

DOCKETED

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**SMUD Comments Re Draft Equitable Building Decarbonization
Program Solicitation P**

SMUD Comments Re: Draft Equitable Building Decarbonization Program Solicitation P -
22-DECARB-03

Additional submitted attachment is included below.

**STATE OF CALIFORNIA
BEFORE THE CALIFORNIA ENERGY COMMISSION**

In the matter of:)	Docket No. 23-DECARB-01
)	
Inflation Reduction Act Home Efficiency Rebates Program)	SMUD Comments Re: Inflation Reduction Act Home Efficiency Rebates Program
)	
)	April 11, 2024
)	

**Comments of SACRAMENTO MUNICIPAL UTILITY DISTRICT on the
Inflation Reduction Act Pay for Performance Pathway Workshop**

The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to provide input on the California Energy Commission’s (CEC) March 21, 2024, staff workshop¹ (Workshop) on the Inflation Reduction Act Home Efficiency Rebates (HOMES) pay for performance (P4P) pathway. SMUD strongly supports building electrification and energy efficiency as important strategies to reduce greenhouse gas (GHG) emissions, improve indoor and outdoor air quality and home comfort, and save customers money. SMUD has extensive experience offering energy efficiency programs, including direct install programs for low-income customers, and is currently piloting a neighborhood electrification program in underserved communities in our region. SMUD’s long-term vision includes helping facilitate electrification of all buildings in Sacramento by 2045, with an accelerated target of 2040 for low-income homes; funding, policy support, and partnerships are all key to achieving these goals. SMUD previously filed comments² in response to the CEC’s December 18, 2023, Request for Information³ on HOMES program design.

SMUD offers the following recommendations for the CEC’s consideration in implementing HOMES:

- Demonstrate the new P4P approach through a pilot and direct a greater proportion of HOMES funding into the Equitable Building Decarbonization program and/or existing direct install programs.
- Designate a statewide administrator in addition to or instead of local program administrators to ensure access throughout the state.
- Ensure program requirements support effective delivery in all utility service areas across the state.

¹ Refer to <https://www.energy.ca.gov/event/workshop/2024-03/workshop-inflation-reduction-act-home-efficiency-rebates-homes-program>. Workshop slides are available at <https://efiling.energy.ca.gov/GetDocument.aspx?tn=255313&DocumentContentId=90992>.

² <https://efiling.energy.ca.gov/GetDocument.aspx?tn=254185&DocumentContentId=89540>

³ <https://efiling.energy.ca.gov/GetDocument.aspx?tn=253640&DocumentContentId=88877>

- Provide sufficient flexibility to promote incentive layering.

SMUD's recommendations are further detailed below.

The CEC should launch the new P4P program as a pilot and direct a greater proportion of HOMES funding into the Equitable Building Decarbonization program and/or existing direct install programs.

As presented at the March 21 workshop, the CEC proposes braiding 60 percent of federal HOMES funding with the statewide Equitable Building Decarbonization (EBD) program and leveraging the remaining 40 percent of HOMES funding for market-rate P4P programs. SMUD sees merit in continuing to explore and advance innovative program designs that seek to align incentives and optimize the impact of funding. However, given the relative nascency of P4P programs, particularly when coupled with the significant and urgent need for building efficiency and electrification interventions within low-income communities, SMUD recommends the CEC direct a greater proportion of HOMES funding toward the EBD program and/or existing direct install programs, and use the remaining 10 percent to support demonstration of whole-home P4P program(s).

As recognized during the workshop, P4P programs in California are relatively nascent. These programs have primarily consisted of "light touch," single-measure interventions and have limited results to date. Workshop panelists described specific challenges associated with serving specific customer segments via the P4P model, including low-income customers, renters, multifamily tenants, and customers that concurrently install solar or electric vehicle chargers that change energy usage patterns. SMUD is concerned that these existing challenges may be compounded when factoring in DOE's minimum energy savings requirements. Panelists also noted that upfront incentives are key to encouraging customer participation, which is complicated by DOE's restrictions on advancing incentives prior to completion of the 12-month performance period. While aggregators can "float" the cost of rebates, carrying costs increase with time; a 12-month waiting period could affect the cost-effectiveness of the delivery model. Moreover, small business contractors that do not have existing relationships with aggregators or have the capacity to pay aggregator fees may be at a disadvantage.

