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Franklin Energy Input Inflation Reduction Act (IRA) Home Energy Rebate Programs

Additional submitted attachment is included below.

FRANKLIN
ENERGY™

January 26, 2024

California Energy Commission
715 P Street
Sacramento, California 95814

Subject: **Franklin Energy Input Inflation Reduction Act (IRA) Home Energy Rebate Programs (Docket 23-DECARB-01)**

Dear California Energy Commission Staff and Commissioners:

Franklin Energy respectfully submits its comments in regard to the California Energy Commission's Request for Information on IRA Rebate program deployment in Docket Nos. 12-DECARB-01 23-DECARB-01. Thank you for the opportunity to comment on the Inflation Reduction Act (IRA) Home Energy Rebate Programs.

Franklin Energy has been delivering turnkey energy efficiency and demand management programs across the U.S. for three decades. Our work in California dates to 2007, during which we have implemented both single and multifamily energy efficiency and demand response programs. We work closely with the CEC, investor-owned and municipal-owned utilities, RENs, and CCAs, and have delivered the Department of Community Services and Development ("CSD") Low-Income Weatherization Programs, as well.

The HOMES and Home Efficiency and Appliance Rebate Program (HEEHRA) programs, enabled through the Inflation Reduction Act, offer an exciting opportunity for California to continue its momentum by combining federal program with those deployed by the CEC and other program administrators in California. The CEC has an excellent the opportunity to integrate IRA program funding with the Equitable Building Decarbonization (EBD) Program.

To maximize efficiency and cost-effectiveness, Franklin believes that the CEC *should* align program requirements and applications for EBD and HOMES – combining both sources of funding into customer options within single program.

Below we have detailed what Franklin Energy sees as best practices for combining EBD funds with the IRA HOMES & HEEHRA funds to help ensure efficiency:

- Invest in an automation platform to support multi-entity incentive eligibility and application facilitation. Having a system where the customer can immediately see all funding available to them, based upon their geographic location, electric and gas service utility, and income qualification while standardizing all applications and/or submitting applications to multiple entities on the customer's behalf would be an aggressive goal in the short term. This automated platform would provide potential offsetting amounts in the net out-of-pocket cost estimates for HOMES and EBD project scopes of work, would increase participation, and help participants fill unmet financial gaps. The assessment report/recommended scope of work provided to participants, should include a list of additional incentives available for recommended measures for which the applicant is also likely eligible, along with links to the source applications (short term) and longer-term, could include the auto-filing of ancillary program applications, on behalf of the customer. There are solutions available in the market to support this functionality.

- Invest in CBOs to assist in streamlining processes.

  Many participating CBOs and local funding sources have antiquated systems that rely on paper submittals, in-person documentation collection, and wet signatures. In support of integrating fund for EBD and HOMES, Franklin asks the Commission to strongly consider reasonable investment levels for these CBOs and regional partners to streamline and digitize their processes. This will build capacity locally, and reap benefits for DACs in the future, long after both IRA and EBD funds are spent.

- Align requirements across programs.

  The automated platform experience (mentioned in the first bullet) is even more important in disadvantaged, underserved, and at-risk communities, especially in programs where only target communities will be served. Aligning CEC EBD program and application requirements with DOE requirements for HOMEs would be of tremendous value going forward to those communities most in need of coordinated services. Doing so would create a more streamlined experience for customers and lower administrative costs for implementers. There's the potential to expand alignment beyond just EBD and HOMES. To the extent possible, the CEC should convene various program stakeholders (CPUC, The Dept of Community Services and Development, IOUs, CCAs, RENs, and the Equity Communities) to support this effort.

- Allow administrative expenses to be re-couped for coordination across programs.

  Coordinating applications on behalf of customers with other funding sources, including scheduling separate visits for ESA/LIHEAP and other partners requires a substantial administrative burden on the program administrator, yet lower overall cost to serve and abate stranded savings. For the success of the program, it's vital that they be allowed to recoup this cost. This would include up-front time for application standardization with various funding sources to streamline the process during roll-out. Recouping administrative costs for coordinating services like this is often not a service that programs are willing to fund. When this type of administrative investment is allowed, we have seen programs able to double the amount of funding available to homes.

- Do not make contractors wait for payment.

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Having to wait for payment will hinder contractor participation in the program. Ideally, installation contractors would be paid after installation and or QC for the work completed. This encourages contractor participation while alleviating the financial burden for the contractors. This is especially important for small, diverse business owners who often have higher cost of capital and less cash to float accounts receivable. By reducing these barriers to entry, it encourages these firms to participate.

- Offer a hybrid option to the HOMES program.

  Franklin Energy supports a hybrid HOMES program delivery approach, offering both Measured and Modeled savings pathways. Franklin Energy has implemented both Measured and Modeled pathways around the country. In California, our (Measured) pay-for-performance programs have produced impressive results (details on our work in this area can be found in this case study). With thoughtful allocation of shared risk and attention to cashflow, a Measured approach can overcome many of the shortcomings of the modeled approach.

  Some of the pros and cons for both pathways include:
  - For Modeled, the Pros are certainty of payment, cashflow, and market familiarity with similar programs. The Cons are potential undercounting of savings for high-potential homes, capping of reimbursement, and high costs associated with time-consuming collection and review of field data for *de minimis* impact on accuracy.
  - For Measured, the Pros are flexibility and streamlining of data gathering, QC costs proportional to risk, greater compensation, and capture of higher savings. The Measured pathway should be available to independent aggregators operating as market partners under the three regional implementers selected to deliver the Equitable Building Decarbonization Program. The Cons are cashflow, risk of project underperformance, and the ability to isolate exogenous factors.

- Continued investment in statewide database of monthly electric usage data.

  To implement HOMES, 13 months of home utility usage data is required for all participants. If a measured approach is desired, ongoing monthly usage data must also be shared for a year. The CEC already has a

  state-wide database of monthly electric usage data for California residents, but not all utilities may be participating. So, if needed, we recommend that the CEC continue to invest in this platform, particularly to facilitate streamlined access to data sharing option for customers of smaller / municipally owned utilities.

On behalf of Franklin Energy, we appreciate this opportunity to provide comments on this important matter. If you have any questions about these recommendations, please do not hesitate to contact me at lkass@franklinenergy.com.

Sincerely,

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