

| DOCKETED | |
|-------------------------|--|
| Docket Number: | 23-DECARB-01 |
| Project Title: | Inflation Reduction Act Residential Energy Rebate Programs |
| TN #: | 254177 |
| Document Title: | Deloitte and Touche LLP Comments - CA IRA HOMES_RFI |
| Description: | N/A |
| Filer: | System |
| Organization: | Deloitte and Touche LLP/Ragini Roy Bsu |
| Submitter Role: | Applicant Consultant |
| Submission Date: | 1/26/2024 12:55:21 PM |
| Docketed Date: | 1/26/2024 |

*Comment Received From: Ragini Roy Bsu
Submitted On: 1/26/2024
Docket Number: 23-DECARB-01*

CA IRA HOMES_RFI Response_Deloitte_012624

Please find attached document.

Additional submitted attachment is included below.

Request for Information (RFI) – Inflation Reduction Act (IRA) Home Efficiency Rebate Program (HOMES)

Docket Number: 23-DECARB-01

Deloitte¹ and Touche LLP Response



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January 26, 2024

**Re: Request for Information (RFI) – Inflation Reduction Act (IRA)
Home Efficiency Rebate Program (HOMES)**

Docket Number: 23-DECARB-01
TN#: 253640

To Whom it May Concern:

Deloitte appreciates the opportunity to submit our response to the California Energy Commission (CEC)'s Request for Information regarding the IRA HOMES program.

We understand the State of California has created the Equitable Building Decarbonization (EBD) Direct Install Program to be administered by the CEC. The purpose of this program is to assist low income and disadvantaged communities with retrofitting their homes to accelerate the deployment of low-carbon building technologies. The Home Efficiency Rebate (HOMES) Program will provide Californians with an additional \$292 million to help households save money on energy bills, improve energy efficiency, reduce greenhouse (GHG) emissions, and improve indoor air quality.

Both EBD and HOMES align with the state of California's energy and climate goals, including reaching carbon neutrality by 2045 (by installing 6 million heat pumps by 2045, and prioritizing energy equity). We support the CEC's plan to "braid" HOMES funding with EBD for the following reasons:

- Expands outreach to more users (using Justice40 considerations) and retrofits more homes.
- Generates jobs, business opportunities, and increases program participation.
- Lowers emissions, energy costs, and enhances air quality.
- Facilitates electrification for a smoother energy transition.
- Reduces costs and introduces savings for Low-Income and Disadvantaged Community (LIDAC) homeowners.

Because we believe that the braiding approach would be more beneficial to Californians, we have only responded to the first question of this RFI and have specifically declined to respond to the second question posed by the CEC.

For more than five decades, Deloitte managed some of the largest and the most complex grant programs in the country across multiple states in helping them set up, manage, monitor federally funded programs including energy efficiency programs. We have assisted state governments to effectively conceptualize, design, implement, administer, and closeout more than \$200 billion in federally funded grant programs. Deloitte employs a team of energy and utilities specialists in conjunction with our grant management and technology specialists to design, build, implement, and operate these kinds of programs on robust technology platforms.

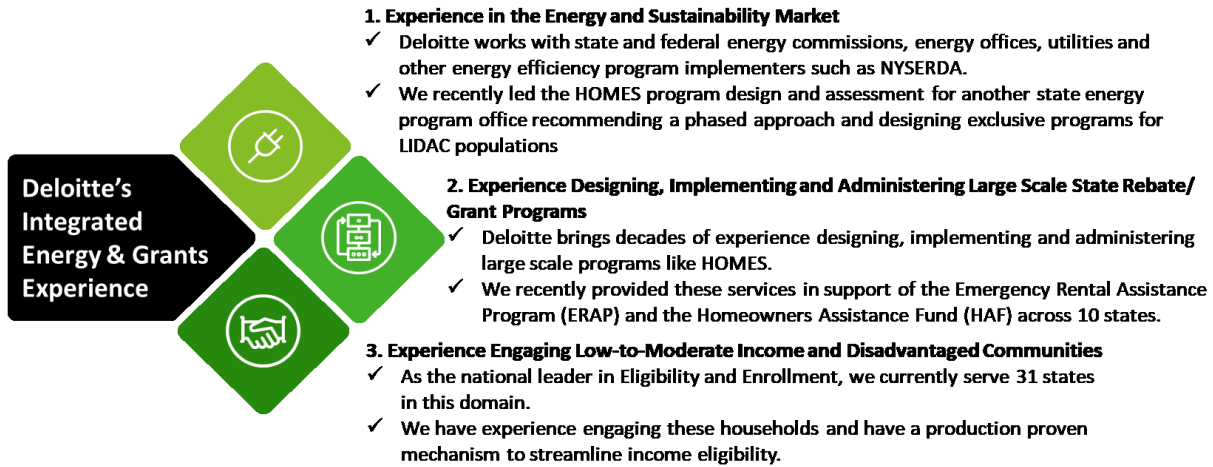


Figure 1. Deloitte's Integrated Energy & Grants Management Experience

Our national experience in the Energy sector along with our robust grants management footprint has led us to understand and curate some of the leading practices to consider when braiding and standing up programs similar to HOMES. Below are the key components of a robust grants and program management platform that will be critical to the success of HOMES and EBD programs in the state of California.



