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Additional submitted attachment is included below.



CALIFORNIA REQUEST FOR INFORMATION (RFI) Inflation Reduction Act Residential Energy Rebate Programs Docket#: 23-DECARB-01

Pearl Certification Response

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Introduction

Thank you for the opportunity to respond to the Request for Information on the California Energy Commission's approach to program design for the Inflation Reduction Act's (IRA's) Home Efficiency Rebates (HOMES) Program.

Pearl Certification is a third-party certification services provider focused on transforming the market for energy-efficient, high-performing homes at a scale that will make a real difference in increasingly urgent efforts to mitigate the climate crisis. Pearl catalyzes market transformation by 1) Making the energy efficiency features of the home visible at the time of sale through certification of the home's overall efficiency and specific high-performance assets and 2) Providing homeowners with tools to make efficiency improvements throughout their homeownership life cycle.

As a [public benefit corporation](#), Pearl was created to generate social and public good and to operate in a responsible and sustainable manner. Pearl, like all public benefit corporations, balances the interests of those who are involved and affected by the corporation (such as employees and customers), as well as the advancement of their intended public benefit goal. As such, we help homeowners while simultaneously partnering with businesses and public entities to build a market that rewards energy efficiency. This holistic approach increases both the supply of and demand for sustainable, energy-efficient housing. With a track record of certifying over 189,000 homes in 49 states including nearly 43,000 in California, our expertise lies in bridging the gap between energy efficiency and real estate. The leadership team at Pearl brings a cumulative 200 years of experience in energy efficiency and renewable energy, having played key roles in developing federal programs and managing leading home performance initiatives across the U.S. We are a proud partner of the DOE's Home Energy Score and the only national sponsor of Home Performance with ENERGY STAR.

Pearl can help California meet the third-party certification requirement of the HOMES program and serve as a cornerstone of the state's Market Transformation Plans for both the HOMES and HEEHRA programs. With our focus on driving robust, scalable, and sustainable demand for energy-efficient, high-performing homes across the United States, we look forward to the possibility of partnering with the Commission in the implementation of these programs and beyond.

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PEARL PROUDLY WORKS IN PARTNERSHIP WITH:





2. a.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?

We view the IRA rebate programs as an opportunity to fuel California’s electrification and decarbonization goals, and also to establish a sustainable market for energy-efficiency products and services that endures in perpetuity after the incentives are expended. To ensure that this opportunity is realized, it is important to leverage lessons learned from the last major federal energy efficiency rebate program.

Pearl’s founders played leadership roles in public policy and program management during the implementation of the 2009 American Recovery and Relief Act (ARRA). The ARRA programs were intended to stimulate long-term consumer demand for energy upgrades, but they ultimately did not. Due to reporting and regulatory compliance burdens and unforeseen obstacles in the market, the program rollout was delayed¹, compounding the stress of an already short implementation window. When the programs ended, consumer demand for efficiency improvements dried up, and contractors shelved their blower doors and returned to previous business practices. The experience of ARRA program implementation did generate a wealth of information about program design, homeowner perspectives on efficiency, and on the way information about efficient homes was. It was not being received and used by the real estate industry. ARRA also demonstrated the need to make the absolute most out of funds as soon as they are provided to residents.

Pearl recommends prioritizing long-term market transformation over solely focusing on incentive funding deployment to achieve California’s decarbonization and electrification goals. Pearl commends California’s emphasis on serving underserved communities, given the intensity of the energy burden and significant environmental justice, access, equity, diversity, and inclusion issues that persist in these areas. Maximizing benefits to these residents and achieving the state’s ambitious decarbonization and electrification goals, including installing 6 million heat pumps by 2030, reaching 3 million climate-ready and climate-friendly homes by 2030, and 7 million climate-ready and climate-friendly homes by 2035² will require more than just getting incentive funding out the door. Pearl recommends leveraging market forces to create a long-lasting market impact, such that California sees its electrification and decarbonization goals realized and progress continues beyond the incentives. To that end, taking advantage of established tools designed to maximize market transformation should be an important element of program design.

