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Marin Clean Energy on the Request for Information RE Inflation Reduction Act Home Efficiency Rebate Program (HOMES) Docket

Additional submitted attachment is included below.



January 26, 2024

California Energy Commission
Docket Office
715 P Street
Sacramento, CA 95814-5512
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RE: Marin Clean Energy on the Request for Information RE: Inflation Reduction Act Home Efficiency Rebate Program (HOMES) Docket No. 23-DECARB-01

Dear Commissioners, Board Members and Staff,

I. Introduction

Marin Clean Energy (“MCE”) strongly supports the goals of the Inflation Reduction Act (“IRA”) Home Efficiency Rebate program (“HOMES”) to advance the transition to clean, affordable, efficient, resilient, equitable and beneficial energy access in households across the United States. MCE specifically supports the HOMES program goals to support greater innovation on efficiency programs, lowering energy burdens in low-income households and disadvantaged communities, and reducing pollution from buildings.

MCE is a community choice aggregator (“CCA”) who provides clean electricity service and cutting-edge energy programs to more than 1.5 million residents and businesses in 37 member communities across Contra Costa, Marin, Napa, and Solano counties.¹ MCE’s mission is to confront the climate crisis by eliminating fossil fuel greenhouse gas emissions, producing renewable energy, and creating equitable community benefits.

Since 2013, MCE is a dedicated program administrator (“PA”) of a host of [energy efficiency \(“EE”\), demand response \(“DR”\) and decarbonization focused programs](#). MCE programs serve residential, commercial, agricultural and industrial customers. MCE also specifically administers Equity-focused residential direct install programs, workforce education and training programs, and pay-for-performance efficiency programs with many shared goals of the HOMES program.²

¹ See MCE, About Us, available at: <https://www.mcecleanenergy.org/about-us/> (detailing additional information on MCE and CCAs).

² MCE’s Equity segment programs include its [Home Energy Savings Program](#), [Multifamily Energy Savings Program](#) and [Commercial Equity Program](#). MCE’s Workforce Education and Training program include the [Green Workforce Pathways program](#). MCE’s marketplace pay-for-performance programs include Residential Efficiency Market Program, Commercial Efficiency Market Program and its Peak FLEXMarket program. See MCE, FLEXmarket Programs, available at: <https://www.mcecleanenergy.org/flexmarket/>.

MCE’s EE programs have reduced over 14,609 metric tons of carbon dioxide equivalent and distributed over \$7.9 million dollars in rebates to date.

MCE offers substantive comments on braiding HOMES program funds into the Equitable Building Decarbonization (“EBD”) program, best practices and considerations for layering different funding sources in efficiency programs, pay-for-performance program design recommendations, and income verification methods. MCE supports braiding HOMES funds into the EBD Direct Install program, as well as layering HOMES funds with additional local and state funding sources to deliver greater program benefits. MCE offers lessons learned from administering its pay-for-performance marketplace efficiency programs,³ and residential equity-focused programs serving low-income households.

II. Responses to Input Request

1) Braiding HOMES with the Equitable Building Decarbonization Direct Install Program.

MCE supports braiding HOMES funds with EBD Direct Install program funds to deliver deeper benefits to more households in underresourced communities. MCE sees the alignment between the HOMES program and the EBD Direct Install programs’ shared goals to reduce greenhouse gas emissions from buildings and lower energy burdens for historically underserved households.⁴ Layering the HOMES funds into the EBD Direct Install program provides the critical financial resources for EBD to serve more households with additional measures. This braiding approach also allows the CEC to streamline the administration of HOMES by leveraging the existing administrative infrastructure of the EBD Direct Install program.⁵ Braiding likely reduces overall administrative costs and supports a faster program launch timeline. Since EBD Direct Install program participants experience both higher pollution and energy burdens in addition to facing barriers to accessing clean energy programs more broadly,⁶ delivering meaningful investments is urgently needed. MCE sees merit in braiding HOMES funds with EBD Direct Install program funds in two distinct scenarios: **Partial Integration** or **Full Integration**.⁷

³ MCE’s marketplace pay-for-performance programs include its Residential Efficiency Market Program, Commercial Efficiency Market Program and its Peak FLEXMarket program. See MCE, FLEXmarket Programs, available at: <https://www.mcecleanenergy.org/flexmarket/>.

⁴ Inflation Reduction Act, Public Law 117–169 Section 50121 (2022); Assembly Bill 209, Chapter 251, Statutes of 2022.

⁵ See California Energy Commission, Equitable Building Decarbonization Direct Install Program Guidelines, October 2023, available at: <https://www.energy.ca.gov/programs-and-topics/programs/equitable-building-decarbonization-program>.

