

DOCKETED

Docket Number:	22-DECARB-03
Project Title:	Equitable Building Decarbonization Program
TN #:	255645
Document Title:	SMUD Comments Re Draft Equitable Building Decarbonization Program Solicitation P
Description:	N/A
Filer:	System
Organization:	SMUD/Nicole Looney
Submitter Role:	Public Agency
Submission Date:	4/11/2024 4:23:57 PM
Docketed Date:	4/11/2024

Comment Received From: Nicole Looney
Submitted On: 4/11/2024
Docket Number: 22-DECARB-03

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

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Additional submitted attachment is included below.

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

In the matter of:)	Docket No. 22-DECARB-03
)	
Equitable Building Decarbonization Direct Install Program)	SMUD Comments Re: Draft Equitable Building Decarbonization Program Solicitation P
)	
)	April 11, 2024
)	

**Comments of SACRAMENTO MUNICIPAL UTILITY DISTRICT on the Draft
Equitable Building Decarbonization Program Solicitation**

The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to provide input on the California Energy Commission’s (CEC) draft solicitation¹ (Draft Solicitation) and related materials² for the Equitable Building Decarbonization (EBD) direct install program, as presented at the March 14, 2024, CEC staff workshop.³ 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 offers the following recommendations for the Draft Solicitation:

- Increase the cap on administrative and project-related costs to no less than 10 percent each and establish a separate cap for marketing and outreach.
- Reconsider permanently withholding payments if modeled savings are not achieved.
- Leverage state EBD funding for homes that are unable to meet the 20 percent modeled savings threshold.
- Consider revisions to the EBD program requirements that heat pumps meet the highest efficiency tier established by the Consortium for Energy Efficiency (CEE), to avoid excluding variable capacity heat pumps.

SMUD’s recommendations are further detailed below.

¹ <https://efiling.energy.ca.gov/GetDocument.aspx?tn=254967-1&DocumentContentId=90654>

² Refer to [Docket 22-DECARB-03](#) for the draft scope of work, state terms and conditions, and federal terms and conditions.

³ <https://www.energy.ca.gov/event/workshop/2024-03/pre-solicitation-workshop-equitable-building-decarbonization-direct-install>

The caps on administrative costs and project-related costs should be increased to 10 percent each, with a separate cap on marketing and outreach.

The Draft Solicitation proposes limiting administrative costs and project-related costs to 5 percent each of available EBD and federal Home Energy Rebate (HOMES) program funding. SMUD is concerned that the 5 percent caps are inadequate to support the scope of activities contemplated under project administration and recommends increasing to no less than 10 percent of available funding each.

The Department of Energy's (DOE) guidance⁴ for HOMES funding defines administrative costs as "costs related to planning, administration, and technical assistance..." and includes examples of allowable costs. Based on the March 14 workshop, SMUD understands that the CEC intends to differentiate between "project-related costs" – income verification and enrollment, participation agreement execution, quality assurance, and follow-up surveys – and "administrative costs" – all other costs necessary to administer the program, including outreach by CBO partners – and cap each at 5 percent.

The scope of activities addressed within the administrative and project-related cost definitions is broad and may require significant investment. For example, based on SMUD's experience administering direct install programs, unique outreach and support efforts may be needed to overcome barriers and effectively serve the households that EBD aims to reach. SMUD partners with a wide variety of community-based organizations (CBO) on culturally competent outreach, and specific engagement activities and materials may necessarily differ by community. SMUD estimates that non-direct project costs – such as customer enrollment, appointments, education and support, project tracking and reporting, and marketing – account for roughly 40 percent of its weatherization program costs. SMUD estimates that roughly 10 percent of costs would fall under the CEC's administrative cost definition and 30 percent of costs would be considered project-related costs. Neither of these include external CBO costs. Capping administrative costs and project-related costs at 5 percent each, inclusive of outreach conducted by CBOs, is likely to create significant challenges.

