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CSE comments on RFI for HOMES Program

Additional submitted attachment is included below.

January 23, 2024

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

Re: Docket No. 23-DECARB-01– Comments of Center for Sustainable Energy® regarding the Request for Information for the Inflation Reduction Act Home Efficiency Rebate (HOMES) Program

Center for Sustainable Energy® (CSE) appreciates the opportunity to comment on the California Energy Commission’s (CEC or Energy Commission) approach to program design for the Inflation Reduction Act (IRA) Home Efficiency Rebates (HOMES) Program and its application to the U.S. Department of Energy (DOE).

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.

Based on its experience as a Program Administrator, CSE offers feedback and recommendations on the following question categories outlined in the Request for Information (RFI):

- I. Braiding HOMES with Equitable Building Decarbonization Direct Install Program
- II. Overall program design
- III. Rebate determination approach and rebate values
- IV. Eligible recipients
- V. Income verification

I. Braiding HOMES with Equitable Building Decarbonization Direct Install Program

- 1a. *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.*

CSE strongly supports the Energy Commission’s plan to braid the HOMES Program with the Equitable Building Decarbonization (EBD) Direct Install Program. As these programs are incorporated, CSE recommends aligning their requirements, where feasible, with those of other energy efficiency and building decarbonization programs. For example, CSE is part of the Program Administrator team for the Solar On Multifamily Affordable Housing (SOMAH) Program, a statewide solar incentive program

directed by the California Public Utilities Commission (CPUC), which provides incentives for solar installations on multifamily residential properties in low-income and disadvantaged communities or owned by tribes or public housing authorities/agencies. The program also includes job training and tenant outreach requirements. SOMAH provides information on stackable programs and Technical Assistance (TA) services to ensure collaborative and intentional participation across related programs, such as the Low-Income Weatherization Program (LIWP) and Energy Savings Assistance Program (ESA).¹ An important component of successfully braiding programs is program awareness and co-marketing to create effective and targeted referrals to ensure eligible customers are taking advantage of all opportunities available to them.

II. Overall program design

2a.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?*

In the case the CEC is not able to braid the federal funding from the HOMES Program into the EBD Direct Install Program, CSE recommends the separate HOMES-funded program 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 amongst programs because this helps ensure program funds are implemented equitably and efficiently across all related programs, and that program benefits reach the most impacted communities and households, all while supporting the state's decarbonization and electrification goals.

CSE also encourages the HOMES-funded program to track and coordinate with upcoming building electrification regulations because these often include energy efficiency provisions. An example of a regulation currently in development is the California Air Resources Board's Zero-Emissions Appliance Standard.²

Lastly, CSE encourages the Energy Commission to request approval from the DOE to use HOMES rebates for low-income households to cover up to 100 percent of the project cost. While CSE acknowledges the CEC is already planning to request this in the braiding scenario, it recommends the agency make the same request if the programs cannot be braided. This will help align program requirements between the HOMES Program and the EBD Direct Install Program; the latter will cover 100 percent of the project cost for low-income households. For non-low-income customers, the HOMES-funded program should supplement other programs by covering projects costs not covered by those programs.

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¹ SOMAH Program "Stackable Programs," accessed January 23, 2024, *available at* <https://calsomah.org/stackable-programs>.

² California Air Resources Board's Zero-Emissions Appliance Standard accessed January 23, 2024, *available at* <https://ww2.arb.ca.gov/our-work/programs/zero-emission-appliance-standards>.

2a.ii. *How should the program be structured to support widespread access and uptake in households located in disadvantaged communities or with a low income?*

CSE recommends the Energy Commission require community-based organizations (CBOs) to be part of the Program Administration (PA) team for the HOMES-funded program, just like is required for the EBD Direct Install Program. CBOs can provide culturally and linguistically appropriate outreach and education to support the program uptake of low-income households and disadvantaged communities. CSE has extensive experience partnering with CBOs in the programs it administers and recognizes their expert contributions in the co-development, implementation, and evaluation of a program.

