

**DOCKETED**

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**Sealed Comments on CA RFI**

*Additional submitted attachment is included below.*



January 26, 2024

California Energy Commission  
Docket No. 23-DECARB-01

**Re: Sealed Response to RFI on the Inflation Reduction Act Home Energy Rebates**

Dear Chair David Hochschild, Vice Chair Siva Gunda, Commissioner J. Andrew McAllister, Commissioner Patty Monahan, and Commissioner Noemí Otilia Osuna Gallardo:

Thank you for the opportunity to respond to the California Energy Commission's (CEC) Request for Information (RFI) on the Inflation Reduction Act (IRA) Home Energy Rebate Programs.

These comments are provided by Sealed, a climate tech company on a mission to stop home energy waste and electrify all homes. Sealed has over 10 years of experience with measured savings, and we believe the measured pathway of the Home Efficiency Rebates (HOMES) Program has the potential to transform the energy efficiency market—turning every home that participates in the program into a Virtual Power Plant (VPP) and improving grid reliability. Sealed is an aggregator in California residential energy efficiency programs, and we are excited about the opportunity to participate as an aggregator in California's HOMES and Home Electrification & Appliance (HEAR) Rebate Programs.

Our core recommendations to the CEC as outlined in our responses below are:

- The HOMES Program and the Equitable Building Decarbonization (EBD) Program should be separate programs but can leverage a common implementation framework.
- Implement the HOMES Program using a two-phase approach:
  - Phase 1: Allocate 25% of the HOMES funding to California's existing pay-for-performance programs and provide opportunities to create new pay-for-performance programs.
  - Phase 2: Launch the HOMES Program statewide utilizing the data collected in phase 1 to determine how the CEC can value savings on time, location, and/or greenhouse gas to cover the full project cost for low-income household program participants.

We look forward to working with California to successfully implement these important programs.

Sincerely,

A handwritten signature in black ink that reads "David Kolata".

David Kolata  
Vice President of Policy  
Sealed Inc.

*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 million to the EBD Direct Install Program and adopted Direct Install Program Guidelines 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.***

*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.***

Sealed strongly supports the goals of the Equitable Building Decarbonization Program (EBD) and we are excited about its potential to help decarbonize low-income households in California. In order to ensure success of the EBD program, Sealed believes that the HOMES Program should be designed as a separate program for a few key reasons:

- The requirements in the HOMES Program could complicate and likely delay implementation of the EBD Program.** The additional HOMES requirements detailed below could make it significantly more complicated and/or time-consuming to implement the EBD Program—which has already gone through stakeholder feedback processes—and ultimately impact the speed at which California is able to implement the EBD Program. Many of the requirements of HOMES will not likely overlap with the requirements of the EBD Program. These may include:

- Home energy audits in accordance with BPI 1100/1200 are required for every retrofit regardless of project type to be HOMES compliant. **The BPI 1100/1200 requirement is not standard practice across the home performance and HVAC industry and could add hundreds of dollars in additional costs to each project** and significantly limit the pool of contractors willing to participate in the EBD program. The BPI 1100/1200 requirements include but are not limited to: information provided to homeowners on behavioral changes that may reduce energy consumption; evaluation of ventilation; an interview with the households to understand their goals, barriers, and limitation for implementing home energy upgrades; inspection of combustion appliances and fuel distribution systems; testing of gas ovens and unvented appliances for CO; identification of pathways for pollutants to enter conditioned space of the home; and evaluation of the energy consumption of the refrigerator and freezer, pool and spa, and other major baseload energy-consuming devices. Many contractors do not perform BPI-1100 compliant audits due to the time and cost required.
- The HOMES Program requires a post-installation project certification that has been certified by a third party and details the work performed, equipment and materials installed, and projected energy savings.
- The HOMES Program requires all heating, cooling, and water heating appliances meet ENERGY STAR requirements, which is a different requirement than that established by the EBD guidance (which requires equipment to meet the highest efficiency tier (not including any advanced tier) established by the Consortium for Energy Efficiency (CEE) or the Northwest Energy Efficiency Alliance (NEEA) Advanced Water Heater Specification).
- Additional data will need to be collected and reported to the DOE for the HOMES Program, which can include various home characteristics, home floor plan, model and serial numbers, age of furnace, AC and/or water heater.
- **There will be a significant missed opportunity to provide rebates to low-income households that are not in communities targeted by the EBD Program.** The EBD Program will target specific low-income communities for energy efficiency and electrification retrofit projects. By incorporating the HOMES Program with the EBD Program, the CEC will miss a significant opportunity to improve the energy efficiency and electrify low-income households in communities outside of those targeted by the EBD Program.
- **The current approach relies on a drafting error that creates unnecessary regulatory and legal risk.** The language in the IRA that purportedly allows for 50% of the project cost to be covered for market-rate households and 80% for low-income households in the measured savings section of the law is a clear drafting error. In the HOMES modeled section of the IRA, the legislation

