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CEC HOMES RFI - CCEC Submission

Additional submitted attachment is included below.



January 26, 2024

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

Subject: RFI Inflation Reduction Act Residential Energy Rebate Programs

Dear CEC Commissioners and Lead Staff,

The California Climate and Energy Collaborative (CCEC) welcomes the opportunity to provide input in response to the California Energy Commission's (CEC) Request for Information (RFI) to inform its application to the US Department of Energy for nearly \$300 million from the federal Home Efficiency Rebates (HOMES) Program.

CCEC is a program of CivicWell (formerly known as the Local Government Commission) that supports California local governments and their partners in their efforts to save energy, reduce greenhouse gas emissions, and accelerate climate action by building knowledge and networks amongst practitioners. We are increasingly developing ways to foster better two-way communication between State and local agencies to better reach mutual energy and climate goals, and welcome greater collaboration with the State.

Our network recognizes that the federal investments to the State of California through Home Energy Rebates, as well as Energy Efficiency and Conservation Block Grant (EECBG), Resilient and Efficient Codes, and other upcoming DOE and EPA programs can meaningfully elevate priorities related to decarbonization, climate change, equity, and environmental justice in line with State and local priorities. Given the long and extensive history so many of the local and regional agencies in our network have with residential energy efficiency and electrification programs, and related workforce development initiatives, including through the last major federal infusion of funds via ARRA, we believe a coordinated approach to the Home Energy Rebate Program could best build upon the existing infrastructure, successes, and lessons learned here in CA.

We have appreciated thoughtful, regular, and ongoing engagement and collaboration key CEC staff have had with the CCEC network on this and other new CEC initiatives of mutual interest beginning in January 2022. As requested during our January 2022 meeting, CCEC has facilitated the submission of a write up providing a summary of relevant background and local and regional insights and recommendations that can help inform CEC's approach to the Home Energy Rebate Programs. In order to give you information quickly, we left this

document open as a “[working draft](#)” so we can continue to build out additional information that would be useful to the State as it designs its new programs. Much of the information compiled is pertinent to this RFI.

Additionally, we requested specific input on the HOMES RFI from our network, including through two recent meetings:

- January 9, 2024 Local Energy Resources Network (approximately 80 attendees; [recording](#))
- January 16, 2024 CEC/CCEC bi-monthly IRA program discussion (over 20 attendees)

Our **key recommendations** for the HOMES RFI are summarized below.

- We take no strong position on whether to consolidate HOMES with EBD. Members generally appreciate greater program streamlining, longevity, and efficiency, and some are interested in regional administration of both programs. However, there are concerns that federal guideline technical details will hamper the success of Equitable Building Decarbonization (EBD), or that EBD direct install guidelines may overly constrain HOMES. If CEC does proceed to ask for DOE approval, it should request exemption from certain concerning federal requirements.
- Ensure the new program is no-cost, risk free, and easy to access and manage for low income households through direct install and/or other promising program designs like [Normalized Metered Energy Consumption \(NMEC\)](#).
- Recognizing the need to move fast, we would suggest considering a phased approach and make time to carefully consider customer protections, and other critical program elements. Carving out some dollars to existing, scalable, and federally-aligned local programs can deliver early wins.
- Expand the pool of possible participants beyond low income, such as by offering a similar program to moderate income households at a low-cost. Consider graduating incentive amounts via income qualification.
- Include but avoid requiring heat pump measures, and make whole house measures eligible. Encourage but don't require multiple measures.
- Ensure remediation measures are eligible.
- Exceed 10% allocation to multifamily, but with a different program.
- Design program with at least a 10-year trajectory in mind to support market confidence, commitment and transformation.
- Carve out dollars (and or leverage TREC dollars) to ensure robust customer support, including locally administered energy concierge programs.
- Coordinate with residential program administrators in the CCEC network to assess recent low and moderate income project costs and appropriate rebate values.

