DOCKETED	
Docket Number:	22-DECARB-03
Project Title:	Equitable Building Decarbonization Program
TN #:	255388
Document Title:	Association for Energy Affordability Comments EBD Draft Solicitation Comments
Description:	N/A
Filer:	System
Organization:	Association for Energy Affordability
Submitter Role:	Applicant
Submission Date:	3/29/2024 4:41:47 PM
Docketed Date:	3/29/2024

Comment Received From: Association for Energy Affordability
Submitted On: 3/29/2024
Docket Number: 22-DECARB-03

AEA EBD Draft Solicitation Comments

Additional submitted attachment is included below.

Association for Energy Affordability Response to Equitable Building Decarbonization Program: Draft Solicitation Documents

Docket 22-DECARB-03

Submitted March 29, 2024

The Association for Energy Affordability (AEA) is pleased to submit the following comments on the Draft Solicitation Materials for the Equitable Building Decarbonization (EBD) Direct Install (DI) Program. AEA, a not-for-profit organization, has been delivering electrification retrofits in California since 2016 and this is an exciting next step to expand program delivery models and bring more benefits to residents of California while moving the state toward our climate goals.
The Equitable building Decarbonization Program is the first statewide comprehensive decarbonization direct install program in California that addresses single family, multifamily, and mobile homes. As such, AEA recommends the program should be approached with a flexible and iterative structure to allow for the CEC and regional administrators to implement models that bear out best practices.

We appreciate the collaborative process, thoughtful design, and effort that has gone into the draft solicitation. AEA respectfully recommends and requests the Commission consider the following:

1. Clarify and revise allowable costs in Administrative, Project-Related, and Project cost categories and expand the 5% administrative cap
2. Clarify and revise approach for Task 3 describing development of a single software tool for project management and data collection
3. Clarify and revise cost categories and administration of 10% retention
4. Clarify and revise cost categories and administration of 5% retention for project costs pending project savings verification
5. Clarify methodology and requirements for energy savings, GHG savings, and bill savings for design packages for each building type (single family, multifamily, and mobile home)
6. Clarify use and application of targeting tool for each building type
7. Ensure Scope and Manual language is inclusive of single-family households and multifamily properties
8. Clarify process for expanding list of eligible measures

<u>Clarify and revise allowable costs in Administrative, Project-Related, and Project cost categories and increase the 5% administrative cap</u>

The Draft Solicitation states "*Administrative funds may be used for Administrative Costs which are all other costs necessary for the effective administration of the program. A maximum of 5 percent of available EBD Direct Install funding and a maximum of 5 percent of available HOMES funding* *may be spent by Recipient on Administrative Costs*." The Draft Solicitation provides some examples of what would be considered Project Costs and what would be considered Project-Related Costs. Finally, the Draft states *"For HOMES funding, pending DOE approval of CEC's application, a maximum of 5 percent of available funding may be spent by Recipient on Project-Related costs."*

To better understand which types of activities are considered Administrative Costs, Project-Related Costs, and Project Costs, more examples and details are needed for each. If the 5% Administrative Cap is to remain, activities such as CBO outreach, which is a critical component of the program, should be considered a Project Cost. Unless the 5% cap of Project-Related costs for HOMES funding is modified, it is also critical to clearly define what are Project-Related Costs and what are Project Costs, and to categorize critical activities as Project Costs.

Additionally, there are several tasks that are currently classified as administrative costs, which are outside of the administrator's control and are not directly related to the administrator's performance of the program. This will make it very challenging for the administrator to estimate and manage their budgets within the 5% cap. Some of these tasks include Task 3 (costs paid to selected data vendor), Task 4 (costs for assisting CEC with DOE Application components), and Task 5.6 (costs paid to access EBD screening dashboard).

Finally, the overall cap of 5% admin should be increased. This is a uniquely new and innovative program that the CEC is launching, and it will take considerable time and effort to create the necessary programmatic infrastructure. Once the model is born out and the EBD program matures a more conservative administrative cap may be reasonable. Additionally, the 5% cap is not in line with other administrative caps in other programs, including but not limited to the CEC's BUILD program and IRA Section 50121 guidance.