Based on its program administration experience with the SOMAH Program, CSE recommends the CEC consider the following lessons learned and best practices for the meaningful and impactful design of a program serving low-income and disadvantaged communities:

- Clearly define whom the program will serve to give program administrators a clear understanding of which groups/communities to engage to ensure the program best serves its participants.
- Create a Program Handbook in a transparent and collaborative process and make it publicly accessible.
- Develop program rules that are clear, consistent, easy to follow, and informed by community-identified needs and priorities.
- Host events and webinars to encourage engagement and training (e.g., applicant and contractor eligibility training; public forums to provide program updates and receive feedback).
- Craft a straightforward incentive design co-designed with CBOs that enables participants to clearly understand for what incentives they qualify.
- Provide a payment option for contractors, installers, and small businesses that allows for a partial incentive payment at an earlier project milestone instead of providing the full incentive after project completion.
- Connect customers with low or no-cost gap financing options, when project costs are not completely covered, to improve project viability and relieve financial challenges around upfront project costs.

2a.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?*

CSE recommends the HOMES funds be dedicated to a separate whole house decarbonization program instead of provided to existing residential energy efficiency programs. Most of these existing programs are funded by ratepayers, and combining these funds with federal funds would be administratively burdensome (and thus more costly) for the program administrators and the programs overall. It would also likely cause greater confusion amongst participants due to the programs' separate rules. If HOMES funds were to be provided to existing programs, they would become subject to the other programs'

rules and utilize those programs' existing relationships and marketing efforts. Consequently, these may not meet the needs of low-income households and disadvantaged communities or the requirements of the federal funds.

CSE also notes it would be easier for a separate HOMES-funded program to coordinate with just one program, the EBD Direct Install Program, instead of myriad energy efficiency programs. The EBD Direct Install Program would already be coordinating with other programs serving the targeted participants, thus minimizing redundancies.

2a.iv.a) Are there additional considerations for best leveraging and stacking residential whole house efficiency rebates, like HOMES with existing programs?

CSE recommends the eligibility requirements for the HOMES-funded program align, where feasible, with those of other programs to enable the programs to be stacked. Based on its program administration experience with the SOMAH Program, CSE highlights these additional best practices to facilitate program stacking:

- Integrate cross-program referral processes.
- Prioritize co-marketing with stackable programs.
- Create a clear, publicly accessible resource to identify stackable programs, e.g., list on webpage.
- Offer free technical assistance to support stackable programs by providing information about other programs and acting as a liaison to these, where applicable.
- Allow for demonstration of income eligibility for households in low-income and disadvantaged communities through: 1) categorical eligibility (i.e., show proof of participation in an income-qualified program); or 2) by requiring participants to provide limited or modified documentation to reduce administrative burden.

2a.iv.c) What are the best strategies for effective and efficient integration into existing programs' administration, websites, and materials?

As a Program Administrator, CSE has found that frequent coordination with other programs is key to help ensure their layering and stacking. CSE notes that consistent and clear messaging about a program's eligibility requirements and benefits, along with the inclusion of each program's logo in educational materials, are useful strategies when marketing across programs. Additionally, CSE recommends the HOMES-funded program website be tailored for different program audiences (e.g., tenants, property owners, contractors) so that each audience can easily find resources relevant to them, including information on other programs for which they may be eligible. The SOMAH Program does this through webpages specific to various audiences with customized resources and educational materials (e.g., utility bill changes for each utility; videos on program requirements, how to apply).

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2a.iv.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?*

CSE recommends the CEC use the EBD Direct Install Program Guidelines as a starting point for the quality assurance, quality control, workforce, and other implementation provisions of the HOMES-funded program. These Program Guidelines underwent a comprehensive engagement process that incorporated suggestions from environmental justice advocates, CBOs, and workforce development organizations.

Additionally, CSE suggests that contractors and installers complete an annual, one-hour, virtual eligibility training to ensure they are aware of the latest program requirements and to be included/remain on the list of eligible contractors. CSE requires this in the San Diego Solar Equity Program (SDSEP)³ it administers.

CSE encourages the Energy Commission to develop a contractor/trade ally network for the HOMES-funded program to provide contractors with benefits on various fronts. Network members could receive, for example: free technical training, project support, aid in identifying potential customers, financing assistance, marketing support, and other activities deemed necessary and valuable. Contractors would also need to meet minimum requirements to be network members, e.g., complete at least one HOMES project or complete a certain number of training hours.

