

DOCKETED

Docket Number:	22-DECARB-03
Project Title:	Equitable Building Decarbonization Program
TN #:	255372
Document Title:	Energy Solutions Comments - Energy Solutions Comments for Draft EBD Solicitation Comments
Description:	N/A
Filer:	System
Organization:	Energy Solutions
Submitter Role:	Public
Submission Date:	3/29/2024 2:32:57 PM
Docketed Date:	3/29/2024

*Comment Received From: Energy Solutions
Submitted On: 3/29/2024
Docket Number: 22-DECARB-03*

Energy Solutions Comments for Draft EBD Solicitation Comments

Additional submitted attachment is included below.



March 29, 2024
California Energy Commission
715 P Street
Sacramento, CA 95814

Re: Docket No. 22-DECARB-03 – Comments of Energy Solutions regarding the Equitable Building Decarbonization Direct Install Program Draft Solicitation Documents

Energy Solutions respectfully submits comments on the Draft Equitable Building Decarbonization (EBD) Direct Install Solicitation Federal Terms and Conditions, Draft Solicitation State Terms and Conditions, Draft Solicitation Manual, and Draft Solicitation Scope of Work. Energy Solutions is an employee-owned, mission-driven firm that designs and deploys innovative, high-impact solutions that accelerate the market transformation towards solutions that advance equity and cost-effective decarbonization. Energy Solutions implements multiple energy efficiency and decarbonization programs in California and nationwide, including leading the program implementation team for the Technology and Equipment for Clean Heating initiative (“TECH Clean California” or “TECH”), a statewide market transformation program driving the adoption of heat pump space and water heating technologies, as well as the Self-Generation Incentive Program (SGIP) Heat Pump Water Heater (HPWH) program.

Summary

The Equitable Building Decarbonization (EBD) Program is designed to advance progress towards California’s climate goals while ensuring a just and equitable transition to a decarbonized economy. The EBD Direct Install Program will reduce greenhouse gas emissions from existing buildings and advance energy equity in under-resourced communities, through the express strategy of providing decarbonization to low-and moderate-income households across California. While the EBD will be administered by Regional Program Administrators, statewide coordination around project tracking, data collection, and reporting will ensure that the EBD Direct Install Program effectively advances building decarbonization across the state.

The California Energy Commission (Energy Commission) intends to deploy a portion of federal HOMES funding through the EBD, to support program goals of improving resiliency to extreme heat, indoor air quality, and energy affordability, as well as supporting local workforce development, grid reliability, and California’s goal of installing six million heat pumps across the state by 2030. The Energy Commission’s decision intent to utilize federal HOMES funding, while adding substantial funds to the program, creates contractual barriers that dramatically reduce the pool of organizations that can participate in the implementation of this program.

We recommend the Energy Commission address the following three issues:

- 1) Clarify the issues around the selection process, budget, and eligibility for the subcontractor mentioned in the Draft Scope of Work Task 3: Project Tracking, Data Collection, and Reporting.
- 2) Increase the administrative budget for Regional Program Administrators to ensure that essential activities, such as community engagement and outreach, are adequately supported. Alternately, create dedicated carve outs for these activities or re-classify them under “project-related costs”.; and
- 3) Reduce the number of entities that are subject to the federal terms and conditions to the extent possible, to facilitate broader participation in the program.

1) Clarify Selection Process and Subcontractor Roles on Task 3: Project Tracking, Data Collection, and Reporting

The Draft EBD Direct Install Program Scope of Work defines a role for a subcontractor on Task 3: Project Tracking, Data Collection, and Reporting, which specifies “[the Recipient shall] Coordinate with the other regional administrators to subcontract to select or develop a single project management tool for data collection and management across all regions of the program.” The phrasing in the Draft EBD Direct Install Program Scope of Work implies that the three regional administrators are responsible for the selection of a subcontractor to support the development of this project management tool. Without additional direction and leadership from the Energy Commission, in practice this may be quite difficult for the regional administrators to complete.