states that the rebate should be capped at “the lesser of” the rebate value and 50% of the project costs (or 80% for LMI), but in the HOMES measured section of the IRA, the phrase “the lesser of” was unintentionally left out. The intention of this section of the legislation was to not provide rebates higher than 50% of the project cost for market-rate households and 80% for low-income households (i.e. a rebate cap). As stated in the DOE’s Program Guidance, the CEC can ask the DOE to increase the rebate “cap” for low-income households to cover 100% of project costs.

Using HOMES funding to cover 100% of the project cost without regard to energy savings is not in line with the spirit of measured savings or the IRA. In IRA measured savings programs, rebates are intended to be based on the actual, measured energy savings of the project—a framework that has substantial consumer, environmental, and grid reliability benefits.

Proposing to use IRA HOMES funding for a program based on a drafting error could cause legal and regulatory delays and/or require dramatic programmatic changes if the drafting error is amended in subsequent legislation. This could impact the speed at which Californians receive IRA HOMES funding and slow progress on achieving the state’s rightfully ambitious climate goals.

Drafting errors are common, especially in massive, complicated legislation like the IRA which went through the expedited budget reconciliation process. Relying upon clear drafting errors when defining program strategy sets bad precedent and could open up a “Pandora’s box” that could have negative implications for other parts of the IRA or future environmental and energy laws.

- **The HOMES Program’s measured approach is intended to catalyze market transformation.** The measured pathway of the HOMES Program can catalyze market transformation by creating markets for residential energy efficiency and electrification that last far beyond the IRA funding, providing a mechanism to scale building decarbonization efforts at a low cost, and bolstering grid reliability.

Under measured savings programs, rebates are based on the actual, measured energy savings of a project. While it takes approximately 12-months to measure actual energy savings, **aggregators pay contractors and households their estimated rebate upfront and take on the performance risk of the project over the measurement period**—meaning that in the measured pathway contractors and households do not have to wait for their rebate. One of the biggest market transformation benefits of the HOMES measured approach is to enable [robust participation of residential buildings in VPPs](#). The measured approach allows for grid operators to measure—and count on—the demand reductions as a result of energy efficiency and electrification improvements. In addition, the CEC can create a framework for valuing savings based on time and/or location which can further align the goals of the program with wide scale VPP deployment.

The EBD Program’s fixed cost approach more closely mirrors a deemed savings approach than a measured savings approach. Therefore, incorporating the HOMES Program with the EBD Program would require the CEC to forgo many of the market transformation benefits that measured savings can offer, as incentives would be provided regardless of the actual energy savings achieved.

**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?**

Sealed believes that California’s HOMES Program can be implemented in a manner that accomplishes CEC’s programmatic goals while also supporting the state’s decarbonization, electrification, and equity goals. To do so, Sealed proposes that the CEC implement the HOMES Program using the following two-phase approach:

