

DOCKETED

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Project Title:	Inflation Reduction Act Residential Energy Rebate Programs
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Document Title:	Request for Information (RFI)
Description:	Request for Information to inform the CEC's application to the US Department of Energy for the federal Home Efficiency Rebates (HOMES) Program, funded through the Inflation Reduction Act (IRA).
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CEC-057 (Revised 1/21)



REQUEST FOR INFORMATION

Inflation Reduction Act

Home Efficiency Rebate Program (HOMES)

Docket No. 23-DECARB-01

The California Energy Commission (CEC) invites the public to provide comments on its approach to program design for the federal Inflation Reduction Act (IRA) Home Efficiency Rebates (HOMES) Program and its application to U.S. Department of Energy (DOE) for \$292 million in funds. To facilitate feedback and recommendations, staff has developed a list of questions in the Input Request section of this document. Individuals are invited to provide input on staff questions as well as program-related topics not posed.

Comments and supporting documentation are **due by 5:00 p.m. on Friday, January 12, 2024.**

Background

On August 16, 2022, President Biden signed the IRA, Pub. L. 117-160, into law. The law provides \$391 billion nationwide to support clean energy and address climate change, including \$4.3 billion designated for the HOMES Program specifically. The goals of HOMES, together with the sister Home Electrification and Appliance Rebate (HEEHRA) Program which comprise the IRA's Home Energy Rebate Programs, are to help households save money on energy bills, improve energy efficiency, reduce greenhouse gas (GHG) emissions, and improve indoor air quality. The DOE estimates the Home Energy Rebate Programs will save American households up to \$1 billion on energy bills each year and support over 50,000 U.S. jobs.¹

California will be allocated \$292 million in HOMES funding to support whole home energy retrofits. While funding is formula-driven (non-competitive), states must submit applications to DOE that include detailed plans covering program design criteria including use of funds, rebate eligibility, rebate delivery, compliance, community benefits, consumer protection, data gathering, reporting, and market transformation in accordance with the HOMES Program requirements. The first section of the application, or "Narrative Template" and budget, covers basic program design and general eligibility

¹ United States Department of Energy. Home Energy Rebate Programs Webpage.
<https://www.energy.gov/scep/home-energy-rebate-program>

rules. The second section consists of an “Implementation Blueprint” as well as plans for community benefits; education and outreach; consumer protection; utility data access; and a privacy and security risk assessment.² This Request for Information will primarily inform the development of the Narrative Template and budget, and may also inform the development of the Implementation Blueprint and plans.

CEC will design its HOMES Program to advance California’s energy and climate goals, including reaching carbon neutrality by 2045, installation of 6 million heat pumps by 2030, and prioritizing energy equity. At this time, CEC is planning on incorporating or “braiding” HOMES funding with the Equitable Building Decarbonization (EBD) Direct Install Program³ to realize administrative efficiencies, thus allowing more funding to go towards decarbonization activities that benefit Californians. If braiding the programs is not feasible, and CEC needs to develop a separate whole house decarbonization program to meet federal rules, CEC would like input as to program design.

HOMES Program Guidance

DOE released application instructions and guidance for the HOMES Program in July of 2023 and modified the guidance in October of 2023.⁴ Key components of the guidance include:

- Energy savings of 15 percent or greater is required per portfolio of homes measured in kWh or kWh using a “measured savings” approach and savings of 20 percent or greater are required per home using a “modeled savings” approach.
- Approximately 40 percent of rebate funds are required to be allocated to low-income households (income less than 80 percent Area Median Income) regardless of building type with an additional 10 percent allocated specifically to low-income multifamily buildings (defined as at least 50 percent of households with income less than 80 percent Area Median Income).
- Single-family and multifamily buildings are eligible. Manufactured homes are also eligible.
- Rebates may be structured to cover a fixed percentage of project costs or as a Pay-for-Performance calculation with higher rebate amounts for low-income households. States may seek DOE approval to increase the maximum rebate amounts available for low-income residents.
- Justice 40 requirements indicate 40 percent of rebate funds must flow to disadvantaged communities.

² Application resources can be found at <https://www.energy.gov/scep/home-energy-rebates-programs-guidance>.