CSE also recommends the Energy Commission implement a process for program non-compliance. The agency may want to consider the recourse for program requirement non-compliance outlined in the SOMAH Program Handbook⁴, which outlines the following: issuance of infractions and failures; grounds for program probation; grounds for incentive payment claw back or reduction; grounds for immediate disqualification from the program; the process to notify infractions or failures; and the process for removal from the program. While the goal is not to have compliance issues with participants, having a clear set of expectations, standards, and repercussions provides clarity to all participants. This creates an efficient and effective process to address challenging circumstances of non-compliance should they arise. In addition, CSE recommends the CEC require contractors and installers to maintain a valid and active contractor's license and be in good standing with the program, which can be accomplished through the absence of infractions or failures for noncompliance.

CSE suggests that program administrators develop a quality assurance sampling procedure of applications, including the determination of sampling rates, to ensure quality control of the application processing process. This type of procedure is included in the programs CSE administers to ensure high quality work product, consistent user experiences, and to maintain overall accuracy. Building a quality

³ SDSEP is a product of San Diego Gas & Electric's (SDG&E) franchise agreement with the City of San Diego.

⁴ SOMAH Program Handbook, Section 4.9: Recourse for Program Requirement Non-Compliance, accessed January 23, 2024, available at <https://calsomah.org/resources/program-handbook#Group4Sub9>.

assurance process at the start of a program provides a supportive structure to maintain effective program administration and build in efficiencies over time with consistent quality control.

III. Rebate determination approach and rebate values

2b.i. *What are the advantages and drawbacks of program design using the fixed cost versus pay-for-performance method? Can the pay-for-performance method effectively serve low-income households?*

CSE recognizes that the fixed cost and pay-for-performance rebate options for the measured savings pathway present different advantages and drawbacks when applied to different rebate recipients. CSE recommends the HOMES-funded program not use the pay-for-performance option, particularly for rebates for low-income households. If the performance risk is wholly on the program administrator and not on the rebate recipient, incentives based on performance can help ensure that program goals are met and systems continue to operate as anticipated. If this is not the case, pay-for-performance incentives could create uncertainty for project financing, such as delayed payments, if the data reported does not meet the expected system performance. This method can also result in increased costs for project developers and program participants if they are required to contract with a third-party performance data provider. Furthermore, pay-for-performance incentives require establishing a baseline against which the energy savings can be compared, which could cause funding uncertainties.

If the performance risk lies with the low-income rebate recipient, CSE notes the pay-for-performance method will *not* effectively serve low-income households because this method can necessitate high upfront payments or the use of loans for rebate-covered work. If a loan is needed, and it has a term that is less than the timeframe required for the performance-based payment to be issued, it could result in the receiving party having to pay the difference upfront or take out another loan. According to the Energy Commission's Senate Bill (SB) 350 Low-Income Barriers Study, Part A,⁵ high upfront payments or copayments, along with insufficient access to capital and limited disposable funds, are financial barriers that low-income and disadvantaged communities face to gain access to energy efficiency and renewable energy technologies. Additionally, it is unlikely the pay-for-performance option would factor in behavioral attributes and cultural elements that can enable or hinder technology adoption in these communities. For example, would the pay-for-performance method consider that it might take longer for a low-income household to start using certain technologies, thus delaying energy savings, because there might be a higher learning curve on how to use these technologies due to a language barrier?

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⁵ California Energy Commission's "Low-Income Barrier Study, Part A: Overcoming Barriers to Energy Efficiency and Renewables for Low-Income Customers and Small Business Contracting Opportunities in Disadvantaged Communities" accessed January 23, 2024, available at <https://efiling.energy.ca.gov/getdocument.aspx?tn=214830>.

2b.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?

CSE notes the Energy Commission needs 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. It may be difficult for a program administrator to quickly obtain this data from utilities because utilities are not allowed to disclose personal energy usage to a third party.⁶ To access this information, a household participating in a program developed with HOMES funding will need to authorize their utility to disclose their meter data to a third party through an authorization process, similar to how it is done in demand response programs.

This required authorization adds another step to the administrative process, which can delay installation of efficiency measures, especially if a customer is unaware of this authorization. Additionally, if the customer consent forms are unavailable in various languages, it might take longer for a non-English speaking customer to sign the form, possibly requiring assistance from the program administrator with completing the form. Even if a customer understands English, they might still need assistance with the form. These scenarios would further delay the installation process.

CSE also notes that a data collection system that uses advanced meter-based measurement and verification methods allows for accurate assessment of energy savings post-installation. This integration streamlines the process, ensuring efficient and rigorous validation of energy savings, which is vital for the program's success in achieving significant reductions in home energy consumption.