We know that while rebates can lower the costs for consumers, ultimately, the market will be transformed when homeowners, appraisers, lenders, and real estate agents value the features and benefits of high-performing homes. Homeowners can then factor added equity value into their home investment decisions. Pearl has published a [white paper](#) to help understand how third-party certification drives market transformation. The fundamental idea behind third-party certification as a vehicle for market transformation is straightforward: a quality certification makes the energy-efficient and other high-performing features in a home visible and exciting to homeowners and home buyers. The buyers pay more money for the home, validating the equity value of investments made by the seller. This serves as a critical market signal for other homeowners: when efficiency translates into

¹ <https://www.energy.gov/sites/prod/files/OAS-RA-11-10.pdf>

² <https://www.gov.ca.gov/wp-content/uploads/2022/07/07.22.2022-Governors-Letter-to-CARB.pdf>



home equity, they have a powerful new motivation to make efficiency improvements. The buyer also has confidence that real energy savings and non-energy benefits offset the price premium they pay.

This dynamic is particularly important for a low-income household, where even a modest increase in home equity has more significance than an upper-income household. The increase in home value directly contributes to building individual generational wealth for the homeowner. The transformational effect of driving more demand for high-performing homes translates to more low-income homeowners having access to high-performing homes and enjoying their benefits, including lower monthly operating costs and lower monthly payments (when lenders actually consider high-performing features). In other words, certification and its transformational effect in the market supports wealth building in lower-income communities. This isn't just a theory; Pearl has commissioned four independent [appraisal studies](#) in four different markets that show Pearl-Certified homes command a 3% to 5.5% premium.

We believe this catalyzing effect of third-party certification can serve as a critical piece of your Market Transformation Plan required under IRA and help demonstrate real market impact when reporting to DOE on the IRA rebates. These impacts could also be incorporated into the annual reporting to the California Legislature on the Equitable Building Decarbonization (EBD) Program.

2.a.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' pay-for-performance option to reach low-income communities more effectively?

We believe that a comprehensive and community-centric approach is crucial to ensure widespread access and uptake of the HOMES program in disadvantaged communities or low-income households. We recommend implementing targeted outreach strategies to raise awareness and engage communities, collaborating with local Community-Based Organizations (CBOs), including churches, neighborhood associations, and advocacy groups. These organizations can help bring people together and gather residents for informational sessions, workshops, and events to educate residents about the benefits of the HOMES program. To further engage residents, we recommend facilitating local workforce development programs that encourage residents within these communities to participate actively in the program. This includes offering training and employment opportunities for community members ensuring that the workforce delivering energy efficiency upgrades reflects the diversity and local expertise of the community. Taking advantage of DOE's [Training for Residential Energy Contractors](#) grant program is an excellent step in this direction. Ultimately, this approach works to address economic disparities and foster a sense of community ownership in your program. Finding organizations to administer this program with strong connections to CBOs and demonstrated success in program uptake in underserved communities is critical.

These residents also need targeted educational materials and support systems that cater to their unique needs and preferences to empower them to participate. This includes translating technical information into accessible formats, offering multilingual resources, and providing personalized assistance to guide residents through the program. It's also critical to speak to your residents in ways



that emphasize the long-term benefits, including energy savings, increased home comfort, and other non-energy benefits.

In addition to directly reaching disadvantaged communities and those with low income, engagement with appraisers and lenders is a barrier Pearl is actively addressing. These crucial gatekeepers are responsible for ensuring the proper valuation and access to financing of high-performing homes.