Figure 2. Key Components of a Grants and Program Management Platform

It is with *this lens, depth of experience, and intricate knowledge of HOMES* guidelines and the intersection of federal funding and state programs, that we submit this RFI response to the CEC.

Best Practices for Braiding HOMES with EBD Direct Install Program

RFI Page 3, 1. Braiding HOMES with Equitable Building Decarbonization Direct Install Program

- 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

Braiding the EBD Direct Install Program with the HOMES program emerges as the optimal strategy for the State of California, delivering advantages across administrative, program design, and economic efficiency domains. By enhancing the efficiency of program administration, this integration ensures a more direct and impactful allocation of funds to benefit Californians.

The amalgamation of these programs enables California to attain economies of scale, channeling increased funds toward its residents. The synergistic approach of pooling EBD and HOMES resources translates into augmented funding and higher rebates for Low-Income and Disadvantaged Community (LIDAC) households, presenting a heightened opportunity to make a significant impact within these communities. This consolidation of incentive programs allows the California Energy Commission (CEC) to channel more resources into home retrofitting, as opposed to dispersing funds across the administration of two potentially duplicative programs. By stacking the incentive programs, the CEC would be able to invest more into retrofitting homes instead of spending funds in administering two separate (and likely duplicative) programs.

From an administrative standpoint, the braiding of these programs facilitates streamlined grants management, minimizes staff duplication, and fosters a robust marketing program in collaboration with Community Based Organizations. To ensure the effective integration of these programs, we recommend adhering to best practices aligned with key considerations in the following areas.

Grants Management

There are several factors to consider from a grants management perspective when attempting to braid large federal programs such as HOMES with EBD. Key federal grant requirements, including strategic alignment with eligibility verification, budgetary compliance, meticulous documentation and reporting, and continuous monitoring, all play crucial roles in overseeing substantial federal funding programs. Upon thorough assessment of both the HOMES and EBD programs, we have identified compliance and eligibility factors that underscore the strategic advantage of braiding these programs, as detailed in the Technology Enablement and Application & Case Management sections below. The critical considerations for the CEC in braiding HOMES and EBD encompass:

- *Strategic Support.* State energy offices play a strategic role in aligning the program's objectives with broader energy efficiency goals. They contribute to the formulation of strategic plans, incorporating long-term sustainability considerations and ensuring that the program's impact extends beyond

immediate rebates. This strategic vision is instrumental in fostering lasting changes in residential energy consumption patterns.

- *Risk Management.* State grants managers are responsible for identifying and mitigating potential risks associated with the program. This includes anticipating challenges such as supply chain disruptions, contractor delays, or unforeseen circumstances affecting project timelines. A proactive risk management strategy ensures that the program remains resilient in the face of external challenges.
- *Governance and Eligible Expenses.* Establishing processes that enable the braided activities to be separately budgeted, tracked, and reviewed for eligibility prior to grant closeout as required by regulation.
- *Shared Services.* By braiding two or more programs together, the administrative cost savings can be pooled and reinvested in additional spending for eligible applicants, allowing for broader coverage with available dollars. However, it is important to note that risk-based monitoring, physical inspections of installations, and program integrity for compliance with Uniform Grant Guidance (2 CFR) must still be tracked with an established and approved allocation methodology so as not to burden federal awards with non-federal administrative spending.
- *Administrative Costs.* The Department of Energy sets a maximum level for administrative costs at 20% for the HOMES program. Braiding HOMES and EBD can allow for combined administrative efforts to maximize the funding available to homeowners for upgrades. The CEC will need to develop a technology platform to generate the cohesion of administrative efforts to pass on savings and ensure that administrative actions taken are reimbursable per the HOMES program.

Given the differing eligibility criteria of the HOMES and EBD programs, particularly in income and expenditure, the CEC should use the more stringent criteria as a baseline for eligibility under the braided HOMES and EBD process. This approach ensures the most efficient grants management experience.

Note: It is essential to consider the distinctions between the two programs to accommodate additional applications beyond the baseline, which may qualify for one program but not the other.