³ <https://www.energy.ca.gov/programs-and-topics/programs/equitable-building-decarbonization-program>

⁴ https://www.energy.gov/sites/default/files/2023-10/home-energy-rebate-programs-requirements-and-application-instructions_10-13-2023.pdf.

Input Request

As stated above, CEC is planning to braid California's allocation of HOMES funding into the EBD Direct Install Program. RFI Question 1 below solicits feedback on that plan. The remaining questions apply should the CEC not braid HOMES funding into the EBD Direct Install Program. These questions fall into four categories: overall program design, rebate determination approach and rebates values, eligible recipients, and income verification.

- 1) **Braiding HOMES with Equitable Building Decarbonization Direct Install Program.** Assembly Bill (AB) 209 (Chapter 251, Statutes of 2022) directs the CEC to develop and implement the Equitable Building Decarbonization Program which includes a direct install component. The CEC subsequently allocated \$690 million⁵ to the EBD Direct Install Program and adopted Direct Install Program Guidelines⁶ in October 2023 with goals of reducing GHG emissions and advancing energy equity. The EBD Direct Install Program will serve low-income residents with energy decarbonization packages installed at no-cost. Packages will, at a minimum, include a heat pump for space or water heating and may also include induction ranges and electric clothes dryers, air sealing, insulation, solar window film, LED lighting, air filtration, electrical wiring and panel upgrades, and remediation and safety measures. Additionally, all households served must be located in an underresourced community.⁷

Braiding HOMES funding with the EBD Direct Install Program would support building decarbonization for additional low-income residents while streamlining implementation and minimizing administrative costs by utilizing the same set of administrators and regional infrastructure. In the braiding scenario, CEC would seek approval from DOE to cover 100 percent of project costs for low-income households in alignment with the EBD Direct Install Program. The HOMES requirement for portfolios of projects to realize certain thresholds of energy savings would only apply to federally funded projects.

- a. Share any best practices for braiding federal and state funds for highly effective rebate, incentive, and/or direct install programs aimed at households in disadvantaged communities or meeting low-income guidelines.

⁵ As reflected in the EBD Direct Install Guidelines, CEC set aside an additional, separate \$30 million for a Tribal Direct Install Program

⁶ <https://www.energy.ca.gov/publications/2023/equitable-building-decarbonization-direct-install-program-guidelines>.

⁷ "Underresourced communities" include the following three areas: (1) disadvantaged communities as defined by CalEPA; (2) Census tracts in which the median household income is at or below 80% of the statewide median income; and (3) Census tracts in which the median household income is at or below 80% of the area median income for the county.

2) In the situation where CEC **does not incorporate/braid HOMES** program funding into the EBD Direct Install Program, respond to the following questions to inform CEC's HOMES program design and application to DOE.

a. Overall program design:

- i. How can HOMES funds that are awarded to deliver residential whole building energy efficiency retrofits, be best utilized to support the state's decarbonization and electrification goals?
- ii. Aside from ensuring that program participation is a simple process from the resident's point of view and the need to avoid cash outlays, how should the program be structured to support widespread access and uptake in households located in disadvantaged communities or with a low income? How could CEC structure HOMES's pay-for-performance option to reach low-income communities more effectively?
- iii. If funds are provided directly to existing residential efficiency programs, which programs will make the highest impact in terms of market transformation for efficiency and decarbonization technology?
- iv. Leveraging and stacking:
 - a) CEC has gathered feedback on how electrification incentives could best be leveraged and stacked with existing programs. Are there additional considerations for best leveraging and stacking residential whole house efficiency rebates, like HOMES with existing programs?
 - b) Are there considerations for stacking pay-for-performance rebates (see below) with existing programs?
 - c) What are the best strategies for effective and efficient integration into existing programs' administration, websites, and materials?
 - d) Which existing program quality assurance, quality control, workforce, or other implementation standards or best practices should be taken into consideration or used as a model?

b. Rebate determination approach and rebate values. DOE offers both a modeled and a measured savings pathway. The measured savings pathway requires energy savings of 15 percent or greater per home or portfolio of homes.