- 1) Phase 1 - Initial launch to develop a scalability plan aimed at equity and market transformation:** The CEC provides 25% of the HOMES funding—the first tranche of funding the DOE will award to states after their initial application is approved—to existing pay-for-performance programs, which are approved and recognized by the CPUC in [D.23-06-055](#) as a preferred mechanism for supporting Inflation Reduction Act implementation.<sup>1</sup> This funding can be rolled out immediately since the existing pay-for-performance programs are largely HOMES measured compliant. The Community Choice Aggregators (CCAs), Regional Energy Networks (RENs) can slightly modify their residential measured performance programs to ensure 100% compliance with DOE guidance and submit these plans with the CEC’s application to the Department of Energy for review. The CEC can work with the existing programs to bolster equity and market transformation, **including by setting “rebate multipliers” that cover full project costs for low-income households.** In addition, the CEC could also use this first phase to provide opportunities to the other CCAs, RENs, and/or the investor owned utilities (IOUs) to establish new pay-for-performance programs. The purpose of phase 1 is to provide comprehensive data to the CEC on low-income home retrofits to ensure that the “rebate multipliers” are set to cover

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<sup>1</sup> The Tri-County Regional Energy Network (3C-REN) Marin Clean Energy (MCE), and Peninsula Clean Energy (PCE) have residential pay-for-performance programs. Sonoma Clean Power (SCP) has recently had a residential pay-for-performance program.

100% of the project costs for low-income households. This data will be used to implement phase 2, a separate statewide, performance-based HOMES Program.

- 2) **Phase 2 - Full launch:** The CEC uses the remaining 75% of the HOMES funding for the full launch of a statewide pay-for-performance program. The CEC can use the project data collected in phase 1 to determine how to **value savings based on time, location, and/or greenhouse gas emissions to provide rebates that cover the full project cost for many low-income households** to meet environmental justice, demand flexibility, grid reliability, and other decarbonization goals. To avoid additional administrative costs, the CEC can utilize the same implementer(s) for the HOMES and EBD Programs, however the HOMES Program rebates for a given home will need to be separate from the EBD Program to ensure that it is a performance-based program.

The benefits of this proposed approach are:

- **Support the state's rightfully ambitious decarbonization and electrification goals** by providing incentives to households based on actual, measured energy savings—which has big consumer protection, environmental, and [grid reliability](#) benefits.
- **Ensure equitable program outcomes** by utilizing the measured savings approach to cover 100% of the project cost for low-income households participating in the program, which will bolster energy equity in low-income communities. The HOMES rebates also provide an opportunity to deploy energy efficiency measures in all low-income communities across the state, ensuring the broadest possible eligibility and participation. In addition, the RENs and CCAs are established and trusted in their communities, making them effective at reaching disadvantaged communities and low-income households.
- **Maintains CA leadership via the fast deployment of IRA HOMES rebates** as phase 1 of the HOMES Program will allow California to offer rebates to the market significantly more quickly than it would by incorporating the HOMES Program into the EBD Program. This will help California remain a leader in building decarbonization and offer incentives to Californians who are expecting IRA rebates in 2024 while simultaneously collecting data that will be crucial for calibrating rebate levels for Phase 2 of the HOMES Program.

We encourage the CEC to submit its initial application for HOMES funding to the DOE as soon as possible. The U.S. Department of Energy (DOE) issued its revised [HOMES Program Guidance](#) in October and recently provided states with helpful tools such as a [sample HOMES application](#) and a [HOMES measured savings incentive calculator](#) that can help California quickly apply for and launch its HOMES Program.

- **Assists with grid reliability issues** as grid operators require that both demand-side and supply-side resources be measured and verified. The measured pathway can thus be a



[downpayment](#) on the robust participation of residential energy efficiency in VPPs. Maximizing the value of VPPs, in turn, is a critical component of California maintaining and improving both grid reliability and affordability going forward.

- **Protects consumers and taxpayers** from waste, fraud, and abuse because the state will only be providing rebates based on actual, measured savings that can be verified. The measured pathway can significantly reduce energy burdens given the accountability for work quality taken on by aggregators. In addition, project costs will also be minimized given the competitive market dynamics of pay-for-performance programs. This can help reduce costs across the board, including for households and the program, while also more wisely spending taxpayer dollars.
- **Minimize administrative costs** by using the same implementer to manage both the EBD Program and the HOMES Program.
  - 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?***

The HOMES measured savings approach provides a significant opportunity to increase uptake of energy efficiency and electrification measures in disadvantaged and low-income communities.

