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Natural Resources Defense Council Comments on the California Energy Commission's May 16 Barriers Implementation Workshop

Additional submitted attachment is included below.

May 30, 2017

California Energy Commission
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NATURAL RESOURCES DEFENSE COUNCIL COMMENTS ON THE CALIFORNIA ENERGY COMMISSION'S MAY 16 BARRIERS STUDY IMPLEMENTATION WORKSHOP

The Natural Resources Defense Council (NRDC) appreciates the opportunity to provide comments on the May 16, 2017 Implementation Workshop for the "Low-Income Barriers Study, Part A: Overcoming Barriers to Energy Efficiency and Renewables for Low-Income Customers and Small Business Contracting Opportunities in Disadvantaged Communities."

We appreciate the California Energy Commission's continued efforts to address program barriers for low-income communities, and we provide these comments to offer specific implementation recommendations.

In summary, our recommendations are as follows:

I. The Energy Commission and State Task Force should provide guidance to streamline program enrollment and coordination processes by:
   - A. Creating a statewide application and online portal,
   - B. Developing consistent low income eligibility requirements on a statewide level,
   - C. Ensuring that energy savings attribution and participant goals do not create perverse incentives to coordinate offerings, and
   - D. Providing longer program timelines of at least 3 to 5 years for low-income multifamily programs.

II. California should offer tailored clean energy and water programs for low-income multifamily housing that offer one-stop technical assistance for owners and renters, by:
   - A. Ensuring accessible and meaningful mechanisms exist for owners and tenants to provide continual program feedback to implementers and governing bodies,
   - B. Leveraging and expanding the LIWP program and the Los Angeles Better Buildings Challenge's one-stop multifamily offerings for properties in Los Angeles, and
   - C. Targeting multifamily programs to owners at common investment or "trigger" points.

III. The Energy Commission, in coordination with relevant agencies, should (1) develop consistent performance-based goals and metrics, (2) incorporate robust non-energy benefits into societal cost effectiveness tests, and (3) emphasize energy and bill savings goals rather than solely the number of homes treated.

I. The Energy Commission and State Task Force should provide guidance to streamline program processes by:

A. Creating a statewide application and online portal,

B. Developing consistent low income eligibility requirements on a statewide level,

C. Ensuring that energy savings attribution or participant goals do not create perverse incentives to coordinate offerings, and

D. Providing longer program timelines of at least 3 to 5 years for low-income multifamily programs.

The CEC barriers report recommends creating a statewide task force comprised of relevant agencies to align program eligibility requirements and reduce redundancies. Below we recommend some additional mechanisms that would help streamline and coordinate existing programs.

A. Create a statewide application and online portal.

We recommend that the task force oversee the creation of a statewide website and single application form to enable easy access to multiple programs. We also recommend that any website leverage existing online resources such as the Energy Upgrade California website and the ARRA created fund-finder for multifamily programs.

Lack of program integration and accessibility is one of the primary challenges highlighted in the CEC's barriers study and greatly limits participation. A single online resource that provides easy access to relevant points of contact and that provides a simple electronic application form would help resolve this issue. The statewide application should be provided in several languages.

> Example: The Low-Income Energy Affordability (LEAN) program in Massachusetts uses a website that provides access to a variety of resources and programs for low-income multifamily housing all in one place. It also provides a single online application. See http://leanmultifamily.org/.

B. Develop consistent low-income eligibility requirements on a statewide level.

The CEC barriers study emphasizes the need to address the inconsistencies in low-income program eligibility requirements and documents the wide range of definitions used for "low-income" programs.

We recommend the Energy Commission and/or State Task Force take a multi-pronged approach to aligning income eligibility. In the near-term, we recommend adopting a streamlined eligibility process that would enable residents and low-income property owners to submit their income information only once for all programs they are interested in participating in, and that they are qualified for. This information would be shared with relevant programs on the back-end. In the medium-term we recommend the Task Force explore allowing residents or low-income property owners interested in participating in multiple programs to use the most liberal low-income standard among the various programs. This would allow for easy program leveraging and streamlined administrative processes. In the longer term, we also recommend the Task Force assess the implications of adopting a single standard income eligibility standard for low-income programs. Moving forward, each new program would follow this set of eligibility requirements. Meanwhile, the Energy Commission could also determine how existing programs can best transition to the new set of eligibility requirements. We note that the latter two approaches would very likely require statutory changes.

The objective of consistent eligibility requirements is to simplify the application process, allow for easier participation in multiple programs, and cut down on administrative costs. In order to achieve these objectives, a well-designed transition will be key.

> Example: For low-income multifamily properties, the Low-Income Energy Affordability Network (LEAN) one-stop program utilizes one income eligibility requirement, "at least 50% of the units are affordable to households making 60% or less of AMI."

C. Ensure that energy savings attribution or participant goals do not create perverse incentives to coordinate offerings.

