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Submitted On: 6/30/2023  
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**CSE's Comments on Equitable Building Decarbonization Direct  
Install Program Draft Guidelines**

*Additional submitted attachment is included below.*

June 30, 2023

California Energy Commission  
Docket Unit, MS-4  
Re: Docket No. 22-DECARB-03  
715 P Street  
Sacramento, CA 95814

**Re: Docket No. 22-DECARB-03– Comments of Center for Sustainable Energy® regarding the Equitable Building Decarbonization Direct Install Program Draft Guidelines**

Center for Sustainable Energy® (CSE) appreciates the opportunity to comment on the Equitable Building Decarbonization Direct Install Program Draft Guidelines (Draft Guidelines).

Center for Sustainable Energy® (CSE) is a national nonprofit that accelerates adoption of clean transportation and distributed energy through effective and equitable program design and administration. Governments, utilities, and the private sector trust CSE for its data-driven and software-enabled approach, deep domain expertise and customer-focused team. CSE's fee-for-service business model frees it from the influence of shareholders, members, and donors and ensures its independence. Our vision is a future with sustainable, equitable, and resilient transportation, buildings, and communities.

CSE commends the California Energy Commission (CEC or Energy Commission) for the development of thorough draft program guidelines that meaningfully reflect equity best practices. CSE is committed to centering equity in every program it administers – including the ones it administers for the State of California – and in policies it supports.

Based on its experience as a Program Administrator, CSE is focusing its feedback and recommendations on the following question categories outlined in the May 17, 2023, Staff Workshop:

- I. Regions, Community-based organizations (CBOs), Initial Focus Areas
- II. Income Eligibility, Targeting Manufactured Homes
- III. Eligible Measures, Costs Caps
- IV. Incentive Layering, Metrics
- V. Tenant Protections, Workforce Standards

**I. Regions, CBOs, Initial Focus Areas**

2. *Would you recommend any changes to the proposed regions or budget allocation?*

CSE supports the proposal to administer the Equitable Building Decarbonization Direct Install Program (Program) in three regions delineated by counties. The county level is an easier boundary for customers to understand in comparison to census tracts or utility territory.

3. *What specific activities do you believe will be the most important for participating CBOs to lead or engage in?*

CSE strongly supports the proposed requirement for each applicant team to include one or more CBOs for “culturally appropriate outreach, education, and support of participating households and communities”. CSE has deep experience partnering with CBOs in the programs it administers and recognizes their expert contributions in the co-development, implementation, and evaluation of a program. CSE is part of a Program Administrator team for the California Solar on Multifamily Affordable Housing (SOMAH) Program, a statewide solar incentive program sponsored by the California Public Utilities Commission (CPUC), which provides incentives for solar installations on existing multifamily buildings in low-income and disadvantaged communities and provides local workforce development and training opportunities.

The SOMAH Program partners with eight CBOs across California that directly communicate program benefits to property owners, tenants, job seekers, and community leaders across the diverse communities in which they serve. Some of the activities these CBOs conduct include workshops and trainings for tenants, housing owners, and community leaders; use of social media, newspapers, TV, and radio in relevant languages; and in-depth, skills-building trainings for community members looking to take a bigger role in building awareness and support for SOMAH. CSE encourages the Energy Commission to consider these types of activities for CBOs in the Equitable Building Decarbonization Program to lead or engage in.

CSE has also found that energy efficiency education should be integrated in any clean energy program. It is important for program participants to have a foundational understanding of basic energy savings concepts and how they can reduce their energy consumption. CBOs can provide owners and tenants with information to better understand how energy efficiency measures can help lower their energy bills and how to adjust their energy consumption after their new electric appliances have been installed.

4. *Would you suggest any changes to the proposed criteria for identifying initial community focus areas?*

CSE supports the proposal to require Program Administrators to consider the criteria outlined in the Draft Guidelines when recommending initial community focus areas. Partnering with CBOs and other local organizations to help identify these areas will ensure the prioritization of communities most in need of decarbonization retrofits and energy efficiency measures.

CSE encourages the CEC to direct Program Administrators to also examine the energy burden of households to help identify community focus areas. CSE recommends the CEC leverage the use of the U.S. Department of Energy (DOE) Low-Income Affordability Data (LEAD) Tool, which provides data on energy burden at the state, city, county, and census tract levels and for tribal areas.<sup>1</sup> This tool includes

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<sup>1</sup> U.S. Department of Energy (DOE) Low-Income Affordability Data (LEAD) Tool accessed June 30, 2023, available at <https://www.energy.gov/scep/slsc/low-income-energy-affordability-data-lead-tool>.

the following criteria filters: energy burden, energy cost, area median income, building age, heating fuel type, building type, and rent/own. The tool also displays data on race and educational attainment level.