Recommendation:
AEA recommends increasing the administrative cap, increasing the HOMES project-based cost cap, and/or exempting certain activities from being considered administrative costs and HOMES project-based costs for budgeting reasons. AEA suggests that the administrative needs for the program would more likely merit the level of administrative and non-incentive budget that has been approved for other CEC and CPUC programs as well as has been approved for IRA funding administration, and thus should be increased. AEA recommends that the costs or budgets associated with Task 3 (costs paid to selected data vendor), Task 4 (costs for assisting CEC with DOE Application components), and Task 5.6 (costs paid to access EBD screening dashboard) be identified upfront and removed from the administrator's administrative cost cap.

<u>Clarify and revise approach for Task 3 describing development of a single software tool for project management and data collection (see Scope of Work Task 3)</u>

The Draft EBD Scope of Work (Task 3) states: *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 intent of this database is to aggregate specific data points for statewide program level reporting. Each program administrator will have a program management database to track program activities that would need to roll up specific data points into a regional database. It will be challenging and time consuming to require the three selected administrators to essentially develop a scope of work and put it out for bid to select an agreed upon vendor. The ensuing selection process is not clear if the CAM and three regional administrators cannot agree upon a vendor. The administrative budget is limited and including reporting database development will impact program delivery.

Recommendation: To streamline this process, it is recommended that the CEC issue a separate RFP for the statewide data collection tool for all three regions that will be paid for outside of the administrative budgets of each regional administrator. The CEC should clarify whether vendor is allowed to be a part of any of the administrator teams given potential conflicts of interest. The three selected administrators can coordinate with the CEC upon selection of vendor to ensure consistent and timely program reporting.

The updated EBD RFP must include the reporting data points that will be required in order for proposers to account for the associated data collection and sharing in their budgets. The cost for tool creation should be removed from the regional administrators' budgets.

Clarify and revise cost categories and administration of 10% retention

The draft solicitation Manual states that "*When paying Recipient invoices, the CEC will retain a performance retention equal to 5 percent of project costs, which is independent of the 10 percent standard retention*." In addition, the 10% retention will be released at program completion.

This is an exciting program to test new, effective, and rapid deployment strategies for building decarbonization and will require the development of a strong and reliable contractor base and leveraging resources from other local agencies, CBO's, non-profits, and many other critical stakeholders. It is understood that CEC grants include a 10% retention on monthly invoices to be reimbursed at contract completion. It is not clear what cost category this retention will apply to: administrative, project-related costs, project costs. From a fiscal perspective, this is challenging to track and manage outside of an organization's fiscal year. Additionally, the guidelines require paying vendors and installers in a timely manner. If vendor and installer costs are subject to the 10% retention but they must be paid in full as stated on page 20 of the Draft Solicitation Manual, this puts undue burden on the program administration team to float that retention. The prime is also operating on a limited budget given preclusion of profit. For example, in the North region, if the 10% retention is solely based on the administrative budget this would be an approximate $800k retention for the term of the contract, or $15.8M if based on the entirety of the Northern budget.

This is not a feasible cost for program administrators to carry. This is of greater concern in the context of the 5% performance retention based on the demonstration of savings one- year after retrofit.

Recommendations: It is recommended that this contract allows for an annual true-up for the 10% retention as is done with the TECH Clean California Initiative. This would at least reduce some of the undue financial burden and risk the Program Administration team would incur from having to float the 10% retention for the full life of the contract. It is requested that the CEC clarify the cost categories for which the 10% retention will be applied. It is recommended the 10% retention applies to administrative costs only. Given the flow down provisions, please confirm if vendors and installation contractors are still intended to be paid in full, indicating that the prime must float this performance retention.