In phase 1 of our proposed approach for implementing California’s HOMES Program (described above), the CEC can work with the existing pay-for-performance programs to use HOMES funding to provide “bonus incentives” to cover the full project cost in disadvantaged communities and low-income households. New pay-for-performance programs established using IRA HOMES funding can follow this framework of providing bonus incentives to reach disadvantaged and low-income households.

For example, [3C-REN’s](#) Single Family Residential Program offers targeted incentives to disadvantaged communities with streamlined kicker incentives for both electrification and efficiency improvements. Although 3C-REN’s program is not a Direct Install program, the program design allows for a direct install like experience for low-income, or hard to reach customers. 3C-REN program incentives are roughly three times higher for these customers, and when this funding is stacked with [TECH Clean California](#) funding, contractors are able to offer a zero cost install to many customers and also receive bonus payments based on the actual energy performance of the project (see 3C-REN’s RFI response for more information).

To support equitable and widespread uptake of energy efficiency and electrification measures in phase 2 of our proposed approach, the CEC can utilize the program data collected in phase 1 to value savings based on time, location, and/or greenhouse gas emissions to cover the full cost of projects for

low-income households participating in the program. Time and location in particular will be helpful for setting incentives levels that cover the full project cost for low-income households.

- 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?***

As described above, the CEC should allocate 25% of the HOMES funding to existing pay-for-performance programs.<sup>2</sup> This funding can also be provided to CCAs, RENs, and/or IOUs to set up new pay-for-performance programs that will catalyze market transformation after the IRA funding is exhausted.

California's existing pay-for-performance programs are [national leaders](#) in driving market transformation. The additional HOMES funding can help these programs expand their budgets to reach more households and increase their incentives for low-income households by providing bonus incentives based on time, location and/or greenhouse gas emissions.

- 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?***

The CEC should ensure that both of the IRA Home Energy Rebate Programs can be stacked with existing rebate programs in California wherever feasible to maximize the value provided to households, especially low-income households. This will help use multiple funding streams to increase the uptake of electrification and energy efficiency measures and ensure that the full project cost can be covered for low-income households.

California's existing pay-for-performance rebates—which would receive HOMES funding under phase 1 of our proposed approach—can be stacked with a number of other existing programs such as the [Tech Clean California](#) funding. Where new pay-for-performance programs are set up, the CEC can ensure that the program rules allow for stackability with existing programs.

- b) ***Are there considerations for stacking pay-for-performance rebates (see below) with existing programs?***

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<sup>2</sup> The Tri-County Regional Energy Network (3C-REN) Marin Clean Energy (MCE), and Peninsula Clean Energy (PCE) have residential pay-for-performance programs. Sonoma Clean Power (SCP) has recently had a residential pay-for-performance program.

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HOMES funding for low-income households where the full project cost is covered should be added on top of existing rebate programs. This will help the CEC utilize many sources of funding to cover the full project cost for low-income households while also increasing the number of homes the CEC can retrofit with the HOMES funding. The CEC should consult with the CPUC, electricity providers, and other energy efficiency providers to better understand how to stack pay-for-performance rebates with existing programs.

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

Sealed believes that [aggregators](#) and other trade allies are critical for program success and can be helpful in educating contractors and households on the IRA Home Energy Rebates. Aggregators can work with the CEC and other administrators and market actors to integrate information about the IRA Home Energy Rebate Program into existing websites and other materials.

Program administrators (i.e. the CEC), program implementers, and aggregators (i.e. Sealed) have different roles in implementing the HOMES Program.

Program administrators are responsible for overseeing and managing the energy efficiency program, including the development, design, implementation, and evaluation of the program. Program administrators allocate resources, set program goals, and monitor progress, ensuring that the program delivers the desired energy savings and meets regulatory requirements. In the context of the Inflation Reduction Act Home Energy Rebate programs, the CEC will be the program administrator unless it transfers this responsibility.

Program implementers are responsible for designing and executing an energy efficiency program based on program administrator strategy and guidelines. Implementers are responsible for setting and enforcing aggregator and contractor qualification standards, setting quality control standards, collecting data to track program progress (including quality control), project input review, rebate payment processing, program reporting & analysis, and program strategy recommendations. Implementers can also support program marketing, particularly with outreach in hard to reach communities.

