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Community Housing Opportunities Corporation (CHOC) - Comments on EBD Solicitation

Additional submitted attachment is included below.

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March 29th, 2024

California Energy Commission 715 P Street

Sacramento, CA 95814

Subj: Equitable Building Decarbonization Direct Install Program

Dear California Energy Commission:

The Community Housing Opportunities Corporation (CHOC) respectfully is submitting comments and recommendations following the Equitable Building Decarbonization Direct Install Program Pre-Solicitation Workshop held on March 14, 2023.

Established in 1984, CHOC is a community-based organization (CBO} dedicated to providing housing and weatherization services to low-income families across California. Our efforts have successfully secured housing for over 1,200 families and delivered weatherization and retrofit services to more than 80,000 income-qualified Californians. Our mission is to enhance the economic well-being of these families through clean, affordable energy solutions.

This letter, submitted by CHOC and on behalf of other concerned CBOs and small businesses, aims to address potential challenges within the proposed framework of the Equitable Building Decarbonization Direct Install Program. Our collective experience in the field has identified specific areas that, if not modified, will introduce unnecessary burdens, potentially compromising the program's efficient and effective implementation.

In the attached document, we outline our key concerns and provide targeted recommendations designed to streamline administrative processes and ensure the program's objectives are met without imposing undue strain on the organizations tasked with its execution. We believe that by addressing these areas, the California Energy Commission (CEC) can foster a more conducive environment for the successful deployment of the program, ultimately benefiting the communities we serve.

We trust that our insights will contribute valuable perspectives to the ongoing development of the program and express our eagerness to engage further in this dialogue. Thank you for your attention to our submission. We are optimistic about the positive changes that can be achieved through collaborative efforts and are committed to assisting in any way we can.

Respectfully,

Manuela Siva

Manuela Silva
Chief Executive Officer

On behalf of the following Community Based Organizations and small businesses: Asian Business Association of Silicon Valley, Chicana Latina Foundation, Community Development Inc, CHmate Resilient Communities, toundl of Asian American Business Associations, El Concilio of San Mateo County, GRID Alternatives, Highlands Energy, la Cooperativa, MAROMA Energy Services, Proteus Inc, Quantum Energy Services and Technology, Inc, Redwood Community Action Agency, Rising Sun Center for Opportunity, Solar Oversight, Suscol lntertribal Coundl, The Inland Empire Latino Coalition, The Ortiz Group, The Two Hundred, University of California Berkeley latinx Environmental, West Coast Green Builders

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March 27th, 2024

California Energy Commission
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Sacramento, CA 95814

Subj: Equitable Building Decarbonization Direct Installation Program

Dear California Energy Commission:

Community Housing Opportunities Corporation, a Community Based Organization(CBO), along with the undersigned parties listed below, are submitting this letter to provide recommendations on several topics below that raise concern for any CBO that would administer the Equitable Building Decarbonization Direct Installation Program to the customer that most need it in California.

Topic 1: 5% Administrative Cap

Discussion: The 5% cap on administration and outreach is inadequate to successfully manage the Equitable Building Decarbonization Direct Install Program (EBD) and is an outlier from existing industry standards. Given the robust scope of work, the desired outcomes, and the requirements to build and oversee a direct install program of this scale the 5% administrative cap is inadequate and an outlier when compared to comparable programs:

- The San Joaquin Valley Disadvantaged Community Electrification Pilots allocated 18% to administration.[1]
- The CPUC Energy Efficiency Policy Manual authorizes a goal of 20% for "Direct implementation non-incentive (DINI)." The definition of DINI is consistent with the EBD definition of "administration." [2]
- In 2022 the PG&E Energy Assistance Savings Program (ESA) incurred an administrative fee just over 15%.[3]

Upon an informal review of CPUC Energy Efficiency Programs, Energy Incentive Programs, Demand Response Programs, Electric Vehicle (EV) Charging Infrastructure Programs, and Low-Income Assistance Programs administrative fees range from 10-20%. While a 5% administrative fee for the HOMES program could produce some efficiencies, HOMES is a different program with different rules that will require some level of standalone