SMUD agrees that state and federal funding should be prioritized, to the extent possible, for incentives; however, the cost caps should be set at a level that allows for effective project delivery and administration. SMUD recommends the CEC set the administrative cost cap and project-related cost cap at 10 percent each and establish a separate cap for CBO marketing and outreach costs. The CEC has the flexibility to make these changes; while the federal HOMES requirements specify a maximum of 20 percent of funding may be spent on administrative costs, the guidance also recommends that states look to other programs for supplemental funding. The DOE HOMES funding can be supplemented by state EBD funding, which is not subject to the same caps, as well as local program funding where available.

The CEC should reconsider permanently withholding payments if modeled savings are not achieved.

The Draft Solicitation states that, when paying invoices, the CEC will retain a performance retention equal to 5 percent of project costs, which would be released upon demonstration of

⁴ Refer to page 6 of DOE's guidance, available at https://www.energy.gov/sites/default/files/2023-10/home-energy-rebate-programs-requirements-and-application-instructions_10-13-2023.pdf.

actual energy savings equal to at least 80 percent of modeled savings. While SMUD appreciates that this is intended to encourage realistic modeling and quality installations, actual energy savings may vary based on behavioral factors that are separate from the modeling or installations.

For example, customers in cooling climates that did not previously have adequately-sized cooling may see energy usage increase post-intervention, particularly for those that had a low energy usage baseline. In addition, customers that fuel switch and benefit from cheaper electricity rates may increase usage for comfort reasons. Furthermore, customers that rent may relocate prior to the completion of the 12-month measurement period, limiting availability of data needed to demonstrate energy savings. SMUD recommends the CEC prioritize gathering data on and analyzing how different circumstances affect the realization of modeled energy savings rather than permanently withholding payments based on a blanket minimum efficiency savings level.

CEC should leverage state EBD funding for homes that are unable to meet the 20 percent modeled energy savings threshold.

The Draft Solicitation proposes requiring all participating homes to meet the 20 percent modeled energy savings threshold required for DOE's HOMES program. However, some homes that qualify based on household and community eligibility criteria may still have challenges meeting this threshold depending, for example, on their energy usage baseline and climate zone. Rather than excluding these homes entirely, SMUD recommends the CEC consider using the state-funded component of the EBD program, which is not subject to energy savings requirements, to support direct installations.

CEC should consider revising the EBD program requirements for heat pumps to meet the highest efficiency tier established by CEE.

SMUD agrees with the comments submitted by the Association for Energy Affordability⁵ that the current EBD program requirements for heat pumps to meet the highest CEE tier could result in variable stage heat pumps being ineligible, even though these products may be the most effective and cost-efficient solution for many homes. During the March 21, 2024, CEC workshop⁶ on the HOMES pay-for-performance pathway, TECH presented preliminary results on heat pump HVAC retrofits in the Central Valley, finding heat pumps with variable speed compressors had statistically significantly greater utility billing savings than those with discrete speeds.⁷ SMUD currently provides rebates for variable stage heat pumps within its incentive programs, with higher incentives for variable-stage heat pumps.⁸ SMUD is conducting its own measurement and verification evaluation of variable-stage heat pumps this year. SMUD's preliminary program data supports the early TECH analysis results, with more significant energy savings attributable to variable stage heat pumps. While SMUD understands the CEC is

⁵ <https://efiling.energy.ca.gov/GetDocument.aspx?tn=255388&DocumentContentId=91206>.

⁶ Refer to <https://www.energy.ca.gov/event/workshop/2024-03/workshop-inflation-reduction-act-home-efficiency-rebates-homes-program>

⁷ Refer to slide 62, <https://efiling.energy.ca.gov/GetDocument.aspx?tn=255313>

⁸ As of April 2024, for gas-to-electric HVAC conversions SMUD offers rebates of \$3,500 for variable-stage heat pump systems and \$2,000 for two-stage package heat pump systems (15 SEER2 minimum).

currently not planning to revise the EBD guidelines, SMUD urges the CEC to reconsider program updates to avoid inadvertently precluding efficient, cost-effective solutions.

Conclusion

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

/s/

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