Clarify and revise cost categories and administration of 5% retention for project costs pending project savings verification

The draft Manual states that "*When paying Recipient invoices, the CEC will retain a performance retention equal to 5 percent of project costs, which is independent of the 10 percent standard retention. The performance retention will be released to the Recipient after the CEC has confirmed that actual energy savings equaled or exceeded 80 percent of modeled energy savings. The CEC may permanently withhold the performance retention for any project in which actual energy savings are less than 80 percent of modeled energy savings.*"

The draft State Terms and Conditions states that *"When paying Recipient invoices, the CEC will retain a performance retention equal to 5 percent of project costs, which shall be independent of the 10 percent standard retention. The performance retention will be released to the Recipient after the CEC has confirmed that actual energy savings equaled or exceeded 80 percent of modeled energy savings. The CEC may permanently withhold the performance retention for any project in which actual energy savings are less than modeled energy savings."*

Based on the above descriptions, it is unclear if the 5% "measure savings" retention applies only to HOMES funded Project Costs, or if it applies to both HOMES funded Project Costs and EBD funded Project Costs. It is also unclear if the 5% retention applies only to Project Costs, or Project Costs and Project-Related Costs. In either situation, a 5% retention of these costs will result in a very large sum of money that will need to be absorbed by the administrators. It may be unfair and impractical to ask material suppliers, vendors, installation contractors, and CBOs to absorb this retention, especially since each of those entities typically operate with limited cash flow, which is magnified by the solicitation's well intentioned requirement to have no profit for the prime, maximum 10% profit for subcontractors, a minimum of two CBO's per team, requirements for timely payments to vendors and installation subcontractors, and a very reasonable need to have all project costs be as low, efficient, and streamlined as possible. As such, if this overall 5% project cost(s) retention is to be absorbed by the prime or a limited number of administration partners, given that project cost(s) may result in up to 95% in overall program costs, it would result in those partners cash flowing more funds than they'd be able to invoice for over the course of the program. This is compounded by the fact that the measure-savings analysis would not be completed until at least 12-months after the retrofit was complete, which would be a significant time from when the actual expenses were occurred, thereby lengthening the amount of time that entities would need to cash-flow this retention.

More detail is needed as to how the measure savings verification will be performed. The draft Manual states *"The Recipient will be responsible for using DOE-approved modeling software to estimate energy savings prior to conducting retrofits. Subject to approval by DOE, modeling may include an alternative baseline for homes that lack adequate cooling prior to the retrofit."* If this is approved, how will the measured savings analysis factor in the alternative baseline?

Additionally, for multifamily properties, will the measured savings analysis be performed at the whole building level, or at the household level and common area meter level separately. Will it account for varying occupancy periods pre and post retrofit that are outside the program's control? For all building types (single family, multifamily, mobile home), the measured savings analysis/retention will need to account for:

- occupant turnover (when a homeowner or renter moves)
- changes in household occupancy and demographics outside of the program's control
- changes in occupant energy usage that is outside of the program's control, including but not limited to the addition or removal of occupant owned electronics, personal appliances, medical equipment, and/or recreational equipment
- repair and operation of previously non-operating equipment

Finally, many lower-income households may choose to conserve energy to stay within their energy/utility budget and make the difficult choice to be less comfortable or make other quality-of-life sacrifices, which is often referred to as energy poverty. The retrofits and upgrades provided by EBD and HOMES may result in the household becoming more comfortable and occupants having an improved quality of life, albeit at a similar energy/utility budget as before, which may not show up as energy savings but would seem to meet the intent of the Equitable Building Decarbonization Program. For all these reasons, a 5% retention based on measure savings verification, while well intentioned, may result in unfair punitive action to the Program Administrator and their partners.

