

DOCKETED

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Mendota Group, LLC Comments on HOMES P4P Program

Additional submitted attachment is included below.

August 28, 2025

California Energy Commission

Re: Docket # 23-DECARB-01, Inflation Reduction Act Residential Energy Rebate Programs

Dear California Energy Commission:

Mendota Group, LLC submits these comments to assist the CEC in shaping the program's scope and solicitation parameters and improve the HOMES Pay-for-Performance Program's chances for success. In its Concept Paper, the Commission has done a nice job of describing the required and optional tasks and developing the program framework. As the program implementer for three investor-owned utility pay-for-performance market access programs that serve residential customers in Southern California, Mendota Group has a clear interest in the HOMES P4P Program's success, particularly as it relates to efficiently delivering benefits to customers and maximizing the effective use of federal, state, and utility funds.

Our comments focus on four topics:

- **Input Request A.3.** - Clearly define how the CEC will address delays in or revocation of federal funding
- **Input Request B.5.** - General preference for a Request for Proposals (RFP) vs. a Grant Funding Opportunity (GFO)
- **Input Request E.13.** - Facilitate layering funds to the greatest extent possible
- **Input Request F.** - Proposed refinements to workflows

Clearly define how the CEC will address delays in or revocation of federal funding

During its HOMES P4P Solicitation Concept Workshop on August 8, 2025, the CEC asked the following question: "Are there any issues or concerns resulting from recent federal actions or orders that may influence your entity's interest in this solicitation?" Input Request A.3. poses a similar question: "For potential implementers or others: are there any issues or concerns resulting from recent federal actions or orders that may influence your entity's interest in this solicitation?" Our response to both questions is "yes". As discussed during the Workshop, although the U.S. Department of Energy has allocated funds to the CEC for the program, the CEC is, as yet, unable to access the funds. H.R. 1, the One Big Beautiful Bill Act (OBBBA), accelerated the phaseout or termination of several IRA energy tax credits and rescinded funding for other IRA programs. As presented on page 2 of the Concept Paper, "(a)warded funding may be paused or suspended, pending DOE review". This statement is not a source of comfort.

CEC further clarifies that, "In the event funds are not made available or approved, the CEC shall have no further liability with regard to the agreement." CEC should establish clear safeguards to reduce the risk that, once the selected SWI has begun to develop its program, every effort is made to ascertain the probability that funds will be dispersed as anticipated, and involve the SWI

in the discussions. Because, as CEC points out, DOE staff advised that it does not expect to allow "partial payments" for the HOMES measured pathway, this puts the SWI (and, in particular aggregators, installers, and customers) at even greater risk since project rebates (and, potentially upfront payments to aggregators, etc. financed by others) are premised upon receipt of funds after the 12-month monitoring period. These uncertainties are likely the biggest risk factors and the issue that will most restrict bidder participation and undermine the potential success of the CEC's implementation of the HOMES program in California. In our view, the SWI and aggregators can only be expected to participate in the program if the CEC either has full program funds "in hand" at the program's start (even if payments from the CEC to the SWI for measured savings come after the 12-month monitoring period) or if the CEC can otherwise guarantee (say, from state sources) these funds.

General Preference for an RFP vs. a GFO

Input Request B.5.a. asks, "For potential implementers and others: will your entity respond to a solicitation structured as a GFO?" We have not yet decided whether we will participate in this solicitation, but consider the CEC's choice of a GFO versus RFO to be a significant part of this decision. Our review of federal guidelines related to the distribution of federal funds to subrecipients (GFO) and contractors (RFP) indicates that an RFP approach would likely be both more relevant and more effective than a GFO. Our impression is that a GFO is more geared to providing financial assistance to carry out research, demonstration, or deployment projects that support CEC policy goals, while an RFP is more geared to the procurement of goods and services needed by the CEC to carry out its mission. Further to this point, a GFO (as dictated by 2 CFR 200 Subpart E) establishes contracts that place strict limits on cost recovery, while contracts that result from an RFP (governed by 2 CFR 200 Subpart D) place fewer limits on the recipient's cost recovery and profits. We consider the RFP more appropriate, particularly given the complexities and risks associated with the proposed program.