[Aggregators](#) such as Sealed are responsible for taking on the energy savings performance risk, marketing to homeowners and/or contractors, submitting required program data (including homeowner energy data where necessary), and potentially providing other value-added services (lead generation, financing, etc.). Aggregators are qualified for program participation under a standard trade ally program participation agreement, but are not vendors to the program administrator or implementor.

Aggregators can be helpful in educating, recruiting, and maintaining robust contractor participation in the HOMES Program—which will be especially important as the rebates will flow from contractors to households. For example, as an aggregator in the 3C-REN Program, Sealed partners with the program

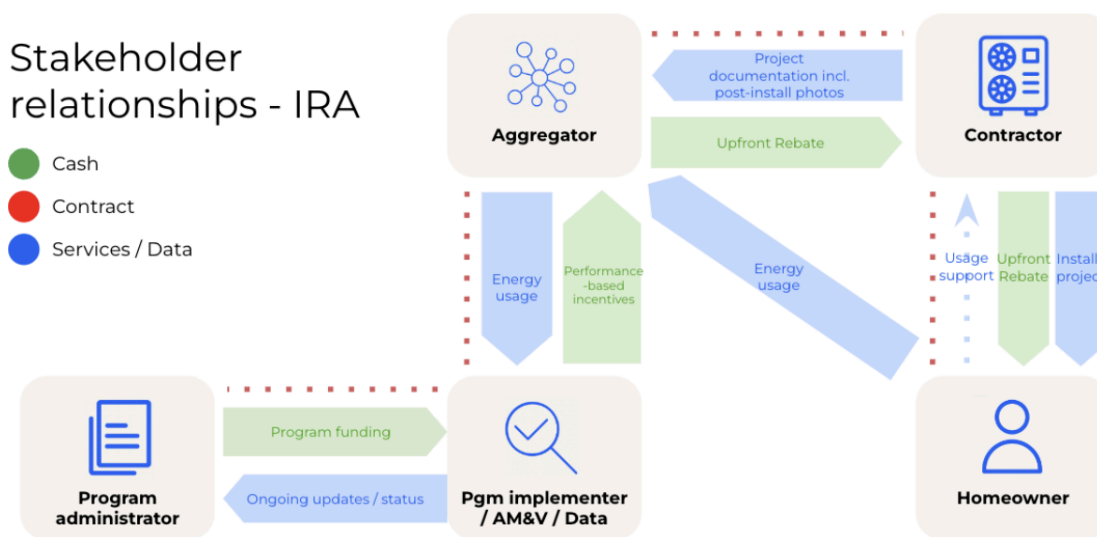
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administrators to provide educational materials to contractors. In addition, Sealed helps recruit new contractors to participate in the program and works to ensure that contractors remain in the program. (See [this blog post](#) for more on Sealed’s participation as an aggregator in the 3C-REN Single-Family Residential Program.)

**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?**

Aggregators will be critical in helping ensure that California’s HOMES Program achieves the highest level of quality assurance and control. The [Flex Coalition](#) created a “[Program in a Box](#)” to provide a model for implementing the HOMES measured savings approach. The Program in a Box includes Figure 2.1 (below) detailing the relationship between program administrators, program implementers, aggregators, contractors, and homeowners in the HOMES measured savings approach.

**Figure 2.1: Relationships Between Aggregators, Contractors, and Administrators**



Energy usage data is paramount to the successful day-to-day operation of the HOMES Program, as well as the ongoing M&V process. Access to energy usage data is therefore a critical component of the HOMES Program.

Aggregators should be responsible for the collection of energy usage data. Therefore, aggregators need to have a simple and secure way to access customer’s utility data to calculate energy savings and provide households with the potential utility bill cost impacts of their electric appliances and energy-efficiency upgrades. This data is critical to estimate energy savings or the utility bill impacts of proposed upgrades, which limits the ability of consumers to participate in the Home Energy Rebate Programs.

California should allow aggregators to leverage [multiple pathways](#) for gathering energy data. Sealed, for example, captures household energy data in numerous ways, including from utility companies via Electronic Data Interchange (“EDI”) that includes monthly energy usage data provided by utilities in certain states; third-party data providers via data-management tools; energy bills, including records for delivered fuels, provided by customers; and wireless sensors, which transmit energy data from homes.