⁶ California Energy Commission, *SB 350 Barriers Study*, 2016, available at: https://assets.ctfassets.net/ntcn17ss1ow9/3SqKkJoNIvts2nYVPAOmGH/fe590149c3e39e51593231dc60eeeff/TN214830_20161215T184655_SB_350_LowIncome_Barriers_Study_Part_A_Commission_Final_Report.pdf.

⁷ MCE recognizes the Department of Energy possesses the authority under the Inflation Reduction Act to approve, modify or reject the California Energy Commission’s application and proposals for HOMES funding on behalf of California. MCE offers recommendations to the

- **Scenario 1 - Partial Integration:** In this scenario, the CEC would apply some HOMES funds to stack on some EBD Direct Install program projects when beneficial to simultaneously advance each programs’ goals for greater participant benefit.
 - The CEC applies EBD funds to cover 100% of direct installation decarbonization project costs for eligible households per EBD Direct Install program Guidelines regardless of their energy savings. For a fuller discussion of balancing EBD Direct Install program goals and energy savings requirements of HOMES while braiding funds, *See Considerations for Braiding HOMES funds into EBD Direct-Install Program* Energy Savings Goals and Energy Equity Goals discussed below.
 - EBD Direct Install program funds cover the costs of electrification upgrades, including ancillary measures that allow the electrification measures to be installed like light construction, pest and mold remediation, and panel/wiring upgrades that may not produce energy savings in isolation. The CEC additionally stacks HOMES funds onto some of those projects to provide additional efficiency measures that meet its required modeled or measured energy savings thresholds.⁸ This approach lowers the overall cost of an EBD project by covering costs with two funding streams (EBD and HOMES) and delivers greater benefits to the participant or allows the treatment of more households.
 - The CEC correspondingly applies HOMES program requirements only to the selection of EBD Direct Install program projects that receive stacked HOMES funding. The CEC could retain some separate reporting requirements for EBD projects that do and EBD projects that do not receive stacked HOMES funds.

- **Scenario 2 – Full Integration:** Subject to the authority of the Department of Energy and consistent with the controlling provisions of the Inflation Reduction Act, the CEC fully integrates all HOMES funding into the EBD Direct Install program.
 - The CEC leverages its existing EBD administrative rules and structure to add HOMES funds to all EBD projects. This allows greater funding for each EBD Direct Install project and therefore more decarbonization and efficiency measures or higher costing measures for each participating household.
 - The CEC must apply all the HOMES regulatory requirements to all EBD Direct Install projects including the required energy savings thresholds.
 - The CEC along with EBD Direct Install program regional PAs must develop streamlined participation and reporting requirements for EBD participants. This approach requires potentially complex program infrastructure design to ensure dual compliance with EBD and HOMES on the front end. However, once the CEC and PAs reconcile program rules within a single implementation structure, program participation, tracking, reporting and implementation could be significantly more efficient.

Commission with awareness of DOE’s decision-making authority in this context and IRA’s required corresponding processes.

⁸ Department of Energy, State Community & Energy Programs, INFLATION REDUCTION ACT HOME ENERGY REBATES – Program Application Requirements & Instructions, October 2023, available at: https://www.energy.gov/sites/default/files/2023-10/home-energy-rebate-programs-requirements-and-application-instructions_10-13-2023.pdf at pp. 34-36.

Considerations for Braiding HOMES funds into EBD Direct-Install Program

- **Energy Savings Goals and Energy Equity Goals:** HOMES requires modeled or measured energy savings to qualify for a rebate varying by methodology, property type and income.⁹ Notably, the EBD Direct Install program does not require projects to achieve energy savings. EBD projects strive to deliver the health, safety, comfort and affordability non-energy benefits (“NEBs”) that advance energy equity regardless of energy savings.¹⁰ EBD specifically requires electrifying two end uses in a household which, even when paired with other efficiency measures, may increase the corresponding electrical load.¹¹ Stacking all EBD eligible measures with HOMES eligible measures may not achieve the energy savings thresholds required by HOMES in every household, but may provide valuable NEBs or achieve EBD’s program goals. Finding the right EBD and HOMES measure mix for each household requires thoughtful design to avoid putting the energy savings goals of HOMES in tension with the energy equity goals of EBD. MCE believes the CEC may work with the Department of Energy and stakeholders especially community-based organizations (“CBOs”) in this docket to design specific guidance to avoid any such tensions thereby mutually advancing both important sets of goals.
- **Defining a “Project” – Segmentation within a Household:** MCE encourages the Commission to explore, with the supervision of the Department of Energy, methods to define and segment a HOMES “project” and EBD Direct Install “project” within the same served household.¹² If possible, MCE recommends segmenting HOMES and EBD projects within the same household. This approach would permit two projects under different rules and requirements within the same household. For example, the CEC could define the HOMES measures and installation costs on one household a separate “project” under its corresponding rules and then stack the EBD funds and rules on to only the EBD measures within that same household. The PAs could partner with the Commission to ensure a streamlined participation experience for participants. The combination of EBD and HOMES funds would allow deeper financial investment in a household while allowing for a more individualized, community-led project design.

