DOCKETED	
Docket Number:	23-DECARB-01
Project Title:	Inflation Reduction Act Residential Energy Rebate Programs
TN #:	254193
Document Title:	SDG&E Response to the CEC's RFI on the Inflation Reduction Act Residential Energy Rebate Programs
Description:	N/A
Filer:	System
Organization:	San Diego Gas & Electric (SDG&E)
Submitter Role:	Public
Submission Date:	1/26/2024 4:14:34 PM
Docketed Date:	1/26/2024

Comment Received From: San Diego Gas & Electric (SDG&E)
Submitted On: 1/26/2024
Docket Number: 23-DECARB-01

Response to the CEC's RFI on the Inflation Reduction Act Residential Energy Rebate Programs

Additional submitted attachment is included below.

Hollie Bierman
Director, Customer Programs

8326 Century Park Drive
San Diego, CA 92123

tel: 619.676.8411
email: hbierman@sdge.com

January 26, 2024

California Energy Commission
Docket Unit, MS-4
Docket No. 23-DECARB-01
715 P Street
Sacramento, CA 95814

SUBJECT: San Diego Gas & Electric Company Response to the CEC's Request for Information on the Inflation Reduction Act Residential Energy Rebate Programs (23-DECARB-01)

San Diego Gas & Electric Company (SDG&E) appreciates the opportunity to provide comments in response to the CEC's Request for Information (RFI) on the Inflation Reduction Act Residential Energy Rebate Programs (23-DECARB-01).

SDG&E's responses are focused on ensuring that funding for the Inflation Reduction Act (IRA) Home Efficiency Rebate Program (HOMES) benefits all customers, especially income qualified and equity customers, expands electrification efforts, and leverages existing offerings. It is also important that the various electrification programs targeting the same customers and contractors be coordinated, similar to the "braiding" approach proposed in the RFI and incentive layering encouraged by the California Public Utilities Commission (CPUC). Educating the workforce to support these programs is also important to ensure that there are an adequate number of qualified contractors available to install the appliances.

SDG&E foresees that with the increase of electrification and decarbonization efforts supported by the IRA, as well as additional state and federal offerings, there will be an impact to the electric grid. To ensure SDG&E has adequate infrastructure in place to support electrification impacts, SDG&E recommends the CEC work closely with utilities on forecasting the locational impacts of this program and require implementers to, at minimum, provide detailed and specific information on the location, size and load demand of planned installations.

SDG&E encourages the CEC to reach out to utilities early to clarify data access needs and feasibility. To the extent that the HOMES program and other CEC Building Decarbonization programs will require SDG&E to provide customer data, SDG&E may require some administrative funds to respond to the CEC's data requests. In addition, it is important to make sure that adequate systems are in place to protect customer data.

In the appendix, SDG&E provides specific responses to selected questions posed in the RFI for public input. Thank you for your consideration of these comments. Please contact me if you have any questions or are interested in additional information.

Sincerely,

/s/ Hollie Bierman

Hollie Bierman

Director, Customer Programs

Appendix: SDG&E Responses to Staff Questions on the Inflation Reduction Act Residential Energy Rebate Programs

Appendix

SDG&E Responses to CEC Request for Information on the Inflation Reduction Act Residential Energy Rebate Programs

In this Appendix, SDG&E provides specific responses to select questions posed in the RFI.

<u>Input Request</u>

1) **Braiding HOMES with Equitable Building Decarbonization Direct Install Program**. Assembly Bill (AB) 209 (Chapter 251, Statutes of 2022) directs the CEC to develop and implement the Equitable Building Decarbonization Program which includes a direct install component. The CEC subsequently allocated $690 million to the EBD Direct Install Program and adopted Direct Install Program Guidelines in October 2023 with goals of reducing GHG emissions and advancing energy equity. The EBD Direct Install Program will serve low-income residents with energy decarbonization packages installed at no-cost. Packages will, at a minimum, include a heat pump for space or water heating and may also include induction ranges and electric clothes dryers, air sealing, insulation, solar window film, LED lighting, air filtration, electrical wiring and panel upgrades, and remediation and safety measures. Additionally, all households served must be located in an under-resourced community.