Recommendation: We understand the intent of instituting controls that will ensure realized performance and benefits. However, since this is not a pay-for-performance program for the program administrator and their partners, subcontractors, or program participants, the CEC should consider alternative guardrails such as performance and installation standards with verification to achieve the same intent without retaining a portion of the project costs. If a measured-savings retention is still determined to be required, we'd recommend that it be a smaller percentage, be applied to a smaller subtotal of program costs, and the measured-savings analysis should be based at the program portfolio level rather than on a project-by-project basis. Also, it should be clarified whether the retention applies only to HOMES-funded projects, or both HOMES and EBD-funded projects. Finally, the release of this retention needs to happen multiple times within the program term, so that entities are not forced to cash flow the retention over multiple years from when the original expenses occurred.

Clarify methodology and requirements for energy savings, GHG savings, and bill savings for design packages for each building type (single family, multifamily, and mobile home)

The draft SOW states the following about meeting energy saving, bill saving, and other non-energy metrics*: The Goals of the Agreement are to "reduce greenhouse gas emissions and increase energy efficiency in existing buildings; advance energy equity; improve resiliency to extreme heat, indoor air quality, energy affordability, and grid reliability; and create local workforce opportunities". To meet these goals, the recipients shall design packages that meet 20% energy savings, and bill savings in participating buildings while also mitigating impacts from extreme weather events and improving indoor air quality, and grid reliability where possible*. The HOMES program also includes a 20% modeled energy savings requirement.

There are multiple benefits to electrifying homes, removing combustion appliances, and providing cooling, that go beyond energy savings, as mentioned above. In addition, the savings calculations, by necessity, are going to involve some assumptions that will impact results. For example, in order to assess cost savings some assumptions will be required related to the historic, current, and future variable utility rates that exist from region to region. Those assumptions will vastly impact the savings results. Metrics like these should be used to inform the development of the retrofit packages rather than the achieved impacts. HOMES projects include a requirement for demonstrated savings. It is unclear if this is measured at the household level, property level, or population level.

Recommendations: With the intent to have savings and other benefits, AEA recommends the 20% broader EBD energy savings target is evaluated at the program portfolio level rather than at the individual property level. Where there is opportunity to advance the other non-energy savings benefits listed above, the CEC should allow for some flexibility in achieving the energy savings targets for different property types and conditions. AEA recommends the additional metrics should not include thresholds but rather qualitative attributes to inform program design. If packages are required to quantify impacts for each metric above, it is recommended the CEC provide reference factors for each attribute such as assumed costs for pre-retrofit kWh and therm. For EBD projects with no HOMES funding, AEA recommends removing the 20% modeled savings requirement and establishing other guardrails to ensure proper installation and performance are achieved.

Clarify use and application of targeting tool for each building type

The SOW states that the Recipient will conduct household/ property prescreening based on criteria in the Guidelines and the likelihood that the household will experience bill savings. The Commission states that it has "an existing contract with Recurve Analytics, Inc. (Agreement 800-23-004) to create a screening tool for this purpose that leverages utility meter, temperature, and other data and utilizes open-source computational approaches pioneered in California over the last decade." The CEC also states: for those areas in territories that the tool does not cover, the recipient will develop a Household Identification and Screening Plan for Community Focus Areas. This screening criteria may unnecessarily deem households as not good candidates due to lower energy savings potential, smaller homes or households, and/ or lack of existing cooling. Low-income households may be lower consumers and will still benefit from a smaller reduction in energy costs or even bill neutrality with additional benefits of stabilized indoor temperatures (heating and cooling). Currently, meter data analysis, screening, and targeting is focused on single family homes and does not include multifamily properties, partially due to the challenges in gathering meter-based data for multifamily properties and individual units. It is not evident how the tool is equipped to address multifamily properties or mobile homes.

In addition, the scope of work states that the administrator will receive a list of prioritized prescreened households in each community focus area in each region "*from the CAM and/or from Recurve Analytics, Inc., based on the EBD screening dashboard. Recipients will receive direct access to the EBD screening dashboard for addresses that consent to sharing their utility meter data with Recipient during Initial Enrollment (Task 5.9). Cost of Recipient's access to the EBD screening dashboard shall be considered administrative for budgeting purposes.*"

The administrators will have to account for prioritization outside of the regions the Recurve tool is not covering, and this will require additional administrative budget.

