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Additional submitted attachment is included below.

October 7, 2024

California Energy Commission
715 P Street
Sacramento, California 95814

Subject: Docket No. 23-DECARB-01 – Comments on California Energy Commission's Plans to deploy a Inflation Reduction Act "HOMES" Residential Rebate Program Featuring a Pay-for-Performance Approach

Dear California Energy Commission Staff and Commissioners:

Franklin Energy respectfully offers comments to California Energy Commission (CEC) on the above referenced docket and topic. We appreciate being provided with opportunities to engage in stakeholder discussions on its plans to utilize a portion of California's allocation of the Inflation Reduction Act "HOMES" (IRA, Section 50121)[*] Program funds to deploy a statewide Pay-for-Performance (P4P) program employing the "Measured Pathway" option provided for in U.S. Department of Energy IRA Home Rebate Program Requirements and Application Instructions (Updated 06-13-2024).

In Franklin Energy's January 26, 2024 comments on this docket, we indicated that we "[support] a hybrid HOMES program delivery approach, offering both Measured and Modeled savings pathways. Franklin Energy has implemented both Measured and Modeled pathways around the country. In California, our (Measured) pay-for-performance programs have produced impressive results (details on our work in this area can be found in this December 2023 program evaluation filed with the CPUC).[†]

[*] More recently the US Department of Energy has begun to refer to the HOMES Program as the Home Efficiency Rebate, or HER, Program. This transmittal will continue to refer to the program as HOMES.

[†] *Population-Based NMEC - Program Years 2019-2021,* DNV, 12/22/2023: www.calmac.org/publications/Final_Population-Based_NMEC_Program_Impact_Evaluation_Report_-_Program_Years_2019_to_2021_toCALMAC.pdf

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With thoughtful allocation of shared risk and attention to cashflow, a Measured approach can overcome many of the shortcomings of the modeled approach."

We understand and support the CEC plans to carry out its HOMES Modeled Savings option through the implementation of the Equitable Decarbonization Program by way of regional implementers following issuance of Grant Funding Opportunity (Solicitation) GFO-23-404. And, at the CEC's March 21, 2024 IRA HOMES Pay for Performance Workshop, the CEC had indicated that it was contemplating issuance of a second solicitation to cover the Measured Savings pathway: this time for an implementer to support deployment of a statewide HOMES P4P program.

Assuming the CEC still plans to procurement an implementer for a statewide HOMES P4P program, we are writing today with a single recommendation that we believe is critically important to the success of such a program:

<u>We urge the CEC to issue this presumed upcoming solicitation as a Request for Proposals (RFP) rather than Grant Funding Opportunity (GFO).</u>

It is our understanding that when the CEC uses its RFP vehicle, the result is a contract with more customary commercial terms. The GFO solicitation, such as seen with the Equitable Decarbonization Program – with the limitations on profit for the prime implementer and subcontractors -- will be likely be unfeasible in this instance,

The P4P approach is, by design, market-based and about business model innovation. P4P is a relatively novel approach and California's handful of P4P qualified implementers are generally for-profit business that have invested considerable resources to acquire the expertise, experience, processes and technologies required to deploy P4P effectively. P4P aggregators are businesses that take on the project performance risk, and any business endeavor that involves risk comes with the expectation of financial reward (keeping in mind that we have also found that the P4P approach can simultaneously benefit consumers served by aggregators).

Issuance of a GFO that limits the profits of third parties may initially appear to be prudent stewardship of public funds, but experience with similar programs suggests otherwise. The recent situation involving DOE Bipartisan Infrastructure Law (BIL) earmarked for the California Department of Community Services and Development (CSD) shows the unintended result of this policy. Earlier this year, over $28M in Weatherization Assistance Program funds sat unused by CSD because traditional subgrantees of this funding, non-profit Community Action Partnerships (CAPs), could not accept it. This illustrates the real-world consequences of well-intentioned policies implemented without sufficient attention to the needs of program delivery.

On behalf of Franklin Energy, we appreciate this opportunity to provide comments on this important matter. If you have any questions about these recommendations, please do not hesitate to contact me at lkass@franklinenergy.com.

Sincerely,

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