[1] (https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M521/K572/521572762.PDF, page 5)
[2] (https://www.cpuc.ca.gov/-/media/cpuc-website/files/legacyfiles/e/6442465683-eepolicymanualrevised-march-20-2020-b.pdf, pages 87 & 90-93).
[3] (https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fliob.cpuc.ca.gov%2Fwp-content%2Fuploads%2Fsites%2F14%2F2023%2F06%2FPGE-PY2022-Low-Income-Annual-Report-Tables.xlsx&wdOrigin=BROWSELINK, ESA Table 2).

infrastructure. Additionally, none of the above listed programs or policies consider outreach as part of the administrative budgets.

Recommendation: Remove the 5% administrative cap from EBD, remove outreach from administration (justification below), clearly define the administrative tasks and establish administrative budgets that are in line with industry standard and provide flexibility for the CEC and bidders.

Topic 2: Outreach

Discussion: Currently, "Outreach" is categorized as an administrative expense, while "household income verification and initial enrollment" are considered direct project costs. The classification of "Outreach" under the present 5% cap for administrative and outreach expenses, is significantly restrictive and deviates from industry norms, potentially undermining the program's effectiveness. For perspective, in 2022, PG&E's Energy Savings Assistance (ESA) Program spent 10.6% of its total budget to outreach activities.[4] These activities are foundational for customer acquisition and initial program assessments—basic yet essential steps for ensuring homes meet program eligibility criteria. Unlike the ESA program, which focuses on straightforward energy efficiency retrofits, EBD program aims at more complex and impactful measures like fuel switching. This not only has the potential to alter customer bills significantly but also requires extended periods for implementation. Given the novelty and complexity of electrification efforts, a comprehensive outreach strategy is crucial for educating the market and fostering customer participation.

Recommendation: It is essential to reclassify "Outreach" as a project-related cost rather than an administrative expense. This reclassification is not merely administrative but strategic, recognizing outreach as a core component of the program's execution. Effective outreach directly enhances program success by ensuring active engagement, education, and participation from target demographics, thus facilitating the broader reach and impact of the program. By adjusting budgeting practices to reflect the critical role of outreach, the program can allocate resources more effectively, ensuring that it meets its objectives and delivers on its promise of equitable energy efficiency and decarbonization benefits.

Topic 3: Modifying Retention Percentages for Invoice Submissions

Discussion: The Draft EBD Solicitation State Terms and Conditions, as of March 11, 2024 (TN # 254967-3), stipulates a 10% retention on invoice submissions until the completion of a project. Additionally, it introduces a 5% performance retention, which is contingent upon the California Energy Commission (CEC) confirming that energy savings have met or surpassed 80% of the projected figures. These measures are ostensibly designed to ensure project accountability and the achievement of energy-saving goals. This combined 15% hold back on projects coupled with a 10% cap on profit makes extremely difficult for CBOs and small business to avoid significant impacts on the financial liquidity of businesses engaged in these projects. CBOs and small businesses, which operate on tight financial margins and rely on prompt and full payment for their services and supplies, face undue financial strain due to these retention policies. These financial commitments include weekly payroll for employees, procurement of equipment to install in customers' homes, monthly payments for rent, overhead, and vendor expenses. The delay in releasing funds, both from the 10% invoice retention and the 5% contingent on energy savings verification, exacerbates cash flow issues, potentially jeopardizing their operational viability.

While the provision of a 25% advance upon project completion is acknowledged as both necessary and beneficial, the combined effect of the retentions still poses a risk to organizational cash flow. Furthermore, tracking the varying retention percentages for thousands of projects a year introduces an additional layer of

[4] Ibid.

complexity in accounting, particularly for CBOs and small businesses managing a large volume of projects. This not only places an unnecessary administrative burden on these organizations but also detracts from their primary mission of delivering energy efficiency improvements to under-resourced communities.

