consideration of the impacts of COVID-19 lockdowns and weather normalization

In the wake of the COVID-19 pandemic, energy usage associated with many commercial buildings reduced substantially during the years 2020 and 2021. The Agency shall consider the impact of the lockdown on given monthly electricity when selecting baseline monthly or annual usage.

The Agency shall consider the impacts of unusual weather when determine baseline monthly or annual usage.

6.1.5 Peninsula Clean Energy review process for reasonableness

PCE will first evaluate the viability of award against the scoring criteria outlined in section **Error! Reference source not found.**, before refining estimated savings. If PCE disagrees with a savings estimate from the jurisdiction, we will reach out to the Project contact to determine next steps.

6.2 Post-installation verification

6.2.1 Methane gas savings verification post-installation

Peninsula Clean Energy will analyze methane gas usage at the site, based on utility data, for the 12-month period following project completion. This analysis will be compared against the projected gas savings from the Project application. If there are material discrepancies in the actual gas savings as compared to the projected gas savings, Peninsula Clean Energy may reach out to the associated local agency to better understand the discrepancy and work with the local agency to ensure that the expected gas savings can be achieved in alignment with the awarded funding.

6.2.2 Propane or fuel oil savings verification post-installation

For projects that perform full electrification, provide *one* of the following:

1. Proof that propane or fuel oil tank was removed, via photographic evidence or receipt. (If the tank is being removed, Peninsula Clean Energy staff may want to be there for marketing purposes. Please inform if possible.)
2. If tank is remaining in place, provide written verification from local government staff verifying that propane has not been purchased for 6 months post-installation.

For partial electrification projects, provide 12 months post-installation of receipts for propane usage. Include summary memo displaying that savings is equivalent to estimated savings.

7 Application and selection process

1. Annual application process

Peninsula Clean Energy plans to open applications near the beginning of the fiscal year each year, which commences on July 1st. For Fiscal Year 2024, applications will open in December 2023. The application period will be open for a minimum of three weeks.

Proposals from prior years which did not receive awards may be resubmitted in subsequent years.

2. Apply via online form

Interested local governments will apply via [the online form](#) by the designated application closure date. The following categories of information are requested:

- a. Project name and jurisdiction
- b. Applicant and contact information
- c. Funding request
- d. Project priority metrics
- e. Agreement to Terms and Conditions

3. Review and selection process

Peninsula Clean Energy will review the applications to determine which projects will be selected for funding.

Projects will be scored based on the following criteria:

- Urgency - gas equipment aging out .
- Shovel readiness – confidence that the installation can begin in the following 6-12 months, as demonstrated by: conceptual studies, engineering design drawings, proposed specific scope and timeline, and other clear indications that the project is past the concept phase.
- Total fossil fuel savings – projects will high total greenhouse gas emissions savings.
- Community visibility – likelihood that portions of the community will benefit from or engage with the facility, as demonstrated by: public visitor access to site, level of community use, site visibility in local media, etc.
- DEAI Benefit – project is specifically beneficial diversity, equity, inclusion, and accessibility (DEIA) goals.
- PCE legal terms – agreement to comply with PCE provided legal terms.

4. Updating and correction of fossil fuel savings estimates

Peninsula Clean Energy staff or their consultants will perform an analysis of the fossil fuel estimation methodology at each awarded site. If savings estimates are deemed inaccurate and must be revised, Peninsula Clean Energy staff will provide a summary of proposed changes and direct the Agency to adjust estimates as needed. This may result in lower incentive values than the initial application. It is recommended that Agencies are conservative in the approach to budgeting to ensure a reduction in incentive budget does not put the project in jeopardy.

5. Working together across local governments for a unified goal

The incentive amount is not guaranteed and PCE reserves the right to adjust incentive amounts to maximize number of projects and GHGs in each cycle.

6. Notification of proposed award

Once the projects have been selected, PCE staff will reach out to all applications to share the proposed results. Awards over \$100,000 will require approval by the PCE Board of Directors.