⁹ Department of Energy, State Community & Energy Programs, INFLATION REDUCTION ACT HOME ENERGY REBATES – Program Application Requirements & Instructions, October 2023, available at: https://www.energy.gov/sites/default/files/2023-10/home-energy-rebate-programs-requirements-and-application-instructions_10-13-2023.pdf at pp. 12-14.

¹⁰ CEC, EBD Direct Install Program Guidelines, October 2023, at pp. 2, 9 (outlining program goals and initial community focus area criteria).

¹¹ DNV, MCE Low-Income Families & Tenants Pilot Program Evaluation, August 2021 at pp. 25-30 (outlining the diversity of electric load impacts of a variety of decarbonization, electrification and efficiency measures for low-income tenants).

¹² DOE, SCEP, INFLATION REDUCTION ACT HOME ENERGY REBATES – Program Application Requirements & Instructions, October 2023, available at: https://www.energy.gov/sites/default/files/2023-10/home-energy-rebate-programs-requirements-and-application-instructions_10-13-2023.pdf at p. 45 (consistent with requirements on combining rebates).

MCE looks forward to partnering with the Commission and stakeholders on partial or full braiding of HOMES funds into the EBD Direct Install program in advancement of energy equity. Following recent and significant proposed funding cuts to the EBD program, MCE believes braiding state and federal resources are vital to achieving its goals and delivering meaningful decarbonization benefits to underresourced communities.¹³

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.

Through the administration of its programs and related research, MCE observes and administers several decarbonization focused programs that layer state and federal funds aimed at low-income households and disadvantaged communities. MCE finds great success in layering when collaborating with common implementers on several programs or layering its own programs. For example, MCE administers two direct-install decarbonization focused¹⁴ programs serving low-income multifamily households: the [Low-Income Families and Tenants Pilot program](#) (“LIFT”), and the [Multifamily Energy Savings program](#) (“MFES”). Similar to EBD and HOMES, the LIFT and MFES programs have different requirements and priorities. However, MCE was able to braid these funds together for each project in a way that advanced the goals of both programs without the need to compromise. MCE designed its program offerings to stack and offer complementary measures to potential participants. Through this thoughtful and narrow program design, MCE and implementers of both programs may cover lower cost efficiency measures of a household through MFES and the same household’s electrification costs through LIFT. Experienced PAs with knowledge of existing programs and implementers with working and trusted relationships are essential to support a streamlined administration of the programs that shields a participant from burdensome processes.

MCE recommends designing program stacking rules to complement known gaps and barriers of existing programs. MCE successfully layers its direct install [Home Energy Savings program](#) (“HES”) with the [TECH Quick Start grants](#) to offer greater benefits to participants and advance each program’s distinct program goals. HES provides home energy retrofits at no cost to low-income single-family households in disadvantaged communities. Franklin Energy, on behalf of MCE, designed its TECH Quick Start grant to overcome known barriers in the administration of HES such as home conditions that prevented participants from receiving heat pump incentives like subfloor resizing and small electrical repairs.¹⁵ Stacking the TECH Quick Start funding on to the HES program allowed deeper retrofit projects to occur and thus the participation of low-income

¹³ Department of Finance, Governor’s Proposed Budget, January 2024, available at: <https://ebudget.ca.gov/> (proposing a reduction of \$283 million General Fund dollars and a shift of \$87 million dollars to the Greenhouse Gas Reduction Fund, representing a \$370 million dollar change).

¹⁴ In advancement of decarbonization goals beyond energy savings, MCE’s direct install programs offer electrification measures.

¹⁵ TECH Clean California, 2021 Quick Start Grant Recipients – Franklin Energy, available at: <https://techcleanca.com/quick-start-grants/2021-quick-start-grant-recipients/franklin-energy/>.

households with greater needs who would have been otherwise excluded from participation. MCE similarly recommends the CEC approach program design and stacking rules for HOMES to complement existing programs and overcome their known barriers for low-income and disadvantaged community participants.