Recommendation: Eliminate the 10% invoice retention requirement and the 5% performance rendition to avoid significant impacts on the financial liquidity of businesses engaged in these projects. The ESA programs, Low Income Weatherization Program and Low Income Home Energy Assistance Program do not have holdbacks and manage risk through sound management practices, contract language that will allow bill backs when standards are not met and long term contracts with vetted partners. This adjustment will ensure that these entities can continue their essential work without undue financial hardship, contributing more effectively to the program's goals of increasing energy efficiency and promoting equitable access to decarbonization benefits.

Topic 4: Necessity of a Separate Bidding Process for Program Database Management

Discussion: Managing the program database is a pivotal element in ensuring the efficiency, security, and reliability of data for energy efficiency and decarbonization programs. Its significance warrants a specialized approach, advocating for a separate bidding process exclusively focused on database management. Such a process ensures the selection of a vendor with dedicated expertise in handling complex database systems, security measures, and data integrity protocols. Moreover, integrating database management into a broader contract could dilute the focus on these critical aspects, potentially compromising the program's data infrastructure. A distinct challenge arises when considering the operational dynamics of having three regional administrators collaborate post-contract award to agree on a single database management solution. This scenario is not practical due to potential differences in regional requirements, priorities, and timelines, which could delay decision-making and implementation. Furthermore, it imposes an additional layer of complexity in achieving consensus among diverse stakeholders, potentially leading to compromises that might not align with the best interest of the program’s data management needs.

Recommendation: Initiate a separate bidding process for program database management, distinct from the general program implementation contracts. This approach should prioritize identifying a vendor with a strong background in database systems, particularly those relevant to the specific needs of energy efficiency and decarbonization initiatives. Emphasizing the impracticality of expecting three regional administrators to agree on a singular database management solution post-award, the process should be designed to preemptively address this challenge by establishing clear criteria for database management needs independent of the broader program contracts. This separation facilitates a more streamlined and focused evaluation of potential vendors, ensuring that the selected party is best suited to meet the program's database requirements without the need for consensus among multiple administrators. By preemptively segregating the database management bid, the program can avoid the pitfalls of delayed decision-making and ensure a more efficient, secure, and tailored approach to managing its critical data infrastructure, ultimately supporting the program's success and integrity.

Topic 5: Enhancing Support for CBO and Small Business with the California Prompt Payment Act

Discussion: Integrating the California Prompt Payment Act, delineated in Government Code Section 927 et seq., into the operations of EBD lays a solid foundation for financial reliability for both CBOs and small businesses. These entities are pivotal in advancing the program's mission to not only enhance energy efficiency but also ensure equitable access to decarbonization initiatives. The Act enforces a framework that mandates timely payments—within 45 days from the receipt of an invoice or as per the contract terms—and imposes penalties for any delays, establishing a financially secure environment that is particularly crucial for CBOs and small businesses. Given their limited financial buffers, these organizations depend on a steady cash flow to cover essential operational expenses like payroll, rent, and payments to suppliers.

Moreover, the inherent complexity of the EBD program, characterized by its need to coordinate among several regional administrators and engage with a diverse spectrum of service providers, highlights the necessity for a payment system that is both streamlined and predictable. Adopting the guidelines of the Prompt Payment Act helps in alleviating financial uncertainties and reducing the administrative load on CBOs and small businesses. This approach not only fosters broader participation but also smoothens the execution of projects, ensuring that the program's objectives are met efficiently and effectively.

Recommendation: Enforce the Prompt Payment Act's guidelines. This enforcement should include clear communication of payment terms of no more than (45) days within contracts, establishing a straightforward process for resolving invoice disputes, and ensuring penalties for late payments are automatically applied and transparently managed. Implementing these measures will not only comply with legal requirements but also make the program more accessible and appealing to CBOs and small businesses. Knowing that payment timelines are respected and that the program actively works to minimize financial disruptions can encourage more CBOs and small businesses to participate. This broadened participation is vital for reaching under resourced communities and achieving the program's goals of equitable energy efficiency improvements. Ultimately, by fostering a supportive and reliable contracting environment, the program can enhance its impact and success.

Respectfully,

Manuela Siva

Manuela Silva
Chief Executive Officer
CHOC
COMMUNITY HOUSING OPPORTUNITIES

On behalf of the following Community Based Organizations and Small Businesses:

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