In dictating that investor-owned utilities procure a minimum of 60 percent of their energy efficiency portfolios from third-party implementers, the California Public Utilities Commission recognized that third-party implementers are fully capable of providing the services that historically utilities have themselves delivered, and that creating a robust market for entities responsible for designing and implementing energy efficiency programs would best enable California to achieve the ambitious EE goals established by Senate Bill 350.¹ We believe that the CPUC's move was the correct one and that California's energy efficiency market is benefiting from the role that these third parties, most of whom are for-profit companies, play in implementing programs at scale and delivering energy savings. We find nothing in federal funding guidelines that prohibits the CEC from using an RFP approach, and, thus, the selection of the solicitation's framework should be based upon the approach that can select an implementer with the highest probability for success. A solicitation process that places fewer restrictions on cost recovery and eligible profits creates significantly greater opportunities for firms and organizations with deep expertise in market access and meter-based programs to bid, thereby increasing solicitation competitiveness and facilitating selection of an SWI that can produce the greatest benefits for the lowest cost.

¹ *Decision Addressing Third Party Solicitation Process for Energy Efficiency Programs*, Application 17-01-013, et. al., Decision (D.) 18-01-004, January 11, 2018.

We very much appreciate that CEC's proposed program design does not tie SWI compensation to program energy savings and that it allows, as mentioned in Input Request B.6., "the SWI to serve as a neutral arbitrator of aggregator performance." It, though, likely makes sense, as CEC states, to align "a portion of the SWI's compensation with program success."

In response to Input Request B.5.c., we are uncertain whether our existing business model could be modified to accommodate a grant agreement vehicle.

Facilitate layering funds to the greatest extent possible

Input Request E.13. asks, "How can the statewide HOMES P4P Program leverage and support existing local Market Access Programs authorized by the California Public Utilities Commission?" In support of this question, the Concept Paper does a nice job of outlining the need for and encouraging the use of layered funds to maximize results. In its Decisions 23-06-055 and 23-08-005, the California Public Utilities Commission strongly endorsed the market access approach, particularly related to meter-based programs, and highlighted the complementary role that federal Inflation Reduction Act funds can play in driving customer participation.

The market access approach represents a particular opportunity in the residential and commercial downstream retrofit markets because those markets include project types targeted by the federal Inflation Reduction Act (IRA) of 2022, making it possible to leverage federal funds. If IRA funding becomes available directly to PAs, the PAs may be able to use both IRA and ratepayer funding in a market access-style program, without impacting the cost-effectiveness calculations of the program. Instead, the PAs may be able to simply add extra funds to the budgets seamlessly.²

In addition, the CPUC's D. 23-08-005 provides specific guidance related to estimates of free ridership when combining IRA and utility funds,

This decision provides that ex post evaluations should align with the draft potential study's assumptions, i.e., evaluations should not lower the program NTG ratio in cases where collected documentation shows IRA tax credits influenced a customer's choice to adopt an energy efficiency measure or project. Portfolio administrators and/or program implementers must create and maintain, at minimum, promotional and educational documentation to influence customers to use the IRA tax credit for applicable measures.³

Existing utility market access programs that serve residential customers provide perfect opportunities to layer HOMES funds and increase program impacts. The CEC's solicitation should continue to encourage strong cooperation between the selected SWI and utility market

² *Decision Authorizing Energy Efficiency Portfolios for 2024-2027 and Business Plans for 2024-2031*, Application 22-02-005, et. al, Decision(D.) 23-06-055, June 29, 2023, p. 74.

³ *Decision Adopting Energy Efficiency Goals for 2024-2035*, Rulemaking 13-11-005, Decision (D.) 23-08-005, August 10, 2023, p. 6. Note: Although the Decision references IRA tax credits, it is assumed that this is also intended to include other sources of IRA funds.

access program implementers. In addition, the CEC should work actively with the CPUC, investor-owned utilities, and publicly owned utilities to enable data sharing and eliminate any contractual impediments that may impede participation from aggregators and installers.

Input Request E.13.a. also asks, "What is the feasibility of developing and administering a shared application portal for both the HOMES P4P Program and local programs?" In our view, developing and administering a shared application portal for the HOMES P4P Program and local programs is ideal, as it would improve operational efficiencies. It is also very feasible.

Workflow refinements

Input Request F. refers to the CEC's proposed workflows. The workflows are helpful and well-developed. Our only suggested change would be to place the SWI in roles that are currently shown for the Contractor and Aggregator. As mentioned in the previous paragraph, we imagine the SWI providing a shared application portal for both HOMES P4P and local programs. Such a portal should also provide estimated incentives and, possibly, bill impact information based on project inputs from aggregators and/or contractors. We recommend that CEC's solicitation request that bidders visually present their vision of key player roles and responsibilities and project workflows.

Thank you for the opportunity to comment.

Sincerely,

Mendota Group, LLC