2b.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?

Based on its program administration experience, CSE recommends the CEC consider flexible cost caps on labor costs to reflect local economic conditions. For example, the labor costs for projects in one region of the state are capped at a certain amount, whereas the labor costs in another region are capped at a different amount. This would be similar to the federal meal per diem amounts, which vary by city and region. Also, the labor cost caps can be adjusted over the program's lifetime based on implementation data. CSE notes that equipment costs should stay relatively the same across regions because contractors buy in bulk to bring costs down.

CSE administers the Self-Generation Incentive Program (SGIP) in the San Diego Gas & Electric service territory. This program supports reductions of greenhouse gas emissions and on-site electric demand by funding installations of qualifying distributed energy technologies designed to meet all or a portion of a customer's electrical needs. SGIP does not have individual project cost caps; instead, it does not allow the total incentive amount to exceed the total eligible project cost. The SOMAH Program has a similar requirement. This practice not only future-proofs the program's life by ensuring eligible technologies are

⁶ Public Utilities Code – PUC § 8380 (b)(1), accessed January 23, 2024, *available at* <https://codes.findlaw.com/ca/public-utilities-code/puc-sect-8380.html>.

covered, regardless of the potential change in costs, but it also allows for flexibility in system sizing and requirements based on the benefiting project site.

2b.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?

CSE recommends contractors be required to enter project costs showing labor and equipment costs separately in the incentive application to ensure proper data collection and for reporting purposes. Additionally, the application should allow for content to be updated/changed, as needed, before it is completed to be mindful of the evolving costs and change orders that may occur throughout a project cycle. This has proven beneficial in current programs, such as SGIP, that regularly experience changes in the availability of commercially available products due to manufacturing supply constraints. Contractors should also submit a copy of the contract signed by the program participant for the purchase and installation of efficiency measures, accompanied by itemized cost breakdowns, to ensure accurate cost data is collected and reported, which is important for understanding the market and impact of incentives. Submitting a copy of the contract also ensures the incentivized technologies and services accurately match what is being provided to the customer. Based on our program administration experience, CSE also recommends that contractors provide the warranties on the various installed measures as a customer protection strategy.

IV. Eligible recipients

2c.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?

CSE recommends the Energy Commission reserve 100 percent of total rebate funds for low-income households so that this requirement aligns with the portion of the EBD Direct Install Program funded by general funds. This will help streamline the stacking of both programs, thus making for an easier customer experience for program participants. Additionally, the first phase of the EBD Direct Install Program will be limited to low-income households, and the 100 percent requirement would further allow for program alignment.

V. Income verification

2d.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?

Based on its program administration of SDSEP, CSE recommends a series of options to verify household income in the HOMES-funded program. In SDSEP, these options reflect the input received from the CBOs and equity organizations with whom CSE consulted in the development of this program's guidelines.

First, the program applicant fills out a "household income summary form" that includes the total household size and a list of all household members 18 years or older. The applicant is also asked to

submit the most recent Internal Revenue Service (IRS) Form 1040 (Individual Income Tax Return) for each adult household member (18 years old and older). If a Form 1040 is not available, the applicant can submit their most recent W-2 Form (Wage and Tax Statement). If a W-2 is not available, the applicant is asked to submit twelve (12) months of their pay stubs.

Alternatively, the HOMES-funded program could request that applicants submit their tax return transcript instead of Form 1040. This can be done by uploading the document to a secure portal as part of the application process or mailing it to the program administrator. A CBO could also help an applicant upload their transcript. A more customer-centric approach is for a program administrator to be approved to work with the IRS, which would enable it to request tax transcripts for applicants on their behalf, therefore removing many potential barriers for the applicant.

2d.ii. *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?*

CSE strongly supports the CEC's proposal to utilize the EBD Direct Install Program's list of programs for categorical eligibility for the HOMES-funded program. This list is more extensive and includes all the programs in the DOE Guidance.

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 facilitate layering with existing programs to assist participants in reaping the greatest amount of benefit.

Conclusion

CSE appreciates the opportunity to provide these comments regarding the Energy Commission's Request for Information for the Inflation Reduction Act (IRA) Home Efficiency Rebates (HOMES) Program. We look forward to continued collaboration with the CEC and stakeholders in this program's development.

Sincerely,



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