

DOCKETED

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A O SMITH CORPORATION COMMENTS ON THE CEC RFI ON DESIGN OF IRA HEEHRA Phase 2

A. O. Smith Corporation appreciates the opportunity to provide comments on the California Energy Commission Request for Information Program Design of Inflation Reduction Act Home Equipment and Appliance Rebates Phase II.

Additional submitted attachment is included below.



January 10, 2025

California Energy Commission
1516 Ninth Street
Sacramento, California 95814

RE: A. O. SMITH CORPORATION COMMENTS TO THE CALIFORNIA ENERGY COMMISSION REQUEST FOR INFORMATION (“RFI”) PROGRAM DESIGN OF INFLATION REDUCTION ACT (IRA) HOME EQUIPMENT AND APPLIANCE REBATES (“HEEHRA”) PHASE II

Dear Commissioner McAllister and California Energy Commission Staff:

A. O. Smith Corporation (“A. O. Smith” or “Company”) appreciates the opportunity to provide comments on the California Energy Commission (“Commission” or “CEC”) Request for Information (“RFI”) Program Design of Inflation Reduction Act (“IRA”) Home Equipment and Appliance Rebates (“HEEHRA”) Phase II. The Company appreciates that Commission soliciting public feedback on the implementation of this program and looks forward to the successful implementation of this. The efficient rollout of this program will lead to a meaningful decrease in carbon emissions through the widescale adoption of Heat Pumps for Space and Water Heating.

i. About A. O. Smith

A. O. Smith Corporation, with global headquarters in Milwaukee, Wisconsin since 1874, applies technology and energy-efficient solutions to products manufactured and marketed worldwide with operations in the U.S., Canada, China, India, Mexico, the Netherlands, and the UK. Listed on the New York Stock Exchange (NYSE: AOS), the Company is one of the world’s largest manufacturers of residential and commercial water heating equipment and boilers, as well as a leading manufacturer of water treatment and air purification products. Along with its wholly owned subsidiaries, A. O. Smith is the largest manufacturer and seller of residential and commercial water heating equipment, high efficiency residential and commercial boilers, and pool heaters in North America.

I. Overview

While the Company finds that mid-stream rebate programs are the most effective form of incentive programs, the Company understands that requirements under the IRA are to set forth a retail rebate program. The Company appreciates CEC's public engagement to ensure that a retail rebate program is implemented that is both efficient and effective, while providing value to low-to-moderate ("LMI") customers. The Company offers the following responses to CEC's RFI as well as additional insights learned from other effective programs across that country that CEC should review when determining the administration of their program.

II. Response to RFI Questions

Section 1

- a. **Should all DOE eligible equipment (listed in Table 1) be available to single-family households and multifamily properties?**

Yes, the Commission should not limit the product scope of the program. Ensuring that all eligible equipment is available for the rebates across the state will allow for the largest impact of the program funds for consumers to make the right home appliance upgrade for their situation.

- b. **Should the rebate amounts be reduced to allow more households to receive a rebate? If yes, please provide recommended amounts and rationale.**

No, the program should offer the maximum amount allowable under the IRA. Reducing the total funding may inadvertently push out LMI communities from participating in the program due to the first cost barrier. To ensure that the program is as successful as possible CEC should ensure that the full amount of the rebate is made available to reduce the first costs of these highly efficient products.

Section 2

- a. **To ensure fair geographic disbursement of funding and align with other energy equity programs, CEC allocated HEEHRA Phase I funding to three regions of California based on the proportion of under resourced communities. This formula provides 23 percent of funding to Northern California, 19 percent to Central California, and 58 percent to Southern California. CEC is considering a similar allocation approach for HEEHRA Phase II funding. Should CEC consider other factors to ensure statewide distribution?**

The Company does not believe that the CEC should allocate the funds across the state. The program should be designed to incentivize quick and early adoption of these technologies.

Competition in this regard will drive contractors to act quickly to get registered with the program and perform installations of these products.

b. Are there other active or past rebate programs in California or the United States with high uptake in underserved communities that CEC can learn from?

Programs such as Efficiency Maine and Empower+ in New York, on top of the already effective TECH program in the state, can serve as examples for successful program design. The NYSERDA Empower+ program provides no-cost comprehensive home energy assessments to pinpoint where energy and dollars are being wasted and receive a customized plan to lower energy usage; and no-cost direct install improvements identified during the assessment can be installed by participating program contractors.¹ Efficiency Maine is able to minimize the program cost and serve more LMI households by negotiating a competitive product cost with distributors and a flat installation fee with participating contractors.^{2,3} TECH Clean California provides for the ability of landlords to apply for funding enable access to these funds to non-homeowner LMI communities. The Commission can mirror these approaches by combining or braiding the IRA funding with existing CA funds for LMI households to offer HPWH upgrades including professional installation **at no cost** to the homeowner or landlord. Having these funds available to landlords of LMI communities will also allow for boarder outreach to local Apartment Associations to aid in streamlining outreach and participation. Additionally, the commission to work with Jurisdictions and contractors to standardize purchase and installation costs for LMI communities.