As noted above, through the measured savings pathway, the state can choose to set rebate values by either 1) paying a fixed portion of the project cost (80 percent for low-income households and 50 percent for households with income at 80 percent AMI or greater or 2) a pay-for-performance calculation payment rate equal to \$4,000 for a 20 percent reduction of energy use for the average home in the state for low-income households and \$2,000 for a 20 percent reduction of energy use for the average home in the state for households with

income at 80 percent AMI or greater. States may seek approval from DOE to increase the maximum amount available for low-income households.

For both measured pathway options, CEC is to receive and review nine to 12 months of each retrofitted home's energy consumption data to confirm 15 percent of energy savings **prior** to issuing a rebate to the contractor, aggregator, or program implementers. Additionally, states must design programs such that low-income households are not required to use personal funds to pay for rebate-covered work.

- i. What are the advantages and drawbacks of program design using the fixed costs versus pay-for-performance method? Can the pay-for-performance method effectively serve low-income households?
 - ii. What are the options to manage and allocate performance risk and financing costs during the 9 to 12-month post-installation period prior to issuing the rebate? Options should consider at a minimum that: low-income households are not required to utilize personal funds to pay for rebated work, the inability for many contractors, installers, or small businesses to "float" rebate costs, and the cost of capital for aggregators (or some designated entity) to float those costs.
 - iii. For the fixed cost method, how should the CEC approach setting allowable project cost caps? What are similar programs CEC should use as examples?
 - iv. What is the best way for the CEC to obtain consistent and sufficient documentation for contractors, such as itemized cost breakdowns, while remaining consistent with contractor business practices?
- c. **Eligible recipients.**
- i. Should CEC reserve additional HOMES funds for low-income households, beyond the DOE-requirement of 50 percent of total rebate funds? If so, why, and what percent?
- d. **Income Verification.**
- i. What approaches should CEC consider to verify individual household income that are efficient and accurate, safeguard information, and create a minimal burden for residents? Please provide examples of other programs and why you consider them effective models?
 - ii. The EBD Direct Install Guidelines established a list of federal and state assistance programs that can be accepted to qualify a resident as low-income (i.e., "Categorical Eligibility"). Should the CEC utilize the same list of programs for Categorical Eligibility for a program(s) developed with HOMES

funding? In addition to the programs found in Section E.3. of the Guidelines, are there additional programs CEC should consider?⁸

Responses and Comments

Written comments may be submitted to the Docket Unit by 5:00 p.m. on Friday, January 12, 2024. Written comments, attachments, and associated contact information (including address, phone number, and email address) will become part of the public record of this proceeding with access available via any internet search engine.

The CEC encourages the use of its electronic commenting system. Visit the e-commenting page for this docket 12-DECARB-01 at <https://efiling.energy.ca.gov/EComment/EComment.aspx?docketnumber=23-DECARB-01>. Enter your contact information and a subject title that describes your comment. Comments may be included in the “Comment Text” box or attached as a downloadable, searchable document in compliance with California Code of Regulations, Title 20, section 1208.1. The maximum file size allowed is 10 MB.

Written comments may also be submitted by email. Include docket number 23-DECARB-01 and “RFI Inflation Reduction Act Residential Energy Rebate Programs” in the subject line and email to docket@energy.ca.gov.

A paper copy may be mailed to:

California Energy
Commission Docket Unit,
MS-4
Docket No. 23-DECARB-01
715 P Street
Sacramento, California 95814

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Media Inquiries. Email mediaoffice@energy.ca.gov or call (916) 654-4989.

Technical Subject and General Inquiries: Email Miriam Joffe-Block at miriam.joffe-block@energy.ca.gov or call (916) 883-6262.

⁸ <https://www.energy.ca.gov/publications/2023/equitable-building-decarbonization-direct-install-program-guidelines>.

Availability of Documents: [Documents and presentations](#) for this meeting will be available at docket 23-DECARB-01, at <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=23-DECARB-01>.

When new information is posted, an email will be sent to those subscribed to the Federal IRA Residential Energy Rebates list. To receive these notices or notices of other email subscription topics, visit [Subscriptions](#), at <https://www.energy.ca.gov/subscriptions>. The Inflation Reduction Act Residential Energy Rebate Programs [webpage](#) can be found at <https://www.energy.ca.gov/programs-and-topics/programs/inflation-reduction-act-residential-energy-rebate-programs-california>.

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