For additional information on energy usage data, please see page 19 of the [“Program in a Box”](#).

- 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?***

As explained in Sealed’s response to question one, there are several considerations that the CEC should take into account when deciding if California’s HOMES Program should be incorporated into the EBD Program. We encourage the CEC to use a pay-for-performance approach for the HOMES Program and a fixed cost approach for the EBD Program.

Using the two-phase approach to implementing the HOMES Program as described above, the CEC can effectively serve low-income households by valuing savings based on time and/or location to cover the full project cost for low-income households participating in the program.

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Pay-for-performance programs drive competitive contractor pricing that creates value for the program, households, and taxpayers. The performance-based program model creates market forces to ensure that contractors keep their prices competitive. Contractors are paid based on the quality of their (i.e. projects with higher energy savings result in higher rebates for the contractor/household), which in turn creates a market incentive for contractors to do high-quality work that saves the most energy possible.

Pay-for-performance programs also make it easier for a wider group of contractors to participate in the program, ensuring competitive market forces drive the lowest prices possible (while maintaining quality). In other words, contractors will compete on price to be able to offer a 100% rebate to 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.***

A robust network of [aggregators](#) will be instrumental in managing the performance risk of projects during the measurement period. There is already excitement from aggregators and other market actors to support the measured pathway of the HOMES Program. For example, the [Flex Coalition](#) sent a letter to the CEC with [39 companies](#) signing on to participate as an aggregator in California or otherwise support the measured savings pathway in the state.

By pursuing the measured approach of the HOMES Program, California can build a market for aggregators that will help existing rebate programs in California transition to performance-based models and therefore catalyze market transformation even after the IRA funding is exhausted.

Sealed is excited about the opportunity to [continue to participate](#) as an aggregator in California’s energy efficiency and electrification programs, including the IRA Home Energy Rebate Programs. California is the only state in the country with innovative pay-for-performance programs—and we hope that California will continue to build on this model through the IRA HOMES Program.

The DOE’s [Program Guidance](#) on the HOMES and HEAR programs broadly defines an aggregator as: “An entity that engages with multiple single-family homes and/or multifamily buildings for the purpose of combining or streamlining projects as allowed by the State.”

Sealed recommends that California further define an aggregator as any commercial, government, or non-profit entity that receives rebates from the HOMES and/or HEAR programs within a given state or territory, but does not receive administrative funds from the HOMES or HEAR programs from that same state or territory.

Aggregators are not program implementers and therefore should not be paid through the administrative funding. Many aggregators such as Sealed are paid by charging contractors for their services. Aggregators offset many of the administrative burdens contractors face to participate in energy efficiency and electrification programs, and their prices must be aligned with the value they are offering to contractors and the market.

Program implementer(s) can provide an open “Request for Qualification” process that enables any qualified entity to register and serve as an aggregator in their state or territory for the IRA rebates. California’s existing pay-for-performance programs leverage this process to enroll aggregators today. In general, aggregators are responsible for:

- Taking project performance risk in the measured pathway
- Predicting energy reductions
- Marketing to customers and/or contractors
- Collecting customer energy data (both before and after energy upgrades)
- Submitting project information to government programs and market administrators
- Completing much of the administrative work currently placed on energy efficiency contractors, empowering contractors to do what they do best: installing great projects.

Aggregators provide fast, upfront rebates to contractors based on projected energy savings of projects. Aggregators then take on the performance risk of those projects achieving the energy savings over the measurement period and are paid back by the program based on the actual, measured energy savings achieved. In this framework, neither contractor or households are waiting for a rebate during the measurement period.