Recommendation: We recommend that the Energy Commission provide additional clarification for the Task 3 scope:

- a) *Clarify whether an entity that is participating in one or more of these regional administrative teams for EBD implementation activities could also act as the statewide subcontractor for the data collection and management tool selection or development scope, or if these roles are mutually exclusive.* The subcontractor for the role mentioned in Task 3 is implied to be selected by the regional administrators after the main EBD solicitation has taken place. The Energy Commission should clarify if entities would be allowed to participate on both a regional team and support the statewide data subcontractor role prior to the EBD solicitation being released, so that teams can adequately plan ahead of time.
- b) *Clarify the selection process for the subcontractor identified in Task 3.* As the Draft EBD Direct Install Program Scope of Work is currently written, the regional administrators would collectively be the final decision makers in selecting a contractor to implement the scope of work for Task 3. In practice, without additional guidance from Commission Staff, it may be difficult for the three Regional Administrators to come to an agreement without additional structure for

the selection of this subcontractor. For example, there is no clear resolution process outlined in the draft documents if two Regional Administrators have different opinions about which tools to use or vendor to select. To ensure that the selection of a subcontractor for this scope of work is effectively and centrally coordinated, we suggest that the Energy Commission elaborate on the intended selection process for this vendor and how that timeline and process aligns with the Regional Program Administrator selection. At minimum, the Energy Commission should have the authority to ensure a timely resolution amongst all parties in the selection process.

- c) *Clarify the extent to which Task 3 scope would be covered by categorized as administrative cost of the Regional Program Administrator budget, and subject to the 5% administrative cost cap. We recommend excluding this Task from the administrative cost category and creating a separate budget for Task 3, so that it does not complicate planning and budget for the regional administrators.* Because the metrics and scope of Task 3 are not yet defined, it is unclear what the budget expectations might be for Task 3. If this Task is subject to the 5% administration budget cap imposed on the Regional Program Administrators, Regional Program Administrators applicants are likely to have difficulty budgeting for this task during the proposal period because they do not know if Task 3 will represent 1%, 10%, or 25% of their proposed 5% administration budget, and could run into unforeseen budget challenges as Task 3 becomes more fully scoped. Furthermore, it would be difficult for them or others to estimate a Task 3 cost at this time because the data collection metrics are not defined yet. Because of this limitation, we recommend that the Energy Commission exclude the budget for the subcontractor Task 3 from the administrative budget cap, since each regional program administrator would not necessarily have full control over scope and budget of Task 3.

2) Clarify What is Covered Under the Administration Budget and Consider Raising the Administrative Cost Cap.

The current iteration of the Draft Solicitation State Terms and Conditions specifies a 5% administrative cost cap for implementors of the EBD Direct Install Program. We support the Energy Commission's efforts to limit administrative costs and maximize funding going to household retrofits. However, based on the proposed scope of work, desired outcomes, and requirements to scale up and oversee a program of this magnitude, a 5% administrative cost cap is likely insufficient to meet program needs, and much lower than other similar programs. There are several comparable programs in California which allocate more of their budget to cover administrative costs, such as PG&E's Energy Assistance Savings Program, which incurred an administrative fee of just over 15% in



2022, or the San Joaquin Disadvantaged Community Electrification Pilot Program, which allocated 18% of its budget to administrative costs.¹²

Recommendation: We suggest that the Energy Commission clarify which specific program activities are classified as administrative costs, and consider either a) creating dedicated carveouts for some of those activities, such as marketing and outreach, b) classifying these activities as “project related costs”, or c) increasing the administrative cost cap.

3) Consider Reducing the Number of Entities Subject to Federal Contracting Requirements

While the braiding of HOMES funding significantly expands the program budget, it also has the potential to dramatically reduce the number of local and regional entities that may be able to participate, particularly small businesses and Community Based Organizations (CBO). The current draft language proposed by the Energy Commission mandates that any participant and their subcontractors comply with the Draft Federal Terms and Conditions. These Draft Federal Terms and Conditions add an additional layer of contractual complexity that is likely to reduce participation from many organizations that are not structurally equipped to handle the contractual terms outlined in the EBD Direct Install Program Draft Federal Terms and Conditions, and unfavorably disadvantage smaller and more diverse firms while constraining the potential bidding pool to a much smaller number of organizations that are set up to comply with these contractual provisions.

Recommendation: The Energy Commission should afford itself the flexibility to exempt its vendors from the federal flow-down provisions if deemed appropriate in the solicitation and selection process. Flexible application of the Draft Federal Terms and Conditions, as well as payment structures, would provide the EBD Direct Install Program with the widest possible range of potential implementers (and implementation teams) and align with the Energy Commission’s well-established community-led philosophy of a “wide net” when determining program design and who can participate.

Conclusion

Energy Solutions thanks the Energy Commission for this opportunity to submit our responses to its request for information. We welcome any opportunity to discuss our recommendations further with Commission Staff if the possibility arises during the review of responses.

Sincerely,



A handwritten signature in blue ink that reads 'Alex MacCurdy'.

Alex MacCurdy
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