MCE also recommends leveraging existing marketing, outreach, implementation and quality assurance teams when braiding funds. In addition to stacking TECH Quick Start Grant incentives to overcome program gaps and fund ancillary measures, MCE also layers federal funds received from the Housing and Urban Development Department¹⁶ (“HUD”) to provide health, safety and comfort remediation services as well as electrification funds into its existing direct install programs. By braiding those funds with MCE’s existing efforts to curb barriers to electrification, MCE can stretch its program reach even farther by using the same marketing and outreach, implementation, and quality assurance teams. Braiding federal funds into MCE’s existing programs required additional administrative and documentation steps. However, MCE programs deliver deeper, diversified and more measures. As a result, additional residents in MCE’s service area will be served and the implementation will be more efficient.

MCE recommends the Commission support the leadership of CBOs and CBO partnerships when braiding state and federal funds. CBOs are locally trusted entities with many skills and the knowledge necessary to support successful implementation of braided programs for low-income households in disadvantaged communities. MCE, for example, partners with [GRID Alternatives](#) through a Transformative Climate Communities grant in the City of Richmond.¹⁷ Through this partnership, GRID Alternatives helped many low-income customers in MCE’s service area become eligible for electrification and ancillary measures. CBOs can play an integral role in ensuring low-income households in disadvantaged communities receive attuned support to beneficial participation in braided programs.

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

iv. Leveraging and Stacking

b) Are there considerations for stacking pay-for-performance rebates with existing programs?

MCE supports stacking pay-for-performance rebates with existing programs. MCE currently administers the [Residential Efficiency Market program](#) that provides pay-for-performance

¹⁶ In 2023, MCE received authorization to use \$750,000 in federal budget funds for its Marin Clean Energy Healthy Homes program; final program design and funding disbursement is pending final approval by HUD.

¹⁷ Office of Governor Gavin Newsom, California Awards \$96 Million for Climate Projects in 10 Frontline Communities, October 2022, available at: <https://www.gov.ca.gov/2022/10/27/california-awards-96-million-for-climate-projects-in-10-frontline-communities/>.

incentives for measured savings from energy efficiency projects.¹⁸ This program pays the incentives on metered energy savings based on the previous year's energy consumption compared to the metered value after the measures are installed. The Residential Efficiency Market increases energy efficiency and peak load shifting specifically by offering extra incentives for periods of high demand during summer peak hours in support of greater grid reliability. This type of program model aligns closely with the HOMES program's "Measured Home Efficiency Rebates" pathway and the CEC may leverage MCE's existing administrative infrastructure and mechanisms for implementation and measurement of the HOMES measured pathway. Stacking HOMES incentives into MCE's existing Residential Efficiency Market program reduces the administrative burdens of HOMES implementation. The additional HOMES incentives would enable MCE's Residential Efficiency Market program to serve many more customers with deeper retrofit projects and support immediate impacts, versus the risked delays from starting another independent pay-for-performance program.

(b.) Rebate determination approach and rebate values.

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?

MCE finds merit in both fixed costs and pay-for-performance methods. As discussed throughout this response, MCE administers several programs that use fixed costs and pay-for-performance methods.¹⁹ Pay-for-performance methods encourage projects to fully achieve meaningful energy savings. These programs reduce potential financial risk to funders and administrators by paying only for achieved results. However, programs serving low-income households have other important climate, equity, and policy goals beyond reducing financial risk and achieving energy savings like improving health, safety and comfort within a household. Pay-for-performance methods in isolation may not achieve those non-energy savings-based goals. However, MCE believes that pay-for-performance methods when paired with additional measures and protections, and stacked with additional programs, can deliver both meaningful energy savings and NEBs to low-income households. For example, stacking HOMES pay-for-performance rebates with MCE's Residential Efficiency Market could offer deeper and more beneficial investments to participating low-income households. Beyond stacking, it is essential for any pay-for-performance method designed to serve low-income households to eliminate any potential project risks for a participant. A participating low-income household should not be penalized or assume any financial risk associated with participation if the energy savings thresholds are not achieved. If the CEC is pursuing a pay-for-performance pathway for low-income households the program, PAs or an aggregator must assume any risks associated with energy savings performance. Transferring any risk to a low-income household is unethical and runs counter to the HOMES program goals. Finally, upfront payments for projects and financial protections are also critical to effectively serve low-income households.

¹⁸ MCE, MCE Launches \$6 Million Residential Efficiency Market Program, April 2022, available at: <https://www.mcecleanenergy.org/mce-news/mce-launches-6-million-residential-efficiency-market-program/>.

¹⁹ MCE Response Question 1; MCE Response Question 2.

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.