For instance, the EBD program imposes stricter income requirements for multi-family buildings, mandating that at least 66% of units have incomes below 80% of the Area Median Income, in contrast to the 50% requirement by HOMES. The CEC grants management process should prioritize applicants meeting EBD qualifications for funding, utilizing EBD funding as the baseline. Subsequently, all other applications should undergo a secondary process, directing additional HOMES funding to multi-family buildings in the 50-66% range, promoting a more widespread dispersion of funds.

Conversely, HOMES has more stringent eligible expenses compared to EBD. Therefore, applications meeting HOMES' stricter expense eligibility should be prioritized as the baseline for funding under the federal program. Expenses ineligible for HOMES should undergo a secondary process to determine eligibility for EBD funding. In both examples, the stricter criteria establish eligibility, making the associated funding source the baseline, while the less stringent source serves as an exception. This approach facilitates a more efficient utilization and broader impact of grant funding.

Technology Enablement

Incorporating technological solutions for application processing, data management, and reporting is a key responsibility of state energy offices. Leveraging technology to streamline administrative tasks, reduce processing times, and enhance the overall efficiency of the program are critical to properly running a program such as HOMES. A tech-savvy approach will contribute to a more agile and responsive grant management system.

An important element of successfully braiding programs will be creating an experience for LIDAC households that minimizes the time and effort required for them to participate in the program – including how they engage with technology, become educated, and work with contractors.

The program's technology platform should be designed specifically for LIDAC populations using Human-Centered Design (HCD). HCD principles put users at the center of the design, development, and delivery of the system and related process. By using HCD, the community's needs, behaviors, and motivations are put at the forefront to improve their overall user experience, which in turn leads to a well-planned system aligned with stakeholders' needs.

The platform should offer a unified experience across HOMES and EBD that does not require residents to apply to similar programs multiple times. This approach will reduce friction points for residents so that they are more likely to engage with the program. Alternative channels should be considered such as a call center or direct contact by Community-Based Organizations (CBOs) to enable participation, which will allow for accessibility to a wider group of residents, some of whom are unable to engage with a technology platform.

The technology mentioned above should build on a common technology platform that enables the program management and back-end data management to support these programs. Technologies and data will be needed to support performance measurement to ensure funding reaches targeted communities, to identify compliance or integrity issues, and for overall workload management. The braided technology should be designed so that these measurements are identified as part of the planning process, data is designed in a way that integrates measurements, and that data is integrated into business intelligence to support the programs, improvements, and decisions over time.

Application & Case Management

There are two main populations that will be impacted by an application and case management system: LIDAC residents applying for the programs and contractors providing services.

Resident Engagement

The CEC should utilize a single intake platform for residents to manage their applications and benefits for the EBD and HOMES programs. Many of the citizens impacted by the HOMES and EBD programs are likely to already receive some form of public assistance for which eligibility determination information has been captured. Each resident would enter their information into a single platform, which would be leveraged by interfaces to connect to existing California public assistance program systems such as BenefitsCal.

In reviewing a resident's participation in other programs such as SNAP or TANF, categorical eligibility could then be determined. If resident is not 'present' in BenefitsCal and feels they are eligible for the programs, alternative mechanisms such as those specified in the EBD program outline (e.g., recent pay stubs, federal tax returns, etc.) could be uploaded for caseworkers to determine eligibility (Note in these situations, the CEC might consider utilizing BenefitsCal for certain aspects of eligibility determination if the CEC would like another agency to retain Privacy Information). This approach would reduce the applicant's overall burden of having to provide additional proof of qualification. There are numerous Justice40 requirements for low-income/disadvantaged communities. A technology platform that can be integrated with California's platforms to verify income eligibility would be key in reducing the time taken for eligibility verification (and overall application processing) as well as reducing the risk of fraud waste and abuse.

Another important factor in implementing these programs will be to minimize the time residents need to be at home for contractors to install ECMs. It is typical that many LIDAC residents work at hourly wage jobs that require them to be at their worksite with minimal flexibility to step away from work without sacrificing wages. The CEC will need to design the program with a singular installation of energy conservation measures across all programs in a way that minimizes the "time-tax" on residents.

Contractor Engagement

Equally as important as the customer's experience is the contractor's experience with the case management system. Contractor participation in these programs is integral to their success. Providing a means to easily and efficiently provide documentation so that contractors can quickly receive rebates is important for business owners. The CEC should plan to leverage a single platform for contractors to upload audit information, completion paperwork, and invoices to receive payment from the EBD and HOMES programs.