- Program administration should include both a State-led centralized public portal and application with standardized backend application processes, and flexible region-led implementation including deep community outreach and engagement. Programs should generally operate the same way across regional boundaries.
- Ensure that local governments, MPOs and other regional consortiums of local governments are made clearly eligible to become regional implementers.
- Commit some HOMES dollars to an inclusive task force and analysis to develop a long term strategy for tackling California’s residential energy emissions equitably.
- Since applications aren’t due until January 2025, and we don’t yet know the plan for HEERHA or the EBD’s Statewide Incentive Program, CCEC is happy to work with CEC to conduct more engagement with our network and others to ensure the most thoughtful program design, in the context of an overall residential strategy, before submitting CEC’s application.

Below we provide specific input on the questions posed in the RFI gathered via multiple discussions with our network and the CEC.

1) Braiding HOMES with Equitable Building Decarbonization Direct Install Program

The CCEC network does not take a strong position on whether to consolidate HOMES with EBD, but we do present considerations throughout this letter. Members generally appreciate that this approach may elicit greater program streamlining, longevity, and efficiency, and some are interested in regional administration of both programs. However, some members of the network voiced concerns.

The RFI specifically requests suggestions about braiding State and federal programs. The CCEC network has primarily utilized ratepayer dollars for its home energy efforts in the last decade and has extensive experience braiding programs together. It doesn’t have many recent experiences braiding federal and State programs together, with the exception of braiding federal tax credits with local State-funded programs, which has proven challenging to do.

However, in the [working document](#), members of the CCEC network share many experiences from ARRA (2009) era programs where federal funds were braided with State funds to form the Energy Upgrade California incentive program. Many lessons were

learned and most in our network are pleased to see that this program would be consolidated and leveraged with the EBD program and deployed through qualified regional administrators rather than routed through the IOUs or adding another separate administrator to the already crowded marketplace of program providers.

However, there are countless ways for this program to face similar obstacles as we faced during ARRA, and new obstacles associated with this specific target population and electrification barriers. For example, service providers informed on the HOME program relay concerns that technical requirements in federal HOME guidelines, such as high cost BPI audits, are going to increase costs and bottleneck participation, or conversely that the narrow EBD Direct Install approach could constrain deployment of the HOMES program. Members of the network certainly experienced that participation in many ARRA era programs was hindered by being formally tied to challenging IOU-led Energy Upgrade California program requirements, and that local Energy Upgrade-based programs found it challenging to simultaneously navigate around federal requirements like Davis-Bacon and Buy American. If CEC is granted approval to proceed with a consolidated EBD/HOMES program, we recommend that it also requests exemption from concerning federal requirements where possible, or otherwise develop creative workarounds.

Some are concerned that the program design may appear to offer administrative efficiency for CEC during the DOE application process, but could actually result in far greater administrative burdens in the long run. One idea raised was to incorporate the HOMES program as a third program under the EBD umbrella, rather than embedded within EBD's Low Income Direct Install program.

2) Overall Program Design

The following suggestions apply to the program concept proposed in the RFI or a different program design.

Scale and speed

The scale of projects anticipated under this program is unprecedented and far beyond the scale of participation any residential program in the past has been able to generate. There is concern among the network about "over-promising and underdelivering," especially given how much work there will be to prepare a contractor base to get these projects done under brand new guidelines. With the focus on low income residents and heat pumps,

many in our network believe that deployment of the proposed approach may be inherently slow.

Given the need to rush dollars out the door to meet federal guidelines, some members of the network warned against moving so fast that we fail to do our due diligence with respect to customer protections. Others suggested using the federal application deadlines to implement a phased approach, which would allow CEC to test and evaluate an early program design before committing all resources. Others felt the CEC should pass through some dollars to existing programs that may already align with federal requirements, can scale up, and deliver early wins.

Eligible customers and measures

CCEC generally supports a nuanced approach to targeting the right assistance to the right communities.