Stacking HOMES pay-for-performance rebates with other complementary programs and funds while requiring an upfront payments mechanism can protect low-income households from any financial risks or responsibilities as discussed above. If the CEC blends HOMES funds with other programs, as discussed in **MCE Response to Question 1**, a program could provide up-front and progress payments to contractors to offset the capital costs of projects with alternate funding sources and then the HOMES funds would replenish the program funds once the measurement and verification period is complete.

In the current Residential Efficiency Market, for example, MCE distributes an up-front payment of 20% of the forecasted energy savings value and then issues performance payments quarterly based on the measured results until the 12-month measurement and verification period is complete.

By following a similar structure to MCE’s Residential Efficiency Market, and blending the HOMES funds, this method protects a low-income customer, or participating contractor, from financial risks and allows for multiple funding sources to collaboratively deliver greater results to a participant.

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?

MCE recommends the CEC develop a clear program invoice template for contractor documentation. MCE requires the aggregators (contractors) in its Residential Efficiency Market program to submit written invoices. An invoice template protects against documentation gaps and confusion for contractors and participants.

(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?

MCE supports limiting the income verification requirements and burdens for program participants. Complex and burdensome income verification requirements often result in the exclusion of low-income program participants from programs intended to serve them. Therefore, MCE supports the use of self-attestation to demonstrate income eligibility for the HOMES program.²⁰ MCE uses self-

²⁰ Disadvantaged Communities Advisory Group, Re: Comments on Rulemaking 20-05-012 Assigned Commissioner’s Ruling (ACR) on Improving Self Generation Incentive Program

attestation for its Home Energy Savings (“HES”) program with great success. MCE observes several programs including, but not limited to the [California Alternate Rates for Energy \(“CARE”\)](#) energy bill discount program and the [Family Electric Rate Assistance Program \(“FERA”\)](#) energy bill discount program also successfully use self-attestation to establish income eligibility and selective post-enrollment verification processes. Beyond energy programs, Medi-Cal and Covered California both accept self-attestation of income to demonstrate eligibility for low-income participants via a written statement.²¹

- ii. *The EBD Direct Install Guidelines established a list of federal and state assistance programs that can be accepted to qualify a resident as low income (i.e., “Categorical Eligibility”). Should the CEC utilize the same list of programs for Categorical Eligibility for a program(s) developed with HOMES funding? In addition to the programs found in Section E.3. of the Guidelines, are there additional programs CEC should consider?*

Yes, MCE supports using the EBD Direct Install Program Guidelines established list of federal and state assistance programs, “Categorical Eligibility,” to qualify a resident as low-income for the HOMES program.²² MCE believes utilizing the same Categorical Eligibility list of low-income programs decreases the potential burdens of participation for a low-income resident to demonstrate their eligibility and decreases the risk of excluding low-income residents from the HOMES program altogether. Additionally, applying the same Categorical Eligibility criteria for income verification to both the HOMES and EBD Direct Install programs further streamlines the dual implementation of both programs by the CEC especially under a braided funds scenario as discussed in **MCE Response to Question 1**. This approach produces greater administrative efficiencies for the CEC and PAs while simultaneously decreasing the risks of confusion for potential program participants.

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Equity Outcomes and Assembly Bill 209 Implementation, available at:

<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M499/K629/499629300.PDF> at p. 2 (Where providing proof of income and/or residing in deed-restricted housing are necessary to qualify for participation, these conditions often result in unnecessary barriers to participation. Consider enabling self-attestation of income to reduce these barriers, which can be verified through random audits of a small subset of customers, or at a minimum enable customers who qualify for CARE or FERA to participate without additional paperwork.”).

²¹ Department of Health Care Services, Medi-Cal, <https://www.dhcs.ca.gov/Get-Medi-Cal/Pages/confirm-eligibility.aspx> (case by case basis for those that may lack proof of income and/or receive cash wages); Covered California is the health insurance marketplace in California established under the federal Patient Protection and Affordable Care Act. Covered California, Attestation of Income, No Documentation Available, available at: <https://www.coveredca.com/pdfs/Attestation-Form-Income-No-Documentation-Available-English.pdf>.

²² CEC, EBD Direct Install Program Guidelines, October 2023, at p.11 (notably including Medi-Cal which allows the use of self-attestation).

III. Conclusion

MCE respectfully submits these comments to **Docket No. 23-DECARB-01** and looks forward to ongoing collaborations with the CEC and stakeholders to advance energy efficiency, greenhouse gas reductions from buildings, non-energy benefits and energy equity in its service area and throughout California.

Thank you for your consideration and attention.

Sincerely,

/s/ _____

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Senior Policy Counsel

MCE

DATED: January 26, 2024.