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Guidehouse IRA RFI Response

Additional submitted attachment is included below.

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Guidehouse

Inflation Reduction Act Home Efficiency Rebate Program (HOMES)

Request for Information

PROVIDED TO:

California Energy Commission
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Introduction

Guidehouse appreciates the opportunity to provide perspective on the implementation of the Inflation Reduction Act (IRA) Home Efficiency Rebate (HOMES) Program. Guidehouse brings more than three decades of program management experience to support federal, state, local, commercial, and private-not-for-profit entities in their administration of federally funded programs. In recent years, we have supported more than 65 state and local governments, and a dozen major utilities with their funding management services, including the recent federal legislation authorizing funding through the CARES Act, ARPA, Bipartisan Infrastructure Law (BIL), and Infrastructure Investment and Jobs Act (IIJA).

Our approach to planning, implementing, and administering federal and state programs involves having access to a full suite of program management services, national leading practices, and strategies to leverage and optimize federal funds that will best position states to effectively meet the goals of their programs. Our team is well-versed in federal programs governing regulations and policies to help agencies navigate all phases of the program management program lifecycle.

We are providing limited responses to a limited set of questions posed in the RFI given this a public forum. Should CEC staff like more details, please reach out directly to us.

Question 2.a.ii. Aside from ensuring that program participation is a simple process from the resident's point of view and the need to avoid cash outlays, how should the program be structured to support widespread access and uptake in households located in disadvantaged communities or with a low income? How could CEC structure HOMES's pay-for-performance option to reach low- income communities more effectively?

Knowledgeable local contractors are a key component of driving participation in a program such HOMES. CEC could support contractors in disadvantaged communities by proactively providing contractors with comprehensive outreach, resources, and materials and a clear understanding of how the programs can benefit them. CEC can work with statewide associations of important stakeholder groups and local partners to identify target audiences and the reason for targeting them and get appropriate participation from their members. Accessible and understandable communication materials tied to the programs' objectives distributed using a variety of community-focused tactics best suited for the targeted audiences' diverse needs will be most effective. CEC can work with contractors to design program offerings that factor in needs of the community, support affordability for low-income customers, and remove economic barriers, including providing working capital and minimizing no upfront costs to help these customers in disadvantaged communities achieve energy savings.

Effective design of fraud risk management supports participation of low-income customers by avoiding adding administrative barriers and promoting accessibility to seniors, those with disabilities, customers lacking internet access, or those who have language access challenges. Effective design of reporting and feedback processes can also help provide visibility into the program pipeline and insights into each step of the participant journey and program touchpoints for continuous improvement opportunities.

Question 2.a.iv.d. Which existing program quality assurance, quality control, workforce, or other implementation standards or best practices should be taken into consideration or used as a model?

Building a workforce is challenging due to labor shortages and competition among different industries. Building the workforce for energy efficiency and electrification also has its specific challenges: there is limited overlap in skills for labor transitioning from oil and gas, and the transition might not always represent upwards job movement in terms of compensation. Recruitment to a new industry requires time and resources, and home improvement companies experience a high percentage of no shows for interviews.

Some of the workforce training needs CEC may wish to consider, in addition to upgrading skills for existing qualified staff and those listed above, include on-the-job training for new hires and training for staff at conversion companies:

- **On-the-job training:** Our experience in examining weatherization programs, for example, shows certification alone is not sufficient to prepare a workforce for weatherization jobs. Certifications should be complemented with on-the-job training up to six (6) months, as a high percentage of new weatherization employees last less than 2 weeks on a weatherization job, but employees that stay for 3 months are more likely to continue in the role. A few states have direct investment programs where contractors can apply for subsidized employment for new hires and for the first few months of on-the-job training. One example is the ‘Going Pro Talent Fund’ in the State of Michigan. Where possible, CEC can consider partnering with local community colleges and private training groups to include field work in training programs.
- **Conversion company training:** Training for staff at the conversion companies is also important as they serve as the point of contact for enquiries. This labor pool needs to know and understand HOMES and other related programs, how they are applied, and how to dispatch the correct technicians based on the conversion.

Question 2.b.i. What are the advantages and drawbacks of program design using the fixed costs versus pay-for-performance method? Can the pay-for-performance method effectively serve low-income households?

Utility energy efficiency and demand response resource acquisition programs in California have been trending towards the Pay for Performance (P4P) model over the fixed cost model in recent years. These programs typically reside in portfolios that have specific energy impact goals that utilities and program administrators need to achieve subject to cost-effectiveness regulations. One reason for the shift towards the P4P model is that P4P has shown ability to increase savings per program dollar spent compared to fixed cost programs allowing program administrators to progress towards goals more cost effectively. In a P4P model program administrators could target customers with the highest potential impact and reward them as such. A fixed cost, mass market approach removes some aspect of this “optimizing energy impact”.

IRA funded programs, utility ratepayer funded low-income programs (like ESA), and other state and federally funded low-income programs are not bound by the same cost effectiveness requirements to which the utility resource acquisition P4P programs are held. In deciding between a P4P or fixed cost model CEC staff should consider the following question: What do(es) CEC view as the true metric(s) of success for this program in relation to serving low-income customers? What is CEC trying to maximize (energy/GHG savings, speed of fund distribution, balance of spending across communities, etc.)? Answering this question may help inform if a P4P model or fixed cost model is better suited to achieving CEC’s goals.

