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## HEEHRA Phase II RFI Response

*Additional submitted attachment is included below.*

# Comments of Building Electrification Institute, Leadership Counsel for Justice and Accountability, Rising Sun Center for Opportunity, and RMI on the CEC's Program Design of HEEHRA Phase II

Docket Number 23-DECARB-01

Submitted January 10, 2025

The signatories respectfully submit the following comments on the California Energy Commission (CEC) Request for Information (RFI) on the Program Design of Inflation Reduction Act (IRA) Home Equipment and Appliance Rebates (HEEHRA) Phase II. We appreciate the opportunity to comment on the proposed direction for the second phase of the HEEHRA Program. The following recommendations are based on the information presented in the RFI and during the December 18, 2024 workshop.

1. **Eligible Equipment and Appliance Rebates**

   a. *Should all DOE eligible equipment be available to single-family households and multifamily properties?*
   All eligible equipment listed in Table 1 of the RFI should be available to both single-family households and multifamily properties. While HEEHRA Phase I restricted single-family rebates to heat pumps for space heating and cooling, HEEHRA Phase II should allow for all eligible rebate types to best enable whole-home retrofits. For instance, HEEHRA is one of the relatively few options for funding electric cooking equipment, which delivers important indoor air quality benefits.

   b. *Should the rebate amounts be reduced to allow more households to receive a rebate?*
   The CEC should retain the maximum allowable rebate amounts for low-income households, as outlined in Table 1. Recent analysis of heating and cooling equipment costs and incentives across California shows that HEEHRA is essential to make air source heat pumps (ASHP)

cost-competitive upfront with furnaces plus air conditioners.[1] Without HEEHRA, an ASHP costs less upfront than a furnace and air conditioner for a low-income household only in limited locations with substantial local incentives. In the absence of TECH Clean California incentives, full HEEHRA rebates are also necessary to make heat pump water heaters cost-competitive with gas water heaters in most locations.

Given that low-income Californians bear energy burdens four times higher than the statewide average, live in less energy efficient homes, and are exposed to more indoor air pollution, it is essential that the CEC direct as much of the HEEHRA Phase II funding as possible to California's more than 5.3 million low-income households. Ideally, the CEC should increase the funding allocation for low-income households beyond the 41% minimum set by the Department of Energy (DOE).

Middle-income households typically have sufficient tax liability to access the federal Energy Efficient Home Improvement Tax Credit (25C). Thus, reducing the maximum middle-income rebate levels commensurate with the funding available through 25C and increasing the number of low-income rebates offered is appropriate to extend the reach of the HEEHRA program where it is most needed.

**2. Regional Allocation and Customer Engagement**

a. *Should CEC consider other factors to ensure statewide distribution?*
In addition to the geographic disbursement of funding based on the Equitable Building Decarbonization (EBD) Program, the CEC should consider local incentive availability and vulnerability to extreme heat.

A recent survey of heating and cooling equipment incentives in ten locations across California revealed substantial local variation.[2] For example, locations receiving both gas and electric service from investor-owned utilities (IOUs) lack ASHP incentives available directly to households. Similarly, rural communities with small municipal or cooperative utilities often offer lower incentives. Meanwhile, ASHP incentives from regional energy networks, larger municipal utilities, and community choice aggregators in other areas are as high as $9,000. Likewise, local incentives for heat pump water heaters vary from $50 to $6,000.

[1] December 2024. Unpublished RMI analysis of upfront costs and incentives for heating and cooling equipment in ten California municipalities.
[2] December 2024. Unpublished RMI analysis of upfront costs and incentives for heating and cooling equipment in ten California municipalities.

While rapid implementation of HEEHRA Phase II is critical, the CEC should factor in local incentive availability alongside extreme heat risk (see the California Heat Assessment Tool) and the geographic distribution of under-resourced communities. For instance, if keeping the EBD funding breakdown, the CEC should allocate additional outreach resources to regions where additional funding is needed to protect communities from extreme heat and close the gap between clean energy and fossil fuel equipment. To target locations with limited incentives without slowing down HEEHRA Phase II rollout, the CEC could use as proxies areas served by small municipal or cooperative utilities and communities that receive both gas and electric service from IOUs.

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?*
Even successful incentive programs with high uptake, such as TECH Clean California, struggle to reach low-income and environmental justice communities. According to TECH's Equity Budget Report, less than half of all TECH incentive funding has been spent in TECH Equity Communities, with single-family uptake especially low (less than 40% of incentives paid in Equity Communities).

The CEC should coordinate with community-based groups to ensure robust input on and implementation of the Community Benefits Plans for both phases of HEEHRA. For instance, the CEC should look to the lessons learned from implementation of the San Joaquin Valley (SJV) Pilot Program. The SJV Pilot Program worked with local community-based organizations as trusted messengers and dedicated time and resources to engage low-income and vulnerable communities that are most in need of home energy upgrades. The process of outreach and implementation was critical to the success of the program. The SJV Pilot Program also accounted for and informed homeowners of potential affordability concerns that might arise post-electrification.