   Braiding HOMES funding with the EBD Direct Install Program would support building decarbonization for additional low-income residents while streamlining implementation and minimizing administrative costs by utilizing the same set of administrators and regional infrastructure. In the braiding scenario, CEC would seek approval from DOE to cover 100 percent of project costs for low-income households in alignment with the EBD Direct Install Program. The HOMES requirement for portfolios of projects to realize certain thresholds of energy savings would only apply to federally funded projects.

   a. Share any best practices for braiding federal and state funds for highly effective rebate, incentive, and/or direct install programs aimed at households in disadvantaged communities or meeting low-income guidelines.

      <u>SDG&E Response:</u>

      The CPUC, CEC, and the Department of Energy (DOE), along with other state and federal agencies, have created multiple programs to promote and accelerate decarbonization and electrification.[1] Although these programs may have different funding sources (i.e., federal and state funding), design requirements, and

[1] D. 21-11-002, at 6

methodologies, it is important to understand how these programs can be leveraged and "braided" to facilitate customer participation and adoption of various distributed energy resources. The CPUC provides for program incentive layering to effectively coordinate programs with the intention of reducing market barriers, particularly for low-income participants.[2] SDG&E supports incentive layering or "braiding" of all federal, state, utility incentives and programs for all customers in its service territory, including income-qualified and equity customers [3] to encourage decarbonization and electrification efforts. When braiding and layering incentives and programs, it is important to have a well-defined set of eligibility and income requirements to avoid customer and contractor confusion. The following are examples of programs that may have conflicting program requirements. SDG&E raises the following examples to heighten CEC staff's awareness of the need to address specific conflicts in effort to clarify customer eligibility and improve customer understanding of program offerings.

- *The HOMES program is a Justice40 covered program which defines a disadvantaged community (DAC) using metrics from the Climate and Economic Justice Screening Tool (CEJST).[4] On the other hand, several CA state and IOU programs, e.g., the Disadvantaged Communities Single Family Affordable Solar Housing (DAC-SASH) and Self-Generation Incentive Program (SGIP) define DACs using the CalEnviroScreen 4.0. With programs using different tools to define a DAC, some customers may be deemed a DAC customer in one program but not the other program, leading to confusion and ineligibility for certain programs and incentives.*

- *Qualifications for IOU Equity programs may also not align with the IRA program based on income thresholds. The HOMES program requires a single-family home earn less than 80% of the Area Median Income (AMI) and that at least 50% of households have an income less than 80% AMI for multifamily dwellings,[5] whereas other programs like the Self-Generation*

[2] D. 21-11-002, at 6-7, 28

[3] Equity customers are customers who qualify for programs under the CPUC's definition of "Equity Programs": Programs with a primary purpose of providing energy efficiency to hard-to-reach or underserved customers and disadvantaged communities in advancement of the Commission's Environmental and Social Justice (ESJ) Action Plan (https://www.cpuc.ca.gov/esjactionplan/); Improving access to energy efficiency for ESJ communities, as defined in the ESJ Action Plan, may provide corollary benefits such as increased comfort and safety, improved indoor air quality, and more affordable utility bills, consistent with Goals 1, 2, and 5 in the ESJ Action Plan. D.21-05-031, at 14-15.

[4] Justice40 Initiative | Department of Energy

[5] 23-DECARB-01 at 2

Incentive Program (SGIP) require that at least 80% of households have incomes at or below 60% AMI for multifamily homes.[6]

- *Qualifications for the IOU Energy Savings Assistance (ESA) programs are primarily based on income eligibility, where total household income is equal to or less than 250 percent of the Federal Poverty Guidelines, adjusted for family size as set forth by the CPUC. On the other hand, HOMES defines "Under resourced communities" to include the following three areas: (1) disadvantaged communities as defined by CalEPA; (2) Census tracts in which the median household income is at or below 80% of the statewide median income; and (3) Census tracts in which the median household income is at or below 80% of the area median income for the county.*

SDG&E suggests HOMES could prequalify customers who already qualify for the IOU or other income-based programs that serve disadvantaged communities or meet low-income guidelines to avoid customer and contractor confusion. This would allow customers to take advantage of all applicable services, federal, state and utility programs – expanding the depth of decarbonization measures from which they can benefit. It is therefore vital the final program design specifically addresses this issue.