The incentive amount is not guaranteed and PCE reserves the right to adjust incentive amounts to maximize number of projects and GHGs in each cycle. For projects over \$100,000, PCE will work with the Agency to determine incentive amount before presenting to the PCE Board of Directors.

7. Process if project is not selected

If a Project is not approved by the Peninsula Clean Energy Committee or Board, or not approved by the Agency, then funding will be provided to the next applicant in line, or be returned to the funding pool for use on future local government projects.

Applicants are encouraged to re-apply for funding in subsequent years or grant cycles.

8. Emergency replacement applications

It is the preference of Peninsula Clean Energy for projects to apply during the annual application period. However, if an unplanned equipment failure occurs at a local government facility, and an electrification is feasible; please reach out to programs@peninsulacleanenergy.com. We cannot guarantee fund availability outside the annual cycle but are dedicated to helping fund local government facility electrification where possible.

8 Contracting

8.1 Contracting process

The contracting sequence between PCE and Agency will be as follows:

1. Notice of proposed award
2. Final validation by PCE of term reduction and amounts for incentive and finance
3. PCE provides final contract to Agency for final review
4. Customer agency provides governing board approval, if required
5. PCE Board of Directors approval (required for projects requesting over \$100,000 of PCE funds.)
6. Contract will be circulated for signatures from both parties
7. Payment process finalized (for both funding and repayments)
8. Creation and signature of Funds Reservation Agreement

PCE expects this process to take approximately 6 to 12 weeks.

9 Distribution of funds

Once the contracting process is complete and payment processing has been finalized, PCE funds will be reserved for the Agency.

It is PCE's goal to minimize the instances whereby the Agency will be required to return funds for projects that have failed to move forward to the installation.

9.1 Distribution of incentive funds

Incentive funds will be distributed upon project completion, as signified by a ribbon-cutting, certificate of occupancy, final invoice from contractor, or other verification strategy.

Incentive funds will be distributed in a single payment. Partial payments will not be allowed. PCE will provide funds via Electronic Funds Transfer (EFT.)

9.2 Distribution of loan funds

Loan funds will be available upon contract execution. Funds will be provided upon written request by the Agency. In order to avoid instances of repayment due to cancelled projects, the Agency should consider waiting to request funds until the project is assured to move forward.

9.3 Increased funding requests due to project cost overruns will not be granted

PCE expects the Agency to carry appropriate contingencies to ensure PCE funding can result in an installed project, without requests for increased PCE funding. Once the contract is finalized, additional project funds from PCE will not be provided.

10 Loan repayment process

10.1 Loan terms

Loans will be based on the following terms:

- 1% interest rate, amortized over the life of the loan
- A maximum loan term of 7 years.
- Minimum loan size of \$50,000
- Maximum loan size of \$600,000 per Agency per year
- Minimum of two years between loan initiations for each Agency

10.2 Quarterly loan repayments

Loans repayments will commence once funds have been transferred from PCE to the Agency (see Section 9.2 Distribution of loan funds.) Loan payments will be transmitted to PCE quarterly on a quarterly basis. PCE will provide an invoice in advance of the first day of each quarter. Funds will be paid to PCE within 30 days of the date of invoice.

Payments to PCE must be arranged via Electronic Funds Transfer (EFT.)

10.3 Early repayment

Early repayments can be made in part or in full at any time during the loan period. If the Agency seeks to repay the loan in its entirety before the end of the term, please request an early repayment calculation from PCE in advance of making the full payment. Contact programs@peninsulacleanenergy.com.

10.4 Loan paid-in-full documentation

Once the loan is paid in full, PCE will provide documentation to the City and close the loan account.

10.5 Return of funds for cancelled projects

If funds have been distributed to a participating agency, but the project has been cancelled due to unforeseen circumstances, the funds shall immediately be returned to PCE. If any funding has spent on project costs, and can no longer be returned to PCE, the agency shall provide an itemized documentation of spending.