In addition, to reduce the cost of capital for aggregators, the CEC can consider a few different strategies:

- **Consistent payments:** Quarterly payments with fast payment terms (<30 days) based on realized energy savings from monthly project cohorts.
- **Energy savings insurance:** Aggregators with energy savings insurance are eligible for an upfront incentive payment equaling the amount of energy savings insured per project.
- **Upfront Payments:** Aggregators can receive upfront payments that are “paid back” based on actualized savings, and include incentive structures for predictive accuracy. For example:
  - After the first year of the program, CEC can reward aggregators that demonstrate high predictive accuracy for their portfolios by giving higher upfront payments.
  - After the first year of the program, CEC can penalize aggregators that demonstrate poor predictive accuracy for their portfolios by giving lower upfront payments.
  - CEC can penalize underperforming aggregators by subtracting any project or portfolio overpayment from future invoices

In addition, aggregators can operate as VPP developers by taking on peak demand and grid optimization management across a portfolio of homes. VPPs are crucial to maintaining reliability and affordability as California continues to decarbonize by moving to a more decentralized energy system powered by distributed energy resources. (See [this blog](#) for information on how the HOMES Program can be a downpayment on California VPPs.)

**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?**

The U.S. DOE's Program Guidance allows states to provide rebates that cover up to 80% of the project cost for low-income households. On page 14 of the DOE's [Program Guidance](#), it states that "IRA Section 50121 provides larger rebates for single-family homes occupied by low-income households (below 80% AMI) and allows States to request authority to provide even larger rebates – up to 100% of project costs – to allow meaningful retrofits of low-income homes." The CEC can therefore ask the DOE for a waiver to increase the project cost cap to 100% for low-income households, which would allow the CEC to cover the full project cost for low-income households in Sealed's proposed two-phase approach.

**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?**

Contractors are instrumental in ensuring that the IRA HOMES Program—and energy efficiency and electrification rebate programs in general—are successful. Contractors educate customers, scope and sell projects, and install high-quality projects. But placing additional administrative burdens on contractors participating in rebate programs can dissuade program participation and/or result in bad contractor program experiences.

The CEC should ensure that any documentation required from contractors is as simple as possible while also ensuring that the CEC is getting the data it needs to report to the DOE. In our experience, most contractors, especially HVAC contractors, do not break down itemized costs. Itemized cost breakdowns require significant time, attention, and labor hours which can increase costs for the program and households. Most contractors bundle costs into a single line item, with big costs being broken out.

**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?**

The CEC should balance HOMES funding allocations for different income levels based on broader CEC policy goals related to equity, market transformation, and accessibility. Sealed believes at least 50% of total rebate funds should be reserved for low-income households, and would support up to and including 100% of total rebate funds going to low-income households. We also believe that there are



benefits to providing some of the remaining 50% of total rebate funds to moderate income and market rate households. Below are key considerations that we believe CEC should take into account when determining the percentage of funding allocated for various income groups.

- **Equity:** HOMES funding can significantly benefit low- and moderate-income households. While providing HOMES funding to only low-income households would maximize equity, it would stymie program accessibility for households with other income levels and market transformation. Therefore, a large portion of HOMES funding should be allocated for both low- and moderate-income households.
- **Market transformation:** HOMES funding for market rate households is especially important for market transformation. These households are often the first to take advantage of rebate programs and therefore can help establish the market for energy efficiency and electrification retrofit projects. However, too much HOMES funding for market rate households would minimize the equity and accessibility potential of the program.
- **Accessibility:** The CEC can ensure that HOMES funding is available for all households (low-income, moderate-income, and market rate) to increase program accessibility. This will allow households across the state to access HOMES rebates, which is especially important as there are many people excited to access the IRA Home Energy Rebate Programs.

**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?*

California can minimize barriers for households to access the HOMES Program by thoughtfully setting up income verification. Sealed recommends that California rely on applicant self-attestation for income qualification for single-family households, which is the approach taken by the existing California pay-for-performance programs. This method offers a quick and consumer-friendly experience, particularly for households that might find other methods challenging or intrusive. This also allows households to maintain privacy and understand eligibility before even engaging a contractor. Additionally, providing households with multiple options for income verification will further reduce barriers to participation. Sealed recommends that California also allow households to provide their most recent IRS form 1040, W-2, or other income documentation as well as enrollment in state and federal programs with income requirements (such as SNAP and Medicaid).

- 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*

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***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?***

Sealed encourages the CEC to use the same categorical eligibility for the HOMES Program and the EBD Program. This will help to create synergy between the two programs, which will be especially helpful if the same implementer(s) run both programs.