Question 2.b.iv. What is the best way for the CEC to obtain consistent and sufficient documentation for contractors, such as itemized cost breakdowns, while remaining consistent with contractor business practices?

In a program like HOMES, many participation responsibilities fall on the contractor. These range from enrolling customers to submitting final invoices and closing out permits. Contractors may even be involved in a form of financing the installations. A key principle is the need to streamline contractor participation with technology, financing products, and support.

One approach that has been successful in utility programs targeting the hard-to-reach market is to develop a technology platform that performs all these administrative aspects of the program for the contractor. The technology platform can streamline participation by providing contractors easy workflows, support in customer targeting, tracking their own backlog, uploading photos, generating standard agreements, and generating invoices (ensuring consistent and sufficient documentation from contractors). Invoices generated by a common technology platform increases the ability for automated reviews/approvals, reduces the need for human review, decreases program risk, and streamlines aggregate data reporting and tracking.

If CEC chooses not to pursue a common invoice generation platform and instead asks contractors to submit their own format, CEC needs to provide clear guidance on what is and is not acceptable. We suggest publishing examples of acceptable and not acceptable invoices and documentation as well as a template for an invoice that contractors can adapt and use if they choose.

Question 2.c.i. Should CEC reserve additional HOMES funds for low-income households, beyond the DOE-requirement of 50 percent of total rebate funds? If so, why, and what percent?

DOE’s guidance requires states to “Allocate a percentage of its rebate funding for each of the rebate programs in line with its percentage of low-income households.” Appendix A of the DOE guidance states their analysis shows California has 40.7% low-income households within the state and is thereby required to allocate a minimum of $94,964,033 in 50121 funds to low-income households.

It may be desirable to allocate a larger portion of funds to low-income households to respond to need or to further identify an appropriate allocation for moderate-income households. If this route is taken, there are several methods to approximate need; however, a straight calculation from population is probably not sufficient. A more appropriate method should consider variables such as housing cost burden (percentage of household income above 30% spent on housing costs), energy poverty (function of income to energy costs), and/or based on ALICE households (asset limited, income constrained, employed). Further, programs can be weighted to serve a greater percentage of low- and moderate-income multifamily properties by identifying NOAH (naturally occurring affordable housing) and/or targeting subsidized properties (LIHTC, FHA multifamily, etc.). Guidehouse has worked with clients to develop multi-variate predictive analytics models tied to user-friendly dashboards and mapping visualizations, to merge and synthesize complex datasets into easy-to-use tools to assist in targeting publicly funded programs to appropriately serve LMI populations.

Question 2.d.i. What approaches should CEC consider to verify individual household income that are efficient and accurate, safeguard information, and create a minimal burden for residents? Please provide examples of other programs and why you consider them effective models?

As DOE mentions, categorical eligibility will be the best way to quickly confirm eligibility (LIHEAP, WAP, other state human services programs, etc.). While this may not be specifically mentioned, recent programs like emergency rental assistance (ERAP captured applicant data over the past few years as well.

CEC should consider the following in establishing income verification protocols:

- Issuing clear instructions on what is allowable and what isn't allowable can reduce confusion (what documents can be submitted, how recent these documents need to be, what critical details these documents must contain, etc.).
- Some applicants may not have traditional jobs / W2s and policies should account for what documentation is allowable from this subset of applicants.
- Self-attestation is allowed (with parameters) and CEC needs to balance their risk appetite with speed and efficiency of getting the funds to applicants. If self-attestation is used, information should be confirmed independently. Confirming information can be done relatively easily through third party systems in some cases.

An application platform should be used to intake and track participants through the journey of program participation including income verification. An end-to-end technology platform has multiple benefits to both applicants and the CEC in terms of efficient execution and processing, increasing participant and contractor satisfaction, and reducing program risk. The technology should include mobile option as many programs have seen this is the easiest way for applicants to apply.

A variety of technology platforms exist to meet this need. In our experience launching and managing similar programs across the country the need to safeguard information as required by federal law, state law, and other agency rules can feed into the platform specifications, selection, configuration, and hosting. Such a technology platform can integrate with third party services via API (e.g. verifying addresses and verifying income) to support accurate, secure, and efficient income verification. A technology platform can also allow individuals to securely upload documentation to support income verification (e.g. proof of categorical eligibility, proof of income level, proof of residence) and be a source of record for self-attestation.

Question 2.d.ii. The EBD Direct Install Guidelines established a list of federal and state assistance programs that can be accepted to qualify a resident as low-income (i.e., "Categorical Eligibility"). Should the CEC utilize the same list of programs for Categorical Eligibility for a program(s) developed with HOMES funding? In addition to the programs found in Section E.3. of the Guidelines, are there additional programs CEC should consider?

Categorical eligibility will smooth the path to participation and enrollment for many potential participants. CEC should align the categorical eligibility lists between the EBD direct install program and the HOMES program as much as possible. Well aligned lists will reduce confusion in the market for both homeowners as well as contractors. These lists should be refreshed on a regular basis throughout the execution of both programs to ensure continued alignment of income thresholds with program requirements and to scan for potential new state and federal assistance programs that could be added to the categorical eligibility list. Aside from potential issues due to differences in program administrative and legal requirements (EBD vs. HOMES) we see no reason for the two programs to have differing categorical eligibility lists.