Finally, the CEC's standards in the EBD Program also provide an exemplary framework for how to best serve low-income and environmental justice communities.

**3. Contractor Engagement and Support**

a. *What are effective methods to recruit contractors, especially in underserved, disadvantaged, low-income, and rural communities?*
To promote effective recruitment of contractors with established trust and experience working in disadvantaged, low-income, and rural communities, the CEC should set a goal for the share of Minority, Women, Disadvantaged Business Enterprise (MWDBE) contractors on the qualified contractor list required by the

State's Consumer Protection Plan. For instance, the CEC could set a goal of 40% MWDBE contractors, in addition to a separate goal for contractors with multilingual outreach capabilities.

High Road labor standards can pose a barrier to small, disadvantaged contracting businesses. The CEC should utilize a phased-in approach to remove barriers to entry and improve recruitment for this key target audience of contractors. This will allow contractors to "pre-qualify" for the program if they commit to meeting the labor standards. To assist small, disadvantaged contracting businesses in participating in the program, contractor supports should be built into the design of the program. These will ideally be facilitated by the Program Implementer who provides the support directly to contractors, and/or refers contractors to a suite of available services in the region, subsidized as needed and appropriate. Due to histories of exclusion and continued barriers our current economic system presents for small, minority, women, and disadvantaged contractors, a robust ecosystem of supportive services for contractors is necessary to aid equitable contractor recruitment for HEEHRA Phase II. Appendix D of the Bay Area High Road Training Partnership's Job Quality and Labor Standards Toolkit includes ideas for contractor supports, such as cash flow financing or group procurement of quality healthcare services to assist contractors in meeting and exceeding these standards.

b. *What type of training should the CEC offer to help contractors understand program requirements and streamlining rebate processing?*
When planning contractor training, the CEC should allocate resources to ensure that small businesses and/or MWDBEs are resourced adequately to attend training. Resources could include technical assistance, peer learning networks, and training specific to small businesses and MWDBEs. For example, the Solar on Multifamily Affordable Housing program offers regular online training to make it easy for prospective contractors to learn about program requirements.

**4. Point-of-Sale Methodologies**

c. *What are options for homeowners who don't have a smartphone?*
Homeowners who do not have reliable Internet access at home often rely on local community gathering places such as libraries, churches, and community centers to receive news and access the Internet. Outreach efforts in rural and underserved communities must include these gathering places.

d. *What are challenging elements with existing point-of-sale rebate programs?*

Navigating various incentive program requirements (from equipment performance standards to income qualifications) is one of the key challenges with existing rebate offerings. As many of the public commenters at the December 18 workshop expressed, determining eligibility for existing incentive programs is often frustrating and confusing. The CEC should establish a customer-facing service that provides free, expert guidance to property owners and renters in environmental justice communities, helps them find contractors, identifies and stacks multiple sources of funding, and streamlines income verification.

While tools like the Switch is On are a helpful starting point for learning about incentive programs, participants need more hands-on support throughout the process to be able to utilize all available incentives and bill assistance programs. This is especially important for low-income and/or environmental justice communities who may not have the time to navigate multiple programs or the resources to hire a consultant.

As mentioned during the December 18 workshop, the New Mexico Energy, Minerals and Natural Resources Department (EMNRD) is establishing an Energy Coaches program for this purpose. The CEC can use EMNRD's request for proposals as a template and cater the program to California's context.

**6. Recycling Appliances and Refrigerants**

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

Refrigerant recovery is an important aspect of recycling old equipment replaced by HEEHRA-funded measures. The CEC can promote refrigerant recycling through training, financial incentives, and data collection.

REFCOM is a continual education provider and certifier in the United Kingdom that provides refrigerant recovery training to raise awareness among contractors. Importantly, REFCOM offers upskilling training on handling more flammable refrigerants. This could support the ongoing and future refrigerant transitions as new refrigerants that are flammable enter the residential market market.

Financial incentives can also increase refrigerant recovery rates. Existing incentive programs demonstrate different structures: Refrigerant Reclaim Australia directly pays contractors for recovered gas, while New York City's Department of Sanitation recovers gas from equipment left for disposal. In

addition, financial incentives can include funding for equipment itself to offset the financial burden of properly disposing of old equipment.

Finally, refrigerant reporting standards and easy reporting interfaces for contractors can help evaluate where refrigerant is going at equipment end of life. Poland and Australia each have contractor reporting platforms (e.g., websites, authorized phone apps) connected to centralized databases. Contractor training would supplement these reporting standards by encouraging contractors to measure the gas collected from equipment and notifying them of how to report this information.

Thank you for your consideration of these recommendations. Our organizations are ready to continue engaging with the CEC on the design and implementation of an equitable and successful HEEHRA Phase II Program.

Sincerely,

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