Recommendations: The CEC should clarify the specific criteria for energy savings that will be utilized to prioritize households/properties. As mentioned, there is potential to preclude households with low energy usage because the households will not demonstrate high enough savings potential. Provide clarification on how multiple attributes will be weighted in pre-screening and targeting.
The CEC requests that administrators include budget for access to this prioritization tool. Without clear budget assumptions this is not possible. It is recommended that the CEC cover the cost of access through its existing contract with Recurve.

Understanding that the current application of the prioritization tool is focused on single family, please clarify how the Household Identification and Screening Plan will support prioritization of multifamily properties and mobiles homes and how the CEC's contract with Recurve will support addressing the challenges associated with gathering data from these property types.

Ensure Scope and Manual language is inclusive of both single-family households and multifamily properties

Multiple sections of the draft solicitation include language that is predominantly applicable to single family households but may result in confusing interpretations for multifamily properties. For example, Tasks 5.6, 5.9, and 5.10 focus primarily on "households", but should also include language or references to multifamily properties. Additionally, Task 5.12 states that the recipient shall limit construction to 30 calendar days whenever possible, which is often not achievable for many multifamily properties.

Recommendations: Ensure that Tasks 5.6, 5.9, and 5.10 either include households and properties in the language or clarify which language applies to individual households and which language applies to multifamily properties (including where is the responsibility of the program to engage with the property owner instead of the residents of the individual household). Task 5.9 should also reference the multifamily eligibility criteria as previously outlined in Section 4 of the Guidelines, allowing for a property-wide eligibility and enrollment process. Modify Task 5.12 language on limiting construction to 30 calendar days to be household and/or apartment unit specific but allow for longer construction timelines across a multifamily property.

Clarify process for expanding list of eligible measures

Section 2.I of EBD guidelines lists all measure that are eligible for funding for the program, ineligible measures, and a process for requesting approval for equipment that does not meet the eligibility criteria if eligible equipment *"…is not available on the market or is subject to lengthy delays in availability."* Task 5.4 states that *"All measures included in the packages must be eligible measures and meet minimum requirements as listed in the Guidelines (Chapter 2I, Eligible Measures)."* Task 5.10 states that *"All recommended measures must be eligible measures as listed in Table 4 of the Guidelines, unless the Recipient has submitted a request for substitute equipment and the request has been approved by the CEC Executive Director, as described in the Product Availability Constraints section of the Guidelines."*

AEA anticipates that while well intentioned, Section 2.I could result in high efficiency equipment being ineligible for reasons beyond product availability. In particular, requiring heat pumps for space heating and cooling to be listed as the highest efficient tier of CEE will result in entire categories of HVAC equipment being ineligible, particularly those that are not rated in SEER2 or HSPF2 per DOE criteria. This includes variable capacity package terminal heat pumps and other high efficiency heat pump product types (which are defined by DOE as being rated in COP and EER, or have other efficiency values per DOE standards), which may be the ideal and more cost-efficient solution for some multifamily properties, single family homes, and mobile homes. There are likely to be other examples of high quality, cost-efficient measures which are ineligible due to the criteria as listed in section 2.I. Additionally, given that EBD and HOMES may be focused on modeled and measured savings performance, per the draft solicitation, additional measures not in Section 2.I may need to be omitted that would have otherwise helped ensure energy savings goals, GHG reductions, and bill reductions. This includes but is not limited to windows, especially in situations with poorly performing single pane metal windows which result in significant infiltration, conductive energy loss, and solar heat gain.

Recommendations: AEA recommends that the Guidelines Section 2.I be revised to address this nuance, and/or the solicitation be updated for Task 5.4 and 5.10 to identify a streamlined approach for requesting alternative equipment and/or measures to be approved for reasons beyond just product availability.

Respectfully,

Andrew Brooks
Senior Director, AEA West
Association for Energy Affordability