The CEC should also consider designing and braiding the programs so that when an energy audit is performed, the contractor represents both the EBD and HOMES incentives (as well as any applicable utility incentive programs). To achieve this, the CEC should consider:

- Using a standardized audit software package across all administrators and CBOs that identifies a 'holistic' bundle of ECMs to be installed, expected energy savings, and determination of various rebates available from HOMES, EBD, the local utility, and other available resources for the recommended ECMs.
- A method by which residents are responsible only for the 'net amount due' after rebates and incentives, allowing contractors to collect rebates directly through an automated and seamless fashion. In situations where the rebate (s) cover 100% of costs, the resident pays nothing, and the contractor collects 100% of the rebates.

Community Outreach

The EBD program should use CBOs to reach targeted communities including disadvantaged, marginalized, and underserved communities. Braiding HOMES with EBD will facilitate outreach to those communities in one go. All education materials, marketing, and outreach should have a unified and simplified message, which will reduce customer confusion. A singular 'call to action' approach will increase the likelihood that residents utilize the opportunity to obtain these funds.

Working hand in hand with CBOs is also important to the success of these programs from the standpoint of engaging residents. In many LIDAC communities, CBOs are the primary respected source of truth and will be the avenue for program administrators to connect with these communities to bolster participation. Given that HOMES funding is coming through the Inflation Reduction Act, HOMES administration must meet the requirements of Justice40.

Administering the EBD and HOMES programs necessitates working with CBOs to conduct outreach in a tailored fashion for the programs in a culturally sensitive way, and in the appropriate languages. Braiding the programs together will allow for unified outreach and engagement with the CBOs themselves. CBO engagement will be the pathway to meet community stakeholder engagement requirements in setting up the braided HOMES and EBD programs and administering their benefits.

Workforce Planning

As part of minimizing time and disturbance to residents, it will be important to conduct a workforce assessment across California that determines needed contractor workforce and skills training based on aggregate volume and types of ECMs that will be installed. A key component of workforce planning is giving considerations to these following areas:

- Consideration should be given to LIDAC households, and, where possible, to addressing the availability of contractors in those areas to install and service ECMs.
- Building the capacity of stakeholders and grants managers contribute to a knowledgeable and skilled workforce capable of executing the program efficiently while maintaining compliance standards.
- Creating a training program to increase the pool of contractors and preferences for contractors that create opportunities for priority populations (Justice40 requirements for underserved communities). The CEC should provide descriptions of the training and qualifications required of contractors and explain how they adhere to those included in DOE's IRA Section 50123 Contractor Training Grants.

Program Integrity

Benefits programs such as HOMES provide millions of residents, especially LIDACs, with a unique opportunity to reduce both their energy footprint and energy costs. This same opportunity can also open the door for bad actors who look to victimize new or expanded benefits programs by diverting funds from eligible applicants and increasing scrutiny on program administrators. It is common to see programs targeted by applicant misrepresentation, fictitious vendors, insider threats, and fraud schemes. Braided and complex programs are also at increased risk with respect to overpayments and waste.

To effectively mitigate fraud, waste, and abuse, it is critical to design the program with associated controls, monitoring, and detection mechanisms considered and integrated from Day 1. The CEC should consider integrating program integrity components in their program design and operations requirements, including not but limited to:

- *Verification Requirements.* These requirements are likely to be unique between the CEC and DOE with respect to considerations and requirements, and program administrators will need to be able to make that distinction.
- *Reporting Mandates.* These mandates drive transparency and document progress across each pool of money and population subset/geography at required intervals.
- *Fraud Detection Mechanisms.* These mechanisms will identify and flag high-risk applications and interactions prior to funds being disbursed, which will promote equity and transparency.
- *Program Performance Monitoring.* Monitoring will provide decision-makers at each level of the program with pertinent data and metrics to enable data-driven decision making.

Integrating these components into the fabric of the program from its inception will help the CEC to maximize the value of the provided funding, helping to best serve those in communities with the most need, and limit risk and exposure from bad actors and oversight entities.

Conclusion

To enhance efficiency and user experience, it is recommended that the CEC integrates the HOMES and EBD Direct Install Program. Operating these programs independently may result in confusion for both residents and administrators due to separate intake, eligibility, energy audit, and installation processes. This could lead to redundant applications, duplicated home energy audits, and multiple contractor visits, particularly affecting users relying on multiple public assistance programs. Streamlining access points, reducing eligibility requirements, and implementing unified marketing would improve the overall participant experience.

Furthermore, utilizing a technology program that consolidates applications, data collection, contractor engagement, stakeholder engagement and reporting will facilitate the implementation of both programs. Integration of HOMES and EBD programs into a single platform will not only simplify processes but also reduce administrative costs and program overheads. Deloitte, equipped with resources and experience, is poised to support the CEC in establishing and optimizing these programs, and we welcome the opportunity to discuss this further.