The Energy Commission may want to consider disadvantaged communities (DACs) and low-income communities (LICs) with an average energy burden above a set threshold, as indicated by the DOE LEAD Tool, as another criterion when determining initial community focus areas. The CEC could also examine setting aside a certain amount or percentage of program funds for these communities. Alternatively, the presence of low-income households (within DACs and LICs) with an energy burden above a set LEAD threshold could also be considered as a community focus area criterion. CSE notes that determining energy burden at a household level would require additional application documentation for verification and more administrative processing.

Other resources the Energy Commission could leverage are the robust affordability framework and metrics established by the CPUC's Affordability Rulemaking.<sup>2</sup> This rulemaking defines affordability and sets residential household essential service levels for electric and natural gas services. It also outlines the following three metrics to assess the affordability of these services: 1) Affordability Ratio (AR; quantifies the percentage of a representative household's income that would be used to pay for an essential utility service, after non-discretionary expenses, such as housing and other essential utility service charges, are deducted from the household's income; the higher the AR, the less affordable the utility service); 2) Hours at Minimum Wage (quantifies the hours of earned employment at the city minimum wage necessary for a household to pay for essential utility service charges); and 3) CalEnviroScreen (already being incorporated into the Draft Guidelines through the inclusion of DACs in the Program).

The CPUC's rulemaking also developed an Affordability Ratio Calculator to help calculate the AR for representative households based on the most recently available socioeconomic, utility, and forecast data. Furthermore, the CPUC has identified Areas of Affordability Concern (ACCs)<sup>3</sup> using the AR scores. The CEC may want to consider these ACCs as another criterion when identifying initial community focus areas and setting aside a certain amount or percentage of program funds for these ACCs.

CSE also recommends the Energy Commission consider a staggered application period to allow households in DACs and LICs with the lowest income to access the Program first. This phased approach would ensure that households most in need of decarbonization measures and the least able to afford them would be the primary beneficiaries of the Program. CSE designed and administers the San Diego Solar Equity Project (SDSEP), a product of San Diego Gas & Electric (SDG&E)'s franchise agreement with the City of San Diego, which has such an approach. Based on stakeholder feedback, the eligibility

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<sup>2</sup> CPUC's Affordability Rulemaking accessed June 30, 2023, available at <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/affordability>.

<sup>3</sup> CPUC's 2020 Annual Affordability Refresh, Areas of Affordability Concern map accessed on June 30, 2023, available at <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/affordability/2020-annual-affordability-report>.

requirements in the second year of SDSEP will be rolled out in phases to first prioritize customers within Communities of Concern<sup>4</sup> and with lower total household incomes.<sup>5</sup>

- a. Following the initial phase, do you have recommendations regarding the process and criteria by which additional communities should be considered?*

CSE recommends the process and criteria to consider additional communities should be based on data derived from the initial phase. Tracking the outcomes of the initial phase will yield data to inform program design updates and any additional communities that should be considered to best achieve the overall goals of the Program. This data will be critical to identifying any gaps in uptake by initial community focus areas and any process improvements recommendations. Program data should be able to track both activity and outcome-based results and be quantitative (e.g., number of households reached) and qualitative (e.g., quality and impact of engagement) in nature. CSE encourages the Energy Commission to require CBOs to be part of the process that decides which data (e.g., indicators, metrics) should be collected. CBOs can also engage their respective communities to assist in the collection of this data.

## **II. Income Eligibility, Targeting Manufactured Homes**

- 5. Would you suggest changes to the proposed income verification requirements?*

CSE supports the CEC's proposal to verify income eligibility for single-family homes in a variety of methods, including proof of enrolment in income-qualified programs. Through its program administration experience, CSE has found that categorical eligibility reduces the administrative burden on the customer and makes the application process simpler. It also reduces the administrative burden on the program since the Program Administrator does not need to verify all of the customer's information. Categorical eligibility can also encourage layering with existing programs to assist participants in reaping the greatest amount of benefit.

CSE also supports the proposed requirement to demonstrate multifamily income eligibility by providing documentation of a rent regulatory agreement with federal, state, or local agencies identifying that least 66 percent of households earn less than or equal to 80 percent of the Area Median Income (AMI). This requirement aligns with other state programs and allows more properties to participate. CSE encourages the Energy Commission to require this type of regulatory agreement to have at least 10 years remaining on the term, as is required by the SOMAH Program. This requirement ensures that a property that receives the decarbonization and energy efficiency measures does not flip into a general market property.