We are actively participating in these solutions through the design of our certification and the importance placed on strategic relationships with the real estate industry. We have found working with stakeholders in the community's real estate and appraisal industries is a key component of succeeding in those communities. The partnerships with industry professional organizations like the Appraisal Institute and the National Association of REALTORS ensure that the certification supports real estate sales. Real estate agents within the Pearl network showcase Certified homes, leveraging Certification Reports and supporting materials to educate clients about electrification and high-performing homes. They also utilize our training resources and educational support to further enhance their capacity as professionals in marketing or appraising homes with Pearl Certification, significantly increasing the likelihood that energy-efficient homes command a premium. We also partner with Elevate, a Chicago-based nonprofit that designs and implements programs to ensure everyone has clean and affordable heat, power, and water in their homes and communities.

Our Certification Report provides essential documentation for appraisers, supported by an energy efficiency calculator that facilitates the income-based approach for assigning value. Validated by NREL modeling and appraiser-approved methodologies, the calculator evaluates energy efficiency upgrades and provides necessary documentation for appraisers. Additionally, the Certification Report automatically generates the Appraisal Institute's Residential Green and Energy Efficiency Addendum. This critical document ensures the standardized communication of a home's certifications, energy consumption, and efficient features so an appraiser can translate to equity value.

These efforts to work with realtors in the affected communities collectively contribute to removing barriers, and fostering inclusivity and accessibility in energy efficiency programs. Integrating these elements into the HOMES program's structure ensures a holistic, inclusive, and impactful initiative that actively addresses challenges faced by households in disadvantaged communities and those with low incomes. We believe this approach facilitates access and ensures active and meaningful participation, fostering sustainable energy efficiency improvements in these communities.

2.a.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?

Implementing nationally recognized standards and best practices is critical to ensuring an IRA HOMES program runs effectively and efficiently in the marketplace. Pearl leverages several standards and best practices and is responding to this question in the areas where we have strong expertise, including in-home certification, contractor networks, real estate engagement, and appraiser education.

California has a long history of rigorous standards and QA/QC, to the benefit of consumers. However, the challenge lies in the scalability of the previous approaches. Pearl recommends adopting the QA/QC framework of the [DOE Home Performance with ENERGY STAR \(HPwES\)](#) program. It is a



robust model for program quality assurance and workforce standards and includes a scalable pathway to quality that also helps contractors build their businesses. The program holds contractors accountable for quality work through clear and understandable standards, promoting positive customer experiences. HPwES encourages contractors to develop internal quality management systems aligned with nationally recognized frameworks like ENERGY STAR Home Upgrade, Title 24, and DOE specifications. Pearl is proud to be the only national sponsor of the HPwES program and to have HPwES serve as the foundation of our contractor network.

The DOE HPwES program advocates collaboration with market-based contractor accreditation organizations to foster market transformation. Aligning QA/QC requirements with existing frameworks avoids redundancy and ensures contractors adhere to recognized industry standards. Pearl recommends that the CEC consider pursuing virtual QA, in accordance with HPwES standards, which can reduce barriers to contractor participation, increase the speed at which work and rebates can be completed and issued, as well as prevent overburdensome in-person visits to a participant's home. Additionally, the program supports contractors taking a 'high value' instead of a 'lowest cost' approach with their business. This approach encourages businesses to invest in their workers and systems for long-term sustainability and positive outcomes for employees and customers. It's worth noting that the DOE guidance for the IRA rebate programs also allows for remote QA.

To enhance market engagement and support accurate valuation of energy-efficient homes, we recommend adopting and aligning with the standards set forth by the [Real Estate Standards Organization](#) (RESO). RESO provides a consistent framework and language for real estate agents, empowering them with tools to navigate the sale process effectively. RESO's Data Dictionary 2.0 ensures uniform inputs across local Multiple Listing Services (MLS), fostering consistency and accuracy in presenting energy-efficient homes to local markets.

RESO's focus on three foundational elements – education and training, marketing support, and data integrations – plays a pivotal role in overcoming challenges associated with engaging real estate agents with energy efficiency.