SMUD is optimistic that these obstacles can be mitigated through novel program design and looks forward to reviewing other stakeholders' feedback. SMUD also believes that HOMES funding can be leveraged to help pilot and demonstrate an effective whole-home P4P approach. However, SMUD believes these objectives must be balanced against the urgent need to improve building performance for low-income customers across the state. SMUD notes that the statewide EBD program, even when supplemented with 60 percent of HOMES funding and existing direct install programs, does not have sufficient capacity to address the statewide decarbonization needs of low-income, disadvantaged households. To maximize the impact of federal rebates and support expeditious implementation, SMUD recommends the CEC focus the substantial majority of HOMES funding for EBD and direct install programs and direct 10 percent of the funding into new P4P program(s).

The CEC should designate a statewide administrator in addition to or instead of local program administrators to ensure program access throughout the state.

At the March 21 workshop, CEC staff presented two program implementation models: a single state-administered program or a funding pass-through to new/existing local programs. Both

models would allow contractors to participate directly or through aggregators. SMUD recommends the CEC designate a statewide program administrator for the new P4P program. This entity could either be the sole administrator or serve as the administrator where local programs do not exist.

As was highlighted during the March 21 workshop, the handful of P4P programs that exist in California today have been implemented by CPUC-jurisdictional entities and a tri-county network; none appear to exist within publicly owned electric utility (POU) or cooperative service areas. Each POU and cooperative will need to evaluate, based on the specifics of the CEC's P4P design, whether to seek local administration, and some may determine it is not practicable. A statewide administrator would ensure that POU and cooperative customers have appropriate access to funding regardless of whether a local program exists. This is unlikely to be accomplished by extending the geographical reach of existing investor-owned utility programs, because such programs were designed without consideration of varying POU and cooperative system needs or local conditions. SMUD also believes that a statewide program administrator could offer simplicity and efficiencies for contractors that work across multiple jurisdictions, which may have a relatively greater value given the inherent complexity of the P4P program construct.

Program requirements must support effective program delivery in all utility service areas across the state.

At the March 21 workshop, CEC staff questioned how the HOMES incentive structure related to kWh reduction should be aligned with CPUC policy around the Total System Benefit (TSB) and Avoided Cost Calculator (ACC). SMUD understands these tools were developed specifically for IOU systems. While it may be appropriate to leverage existing CPUC policy for programs implemented by IOUs or within IOU electric service areas, these tools are not applicable to or appropriate for POUs, particularly those that are not part of the California Independent System Operator balancing authority area. As such, they should not be incorporated within program requirements that are applicable statewide.

The P4P program design should be sufficiently flexible to promote incentive layering.

SMUD recommends the CEC encourage layering P4P rebates with other program incentives to improve cost effectiveness. SMUD notes that the CEC's calculated P4P incentives (\$0.55/kWh saved for general market and \$1.10/kWh saved for low-income households) may be relatively low compared to the costs of whole-home energy retrofits. Stacking rebates and incentives – particularly those that do not require lengthy performance periods prior to payment – can make participation more attractive for customers and contractors. Local programs also have limited resources; allowing flexibility to apply the federal P4P rebates first, followed by existing efficiency and electrification program incentives from other local sources, will help maximize electrification resources. .

Conclusion

SMUD appreciates the opportunity to provide input on the implementation of the HOMES program and looks forward to continuing to work with CEC staff in this proceeding.

/s/

KATHARINE LARSON
Regulatory Program Manager
Government Affairs
Sacramento Municipal Utility District
P.O. Box 15830, MS B404
Sacramento, CA 95852-0830

/s/

JOSHUA STOOPS
Government Affairs Representative
Government Affairs
Sacramento Municipal Utility District
P.O. Box 15830, MS B404
Sacramento, CA 95852-0830

/s/

JOY MASTACHE
Senior Attorney
Sacramento Municipal Utility District
P.O. Box 15830, MS B406
Sacramento, CA 95852-0830

cc: Corporate Files (LEG 2024-0058)