2) In the situation where CEC does not incorporate/braid HOMES program funding into the EBD Direct Install Program, respond to the following questions to inform CEC's HOMES program design and application to DOE.

a. Overall program design:

iii. If funds are provided directly to existing residential efficiency programs, which programs will make the highest impact in terms of market transformation for efficiency and decarbonization technology?

<u>SDG&E Response:</u>

The investor-owned utilities (IOUs) Low Income Energy Savings Assistance Programs (ESA) for single family, mobile homes and multifamily properties may provide a significant opportunity to transform the market by layering the installation of energy efficiency measures with decarbonization technologies. The ESA Programs offer the same energy efficiency measures as the EBD Program and those measures are currently being directly installed in low-income households through the IOUs' exiting program structure and network of implementers, contractors, and

[6] SGIP Handbook V3 at 77

inspectors. Contributing funds to the ESA Programs would be an expeditious way to provide benefits to underserved communities.

iv. **Leveraging and stacking:**

a) **CEC has gathered feedback on how electrification incentives could best be leveraged and stacked with existing programs. Are there additional considerations for best leveraging and stacking residential whole house efficiency rebates, like HOMES with existing programs?**

<u>SDG&E Response:</u>

Please refer to response in Question 1) a above.

b) **Are there considerations for stacking pay-for-performance rebates (see below) with existing programs?**

<u>SDG&E Response:</u>

Yes, stacking may have the unintended consequence of creating a chilling effect on customer and contractor participation in the pay-for-performance program due to potentially significant wait times for contractors and payment uncertainty.

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?**

<u>SDG&E Response:</u>

SDG&E recommends reviewing the various CPUC ESA standards, installation manuals and best practices.

b. **Rebate determination approach and rebate values.** DOE offers both a modeled and a measured savings pathway. The measured savings pathway requires energy savings of 15 percent or greater per home or portfolio of homes. As noted above, through the measured savings pathway, the state can choose to set rebate values by either 1) paying a fixed portion of the project cost (80 percent for low-income households and 50 percent for households with income at 80 percent AMI or greater or 2) a pay-for-performance calculation payment rate equal to $4,000 for a 20 percent reduction of energy use for the average home in the state for low-income households and $2,000 for a 20 percent reduction of energy use for the average home in the state for households with 5 income at 80 percent

AMI or greater. States may seek approval from DOE to increase the maximum amount available for low-income households.

For both measured pathway options, CEC is to receive and review nine to 12 months of each retrofitted home's energy consumption data to confirm 15 percent of energy savings prior to issuing a rebate to the contractor, aggregator, or program implementers. Additionally, states must design programs such that low-income households are not required to use personal funds to pay for rebate covered work.

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?**

SDG&E Response:

When using pay for performance, it is important for some portion of the incentive to be paid upfront upon verified installation, before energy savings or reductions of use are determined. Without these upfront payments, it can create cash flow issues with contractors/implementers as they will have to float the cost, often for several months. This may result in fewer contractors participating in the program and fewer installations to meet the goal.

A hybrid approach might include providing a fixed portion of the payment for verified installations and using pay-for-performance for the remainder of the incentive after energy savings measurements are complete.

iii. **For the fixed cost method, how should the CEC approach setting allowable project cost caps? What are similar programs CEC should use as examples?**

SDG&E Response:

The CEC could refer to the various IOU custom project programs and the evaluations for project cost caps. These studies are available on California Measurement Advisory Council (calmac.org)

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?**

SDG&E Response:

It is important for the CEC to determine what minimum itemized costs are required for the state's analysis and reporting, before attempting to implement documentation requirements. These requirements can then be incorporated and managed through the contracts with *implementers/contractors. It is unreasonable to expect all contractors to agree to the same pricing for certain services across the board in different regions with different costs of living.*