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<sup>4</sup> Communities of Concern is the preferred term in the City of San Diego instead of DACs. These are identified by the City of San Diego's Climate Equity Index and include state-defined DACs and many other communities not ranked as DACs by CalEnviroScreen.

<sup>5</sup> San Diego Solar Equity Program (SDSEP) Program Handbook Version 3 accessed on June 30, 2023, *available* at [https://sdsolarequity.org/sites/default/files/documents/SDSEP\\_Program\\_Handbook.pdf](https://sdsolarequity.org/sites/default/files/documents/SDSEP_Program_Handbook.pdf).

CSE notes the proposed requirements to demonstrate multifamily income eligibility through pay stubs or annual tax returns or enrolment in income-qualified programs are better methods for single-family income verification. The proposed requirements would be administratively burdensome for the Program Administrators to process. Additionally, it may be difficult for a multifamily property owner to collect this information. Based on its program administrative experience with the SOMAH Program, CSE highlights it is best to have a pathway for eligibility that does not require action from the tenants.

6. *Would you suggest different or additional household/property targeting criteria?*

CSE supports the proposed inclusion of residential buildings such as assisted living facilities, transitional housing, and group homes as eligible building types. CSE recommends also including farmworker housing, correctional facilities, and rehabilitation facilities as eligible buildings.

7. *Would you suggest changes to the proposed set-aside for manufactured and mobile homes?*

CSE supports the proposed five percent funding set-aside for manufactured and mobile homes. Setting aside dedicated funding to these homes will help ensure their participation in the Program.

### **III. Eligible Measures, Cost Caps**

8. *Would you suggest changes or additions to the lists of required, eligible, and ineligible measures?*

CSE recommends the Energy Commission add ventilation technologies to the indoor air quality category in the list of eligible measures. These technologies help improve indoor air quality, reduce indoor pollutants, and improve health and comfort, moisture control, smoke and fume extraction, as well as odor control.

### **IV. Incentive Layering, Metrics**

10. *Do you have input on the proposed approach to program coordination and incentive layering?*

CSE strongly supports the proposed requirement for administrators to coordinate with other energy efficiency, weatherization, electrification and decarbonization programs at the local, regional, state, and federal level. As a Program Administrator, CSE acknowledges the importance of coordination because this helps ensure program funds are being implemented equitably and efficiently across all related programs, and that program benefits are reaching the most impacted communities and households.

CSE seeks two clarifications on the proposed requirement that complementary funding sources should be applied to a project prior to applying the Program's funds whenever possible. First, how will the total project cost be calculated if complementary funding sources are applied? For example, a project's total cost is \$20,000, where complementary funding provides \$5,000 and the remaining \$15,000 are funded by the Program: is the total project cost calculated from the view of the \$15,000 or from the \$20,000? Second, how will the Program track the receipt of complementary funding, especially federal tax credits?

11. *Would you suggest changes or additions to the list of goals and metrics? Do you have recommendations regarding the use of data and analysis to inform improvements to the program?*

CSE strongly supports the Energy Commission’s proposal to require Program Administrators to collect and report specified data and analyze it on a regular basis. CSE applauds the inclusion of detailed goals and metrics in the Draft Guidelines and recommends the addition of the following metrics to Table 6:

- Number of applications received, processed, and completed.
- Outreach, education, and engagement metrics: number of households contacted through various contractor and Program Administrator marketing, education, and outreach channels; number of applicant households that reside in community focus areas; and number of completed applications vs. dropouts, as well as follow-up research on reasons why the applications were not completed.
- Applicant household information: demographics (income, age, gender, ethnicity, race, resident address); contractor and resident attitudes towards decarbonization technologies and reasons for selecting a certain package of measures; property owner reasons for selecting a contractor to do the direct install work; contractor and resident post-adoption attitudes towards technologies and satisfaction with these measures; and whether the applicant reverted to older technologies.