When there are multiple programs for a single sector that each have separate energy savings or participant goals, a dynamic of competition is often created that works against efforts to leverage program offerings, share information among administrators, or refer customers to an alternative program better suited to their needs. We recommend the State Task Force examine this issue as it identifies goals and metrics for adoption, and consider adopting *shared* sector-wide goals and/or adopting new goals that specifically measure how many properties or households leveraged more than one program and how many referrals a program administrator offered to outside resources.

D. Provide longer program timelines of at least 3 to 5 years for low-income multifamily programs.

Multifamily comprehensive retrofits take at least twenty-four months, and often longer, from planning to completion. However, existing programs operate on widely varying and short start-and-stop cycles, making it difficult to leverage multiple offerings.

We therefore recommend that the Statewide Task Force (1) adopt longer program cycles that recognize and support the complex nature of multifamily project design, development and implementation, (2) provide funding stability that enables property owners to begin planning for projects that are 2-3 years out and that align with planned tax credit rehabilitations, (3) provide mechanisms to allow for rollover of unspent funds from one cycle to be put towards projects completed in future cycles, and (4) provide mechanisms for owners to complete multi-phase upgrades over time.

II. California should offer tailored clean energy and water programs for low-income multifamily housing that offer one-stop technical assistance for owners and renters, by:

A. Ensuring accessible and meaningful mechanisms exist for owners and tenants to provide continual feedback on programs to implementers and governing bodies

B. Leveraging and expanding the LIWP program and the Los Angeles Better Buildings Challenge's one-stop multifamily offerings for properties in the Los Angeles region

C. Targeting multifamily programs to owners at common investment or "trigger" points

The CEC barriers study recommends establishing multiple regional one-stop shops as well as a statewide Multifamily Action Plan.[1] We recommend the CEC take the following steps to establish these offerings:

A. Ensure accessible and meaningful mechanisms exist for owners and tenants to provide continual feedback to program implementers and governing bodies.

One example of such a mechanism would be a program implementer and utility working group, tasked with coordinating across utilities and the affordable housing community, similar to the example provided below.

> <u>Example:</u> The Low-Income Energy Affordability Network (LEAN) and the Massachusetts utilities operate various low-income multifamily programs offered by the multiple gas and electric companies of Massachusetts. Through its network, LEAN is able to coordinate several programs and funding sources to implement comprehensive energy saving measures on buildings of all kinds at no cost to the client. The program coordinates across utilities and the affordable housing community through an Advisory Committee. Additionally, a Best Practices Group, which includes the utility program administrators, meets regularly to help align the program incentives and requirements across the utilities and to consider how to incorporate new measures.

B. Ensure robust technical assistance exists for low-income multifamily properties, and leverage and expand the LIWP program for disadvantaged communities and the Los Angeles Better Buildings Challenge's one-stop multifamily offerings for properties in the Los Angeles region

The CEC barriers report recommends the creation of multiple pilot one-stop shops. For the multifamily sector, we recommend that CSD's LIWP multifamily program and Los Angeles' Better Building Challenge program[2] be leveraged for at least two of these pilots. Below, we provide additional information on the types of services that would be provided as part of these one-stop shop offerings.

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[1] California Energy Commission, "SB 350 Low-Income Barriers Study, Part A - Commission Final Report," page 9, December 16, 2016. Recommendation states "…should establish a pilot program for multiple regional one-stop shops to provide technical assistance…"

[2] *See* http://la-bbc.com/.

Owners of low-income properties are resource-constrained and often lack the expertise to navigate the numerous and constantly-changing energy and water programs available in California. Numerous models across the country have emerged that provide robust, yet flexible technical assistance and one-stop shop service. We recommend one-stop pilots for the low-income multifamily sector incorporate the below program elements:

Technical assistance includes a flexible menu of the following services: initial owner consultation; desktop project assessments; benchmarking; on-site property assessment; energy modeling, savings calculations, and scope development; owner scope negotiations; final scope agreements; assistance with performance specifications, contractor procurement, bid reviews, and submittal reviews; financing assistance; permitting assistance; incentive reservation processing; on-going and extensive project management assistance, including contractor, design team, and developer coordination; and on-going monitoring post-completion. Leading programs can accomplish various combinations of these services for owners for between $50-100 per unit.

A one-stop-shop can further provide coordination across electricity, gas, and water programs. Because these utilities are often supplied by different entities, there is a risk that utilities may not encourage projects that aim at comprehensive savings. A one-stop-shop can assist owners in capturing savings across all fuels and water. A one-stop-shop also allows building owners to access integrated program services. Program experience shows that building owners benefit from access to people who can help navigate program offerings and provide project development and technical assistance, such as initial assessments, audits, and project support. The individuals in a one-stop-shop, such as the single point of contact (SPOC), can become trusted advisors to local building owners. The people in this function should be specialists and build relationships with local partners, such as lenders, contractors, and utility staff. A SPOC can assess entire portfolios to identify which programs can meet the needs of individual properties, discovering avenues to leverage multiple funding sources.

