



INFORMATION PAPER

TO: *Sustainability Work Group*

FROM: *Randy Clark, Interim Senior Director, Districtwide Facilities*

DATE: *October 24th, 2016*

SUBJECT: ***ROI, SIR and Proposition 39 Energy Projects***

At the last work group meeting, I loosely used the term 'ROI' in relation to Proposition 39 Energy Projects as it is a popular metric for evaluating the financial consequences of investments and actions. The proper term in Proposition 39 Energy Projects is SIR, or Savings to Investment Ratio. Savings to investment ratios are a simple measure of savings over cost. In other words, do the potential energy savings in dollars exceed the total project costs by an acceptable ratio?

For example, please consider the following project:

Grossmont College, Bldg. 60 kitchen hood variable speed controls which is to provide intelligent hood controls to reduce Building 60 kitchen hood fan speed during idle, non-cooking periods, looks like this:

\$59,131 projected energy savings
\$34,180 total project cost

For an estimated SIR of 1.73

Project submittals are made and approved on an annual cycle. In Years 1 through 3 of Proposition 39, the SIR was 1.4, the Year 4 SIR is 1.1. The SIR threshold is for the overall site, not for individual projects. So it is possible to have less cost-effective individual measures as long as they are counterbalanced with more cost-effective measures. Please note also that the SIR is projected over the life-cycle of the project.

What is Proposition 39? It is the California Clean Energy Jobs Act, passed by the voters in 2012 and signed into law by Gov. Brown on June 2013 for the purposes of, among other things, funding eligible projects that create jobs in California improving energy efficiency and expanding clean energy generation.

What types of projects are eligible? Energy efficiency, demand reduction, renewable energy and clean self-generation.