CSE notes many of the equity metrics in Table 6 can be considered “outputs” or “early indicators”, which are helpful to track as the Program is implemented. However, these do not answer the longer-term questions of how well the Program helps decarbonize low- and moderate-income (LMI) households in an affordable manner over the life of the installed measures. The Governor’s goals are measurable, but they do not necessarily translate to lasting results if people cannot afford to operate and maintain the measures, particularly the electric appliances, or they do not understand how to use/maintain them. CSE recommends the CEC consider the following long-term outcomes as part of the Program’s use of data and analysis:

- Assess the extent to which the participating households: 1) kept the electric appliances and did not revert to gas or add secondary equipment; 2) were able to use the electric appliances without increasing their cost of living; and 3) were able to use the technologies without increasing use of electricity/gas (e.g., adoption of smart thermostats can sometimes lead to increased use of electricity/gas).
- Assess the affordability of the operation and maintenance of the measures, not just their costs or expenditures by measure category:
  - The extent to which this Program can be leveraged with other programs that provide incentives for operation and maintenance costs.
  - If complementary incentives cannot be identified, what is the amount of disposable income LMI households have to be able to cover these costs?



- What are the operations and maintenance costs of the measures and can families afford to run these technologies?
- Assess property owners' compliance of the Program's tenant protections:
  - How many landlords complied with the requirement to not increase rent because of improvements funded by this Program? If they did not increase rent, did they increase the price of utilities for program participants?
  - How many renters were displaced because of the retrofits? For how long? Why? Was it necessary?
- Assess program participants' understanding of the value of the decarbonization efforts (e.g., health outcomes, savings) and their support for the retrofits:
  - How many renters understand these values?

## **V. Tenant Protections, Workforce Standards**

12. *Would you suggest additional tenant protections? What services would tenants need to ensure that the proposed tenant protections are effective?*

CSE applauds the Energy Commission for including tenant protections in the proposed program design. These protections help ensure that low-income renters in DACs and LICs do not experience unintended negative consequences from the implementation of clean energy and decarbonization programs. In recognition of this, the SOMAH Program has prioritized tenant protection requirements since its development and continues to do so through implementation.

CSE supports the CEC's proposal to require Program Administrators to be responsible for providing tenants with the project information outlined in the Draft Guidelines. CSE recognizes that tenant education is necessary to inform participants about a program's benefits and impacts. As such, the SOMAH Program requires participating property owners to engage and educate tenants about their SOMAH project and provide SOMAH-approved information on energy efficiency, time-of-use rates, bill interpretation, training opportunities, and additional resources and support. CSE suggests the Energy Commission require the regional Program Administrators, as well as CBOs, to include these topics in addition to the ones proposed in the Draft Guidelines as part of their education and outreach efforts.

The SOMAH Program also requires participating property owners to not raise rent due to the cost of installing the solar systems. They are required to sign an affidavit attesting they will not raise rent due to that reason. CSE recommends that such a form, instead of more informal means of written communication (e.g., an email), be also required for projects funded by the Equitable Building Decarbonization Direct Install Program. As the CEC further refines the Draft Guidelines, CSE suggests the following for consideration: For how long would property owners need to commit not to raise the rent for? How would a renter be able to prove a rent increase was due to the improvements? Would the renters have the burden of proof?

13. *Would you recommend changes or additions to the proposed workforce standards and requirements?*

CSE supports the Energy Commission's proposal to leverage training opportunities for contractors and workers. CSE suggests one addition to this proposed standard. If substantive changes are made to the program guidelines after their initial adoption, as indicated in the Draft Guidelines, CSE recommends the Energy Commission require participating contractors to attend a mandatory training that reviews the revised program requirements. This training would ensure that contractors fully understand the Program and are informing active and potential customers about it. It is important to have ongoing training to ensure the work is done correctly, especially as technologies evolve and contractor knowledge evolves alongside it.

CSE encourages the CEC to institute contractor project caps to allow smaller, local contractors to competitively participate in the Program. For example, SDSEP limits participating contractors to five projects per year. During the first year of SDSEP, many of the larger contractors were able to hit this project cap within a few weeks of the program opening to applications. However, smaller contractors who had less resources to quickly complete their project installations had to reserve projects over a few months before reaching their five-project cap.

a. *Do you have input on how "local" should be defined (for the purpose of providing a preference of local contractors)?*

CSE suggests that data on the location of licensed contractors could be used to determine "local" for DACs, LICs, and community focus areas in each proposed region. For instance, if in one community there are 25 contractors within a 20-mile radius, that radius could be used to define "local". However, if in another community there are no contractors within 50 miles, different criteria should be considered.

**Conclusion**

CSE appreciates the opportunity to provide these comments regarding the Equitable Building Decarbonization Direct Install Program Draft Guidelines. We look forward to continued collaboration with the CEC and stakeholders in developing the final guidelines for this Program.

Sincerely,



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