> Example 1: The Association of Energy Affordability (AEA) serves as a SPOC for California's Low-Income Weatherization Program and provides robust technical assistance, which includes assisting with the coordination of leveraged rebates and incentives and the procurement of appropriate contractors among other services. The LIWP program overall is a one-stop shop program, and the first program in California to break down the silos of energy efficiency, solar PV, and solar thermal by providing all three offerings to property owners via the same program pathway and single implementation model.
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> Example 2: LEAN, described in the previous section, provides clients with a SPOC. The SPOC helps with a full range of services, including access to the WegoWise benchmarking tool, energy audits, assistance with the development and approval of a scope of work, obtainment of grant funding, project management, assigning a contractor to carry out the work, and quality assurance.
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> Additional one-stop multifamily programs exist in Chicago, Delaware, and New York.

C. Target multifamily programs to owners at common investment or "trigger" points

Targeting owners when they are likely to be undergoing property or equipment rehabs is critical for accomplishing comprehensive energy reduction projects. Building owners, especially those of deed-restricted affordable properties, have limited ability to refinance their properties and tend to make investments at key juncture points. It is critical to target owners ahead of these critical junctures to enable them to leverage available financing and program incentives to go deeper than they would without a program intervention.

The following situations are ideal for programmatic targeting and deep energy retrofits[3]:

- Affordable housing owners accessing or renewing low-income housing tax credits and undergoing resyndication
- End- (or near end) of-life roof, window or siding replacement
- End- (or near end) of-life HVAC, lighting or other major equipment replacement
- Upgrades to meet code
- New acquisition or refinancing
- Compliance with benchmarking requirements

It is also critically important that programs not be penalized for targeting owners at these major junctures through estimates of "free ridership" that reduce or zero out energy savings attributable to program administrators. We recommend the State Task Force consider adopting a new metric or program rule to ensure that owners targeted at these junctures adopt deeper property retrofits than they otherwise would without intervention while also providing certainty and incentives for program administrators to continue to target owners at these key times.

III. The Energy Commission in coordination with relevant agencies should (A) develop consistent performance-based goals and metrics, (B) incorporate robust non-energy benefits into societal cost effectiveness tests, and (C) emphasize energy and bill savings goals rather than solely the number of homes treated.

To implement the CEC's recommendations to establish common metrics and collect and use data systematically across programs,[4] we recommend the following:

A. Develop consistent performance-based goals and metrics.

We recommend consistent performance-based goals and metrics be adopted across programs. The following are examples of meaningful metrics that should be considered:

- Number of successfully completed projects.

[3] *See* Rocky Mountain Institute: https://rmi.org/our-work/buildings/pathways-to-zero/deep-retrofit-tools-resources/deep-retrofit-case-studies/.

[4] California Energy Commission, "SB 350 Low-Income Barriers Study, Part A - Commission Final Report," page 8, December 16, 2016. The recommendation referred to states *"The Legislature should require collaboration among all program delivery agencies to establish common metrics and collect and use data systematically across programs to increase the performance of these programs in low-income and disadvantaged communities, including requirements to . . ."*

- Percent of projects completed from initial intake, e.g. attrition rates
- Length of time from intake to successfully completed projects.
- Reasons and timeline of participant attrition.
- EUI reduction in treated properties.
- Average program expenditure per customer.
- Energy, greenhouse gas, and co-pollutant savings
- Bill savings
- Property type (single-family, multifamily, or mobile home)
- Customer demographics
- Energy burden (percentage of income spent on utility costs)
- Number of programs leveraged

B. Incorporate robust non-energy benefits into programs that use strict energy efficiency cost effectiveness tests and use a societal cost test.

We recommend programs using cost-effectiveness tests adopt a Societal Cost Test and incorporate the full range of non-energy or "co-benefits." As part of the November 2016 Energy Savings Assistance Decision, the California Public Utilities Commission will be completing an updated non-energy benefits study that can be leveraged for programs statewide. We also recommend ensuring that health and safety co-benefits be incorporated.

C. Emphasize energy and bill savings goals rather than solely the amount of homes treated.

We recommend programs adopt energy and bill savings goals in addition to participant targets. Experience with programs such as the Energy Savings Assistance program has demonstrated that if the sole programmatic goal is to reach as many homes as possible, a perverse incentive can result whereby minimal energy and bill savings are achieved for each household treated.

Additionally, we recommend that the Energy Commission also include an energy burden reduction goal and metric to track residents' bill savings. Research shows that low-income households disproportionally face high energy burdens,[5] and steps need to be taken to address this inequity. Energy burden is the percentage of household income spent on home energy bills.[6] This definition can inform the way in which the energy burden reduction metric is defined and how the goal is set.

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[5] American Council for an Energy Efficient Economy, "Lifting the High Energy Burden in America's Largest Cities: How Energy Efficiency Can Improve Low-Income and Underserved Communities," April 20, 2016.
[6] *Ibid*.

Thank you for the opportunity to offer these comments on the implementation of the SB 350 Barriers report.

Sincerely,

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