Section 3

a. What are effective methods to recruit contractors to participate in the program, especially in underserved, disadvantaged, low-income, and rural communities?

The Commission can increase contractor participation by simplifying the requirements to participate and by driving consumer demand for the services. The Commissions can partner financially with the original equipment manufacturers (“OEMs”) to promote the program to LMI homeowners and landlords as well as use the outreach to send qualified leads to the participating contractors. Streamlining the participation requirements and developing a one-page flyer for the contractors that explains the program and shows how to participate will also increase interest.

¹ <https://www.nysenda.ny.gov/All-Programs/EmPower-New-York-Program>

² <https://www.energymaine.com/at-home/collective-purchase/>

³ <https://www.energymaine.com/at-home/heat-pump-water-heater-program/>

- b. **What type of training should the CEC offer to help installation contractors understand program requirements and streamline rebate processing for retailers, contractors, and homeowners?**

The Commission should host training in the form of webinars that trade allies can distribute to retailers, wholesale distributors and contractors. These webinars should be recorded and saved in a location that is easily accessible by interested parties.

Section 4

- a. **How can CEC facilitate homeowners obtaining a rebate when shopping online? Are there any program design considerations or best practices unique to an online sales point?**

CEC can implement an online portal that will generate a coupon code with a barcode and/or QR Code legible by participating online retailer's systems if the applicant qualifies.

- b. **How can CEC support small and local business owner participation in the program design?**

CEC should streamline the participation process and allow all retailers and contractors registered in the State and in good standing to offer the incentives. An effective example of this can be seen for commercial HPWH's in Southern California through the program offered by Wildan and SCE. This program performs direct outreach to business owners and pulls upon high levels of incentive dollars available to promote to installation of commercial HPWH's. This same method can be used for residential properties as well by partnering with Community Based Organizations, Local Chamber of Commerce, Apartment Associations, Manufactures and contractors to perform educational outreach to key communities.

- c. **What are options for homeowners who don't have a smartphone and want to receive a rebate in store?**

The Commission should work with participating retailers to deploy in-store kiosks that can be used in lieu of a personal smartphone.

- d. **What are challenging elements with existing point-of-sale rebate programs and what are some solutions or best practices to minimize or eliminate the challenge?**

The largest challenge CEC will face with having multiple rebate programs will be double dipping on the rebate funds. CEC will need to make double dipping impossible to do either intentionally or unintentionally. This can be done by having an automated mechanism to make sure that if the consumer got the product incentive at the point of sale, he/she cannot claim the same product incentive (but only the installation incentive) with the installing contractor.

Section 5

- a. **What are best practices to ensure a quality DIY install? What type of proof should be provided?**

A best practice to ensure quality DIY installations is to require proof that a permit has been requested (by consumer or contractor) at the time of application for the incentive.

- b. **What are some guidelines and best practices for a program that allows for DIY installation of eligible equipment?**

See answer to Section 5.a

- c. **Are there other successful rebate programs in California or the United States that have provided rebates for DIY installed eligible equipment?**

Across the country the majority of energy efficiency programs for HPWH are offered at retail locations like Lowe's and Home Depot and allow DIY installation. Retail sales account for approximately **50%** of water heater sales in the US.

Section 6

- a. **How can the CEC ensure proper recycling of old equipment replaced by HEEHRA-funded measures?**

While it is important to ensure that appliances replaced by HEEHRA funding appliances are recycled, the effort should be more broadly made to encourage all equipment to be properly disposed of at the end of life. This can be done by communicating proper recycling practices to contractors and retail store associates. Connect with the participating retailers' and contractors' webmasters to post proper information online.

III. HEAR Program Design - Best practices for retail programs

Retail programs operate differently from a standard mid-stream program and thus require special consideration. As retail programs depend more on customer engagement than a midstream program, customer outreach and education are the key metrics of success of a retail program. Further, customer satisfaction is important to having a positive public perception of the program. As such there needs to be an easy and streamlined income verification process that the consumer can do before or at the store so that they know if they qualify ahead of making the purchase. This system should be easy

and intuitive to use much like a TurboTax walkthrough of the process. This process would also ideally end with the consumer receiving an instant rebate coupon at the time of completing the screening (e.g., this could be a QR code on a phone or a printout from an instore kiosk). Examples of successful programs across the country that the Commission should review when developing their program are: DGE/PEPCO/Delmarva's programs in Maryland which is administered by IFC International and the Efficiency Maine's program administrated by Clear Results.^{4,5}

IV. Conclusion

The Company appreciates the early public outreach on the development of this program and believes with the lessons learned from across the country and the state, and the responses received from this RFI, CEC is in the position to stand up an effective program. The Company appreciates the opportunity to submit comments to CEC on this RFI and looks forward to working with the Commission as they finalize this program.

Please do not hesitate to contact me if you have questions.

Respectfully submitted,



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⁴ <https://bgesmartenergy.com/residential/rebates-and-discounts/heat-pump-water-heater>

⁵ <https://www.energymaine.com/water-heater-diy>