Agent education is a critical aspect of engagement. While organizations like the National Association of Realtors offer Green Designee courses for real estate agents and non-profits like Elevate provide introductory courses on energy efficiency and solar, we recommend moving beyond one-time education initiatives to advance market transformation. This includes arranging low- or no-cost education, ensuring continuous support, and selecting experienced providers capable of integrating efficiency into agents' daily practices.

Marketing support is equally vital for high-quality real estate agent engagement. RESO facilitates easy access to high-quality data, aiming to populate MLS with comprehensive information about high-performance homes. Coordinated efforts, including adopting "green" fields in the RESO data dictionary, encourage MLS to incorporate energy efficiency features. Notably, certifications providing accurate data can address challenges faced by agents, eliminating guesswork and mitigating liability concerns.

Providing agents with high-quality data integration, specifically, promoting API-enabled data transfer arrangements, or "auto-population," is the most effective strategy to seamlessly incorporate data



about high-performance homes into MLS listings. This approach simplifies the identification and understanding of the benefits of such homes for potential buyers. Initiatives by organizations like Earth Advantage, RESNET, and Pearl, in collaboration with leading MLS platforms, are underway to facilitate data transfers. Public programs can support these efforts by coordinating meetings with state real estate associations, emphasizing the value of making high-performance homes visible in the sale transaction through the new inventory resulting from IRA rebate programs.

Finally, we know that appraisers are critical to market transformation in California as they assign the value of energy efficiency improvements, helping incentivize homeowners to pursue energy-efficient investments that contribute to the state's decarbonization effort. Appraisers need clear and accurate data presented in an industry-accepted format. Each Pearl Home Certification Report includes a completed [Appraisal Institute Green and Energy Efficient Addendum](#) with citations to support the appraiser's opinion of value. It's of utmost importance for all improvements to be included in this standardized addendum so that value is properly and equitably assigned to current or prospective homeowners.

Additional industry tools have been developed to support the use of the Addendum. Sandra Adomatis' [Residential Green Valuation Tools](#), published by the Appraisal Institute, stands out as a comprehensive guide, continually updated to incorporate emerging technologies and issues related to energy-efficient homes. The new standard 1004 appraisal forms adopted by Fannie Mae and Freddie Mac also provide additional space for information on energy efficiency and renewables, aligning with market transformation goals. Training initiatives by organizations like McKissock and the Appraisal Institute, along with collaborative efforts between Pearl and the Appraisal Institute, offer valuable educational resources for appraisers.

Additional Response: Recommendations on Stakeholder Engagement

We strongly encourage California to actively engage contractors, leveraging their firsthand interactions with homeowners to provide crucial insights into the practicality and effectiveness of energy-efficient products and services. These contractors are the boots on the ground for the IRA rebate programs, ensuring a practical and impactful implementation.

Additionally, we recommend including real estate agents and appraisers in the planning process. These professionals influence homeowners' purchasing decisions and can offer invaluable input on the program's market appeal. Overcoming historical barriers in the real estate industry, where disinterest or opposition to residential energy certifications has been common, is crucial. Real estate agents' active support and engagement are vital, as their involvement ensures that certifications deliver tangible benefits to homeowners and contribute to meaningful market transformation.

Lastly, we advocate for the involvement of successful private enterprises with a track record in residential energy efficiency initiatives, such as Pearl Certification. These enterprises bring valuable experience and industry best practices to the table, significantly enhancing the program's chances of success. Leveraging the insights and expertise of such entities contributes to a robust and effective rebate program that aligns with market transformation goals, meeting the market where it is at and driving meaningful change.



Thank you again for the opportunity to share our perspective and experience. We are happy to discuss these recommendations with CEC at any time if that would be helpful to your effort. We look forward to supporting CEC in achieving its goals and making the most of these programs for California's residents. Please feel free to contact Amy Beley at 301.641.3860 or Amy.Beley@pearlcertification.com.