Customers

The CCEC network agrees that low income households do represent a high need population and that covering 100% of energy improvement costs is the best way to successfully serve this target population. While direct install is a good model to move this customer segment to install high cost measures, some members believe that a measured savings based program, like NMEC, can deliver a “direct install feel” from the customer perspective. Upfront incentives can cover a substantial portion of the upfront costs, and can layer with other programs to provide a free upgrade. These members would like to see this type of measured savings program design be considered for HOMES funding and believe that the design is in line with federal intentions for the funding.

Many in our network have experienced that a similar program model may also be necessary for many moderate income households. We suggest considering whether there can be a carve out for moderate income customers in the HOMES application as well. There is even support for expanding to all income levels to help customers access low-cost upgrades at appropriate and graduating incentive amounts via income qualification. This would increase the participant pool significantly, alleviating significant concerns about whether the high volume of anticipated projects can be achieved.

Several local program administrators have had success offering additional rebate amounts for customers that meet low income criteria or are enrolled in CARE.

Some practitioners in our network think that a program more closely based on DOE's guidance, where multiple income levels and measures (addressed below) would be eligible, would be more attractive to potential administrators and customers. It could also alleviate strict income verification processes, which can make participation and application review more challenging. It seems that there are homeowners in CA that are already delaying energy projects because they assume they will have access to State incentives consistent with the DOE's guidelines.

Measures

The program described in the RFI identifies heat pumps as a focal point, and potentially as a requirement of this program (as is anticipated in the [Equitable Building Decarbonization Direct Install Program Guidelines](#)). While the CCEC network is very supportive of electrification, this approach spurred bigger picture concerns amongst the network about pushing low income or disadvantaged communities as early adopters into electrification, given potential unintended consequences such as negative bill impact and long term energy affordability, especially for people living in areas with low air conditioning needs. While the EBD guidelines state that "packages should be designed to achieve bill savings," we recommend making heat pumps eligible, but optional (not required), alongside other whole house efficiency measures (in line with DOE HOMES guidelines) that necessarily elicit bill savings, particularly for low income residents.

Members also noted how important it is to make health and safety and other remediation measures (e.g. asbestos) eligible so as not to discourage participation. Health and safety remediation needs (beyond the traditional tube, wiring, and panel upgrade costs) are a significant need especially for low-income households. Because these remediation costs are high, they are often not fully covered by electrification programs and can significantly impact the ability of low-income households to participate in programs.

Members suggest making use of every opportunity in a home by incenting, but not requiring, more measures. Given how costly it can be to develop participant leads, we recommend encouraging, but not requiring, residents to do multiple measures at once, stacking as many layers of assistance as are available, without overcomplicating the project. For electrification projects, a service provider suggests encouraging contractors to assess the building's electrical panel capacity and simultaneously installing new circuit(s) for other future electric appliances.

Members of the network pointed out that since the HEEHRA program specifically focuses on income restrictions and electrification (e.g. heat pumps), this program is an opportunity to invest in other income levels and measures. But we understand that the point of sale requirement on HEEHRA means that program design will be very different.

Members of the network are pleased that both single family and multi-family residents will be eligible, but suggest that the 10% allocation to multifamily is too low and does not reflect the higher proportion of multifamily units in CA compared to other states. One member suggests a higher multifamily allocation that maps to the formula DOE uses to calculate CA's HOMES distribution in order to capture the full potential of the program. It was also suggested that multifamily needs are different than single family, and may demand its own program.

Members noted that the CEC's EBD program will also include a Statewide Incentive Program, which has not yet been designed, and questioned whether it would be a more appropriate program to align HOMES with.

Rebate values

Members of the network have seen too many programs artificially cap rebate amounts to be too low to actually substantially cover true installation costs and be attractive enough for contractors to close deals. We recommend coordinating with our network to assess what recently completed projects on low and moderate income homes have cost.

Longevity

There is already some level of market fatigue and confusion in CA given past residential programs and various starts and stops in the last couple of decades. Those that have been consistently operating programs wish to stay the course without being derailed by a temporary program that may detract confidence or participation from contractors or residents. Whatever program gets built, it should be developed with a 10 year trajectory in mind.

The CCEC network is happy to see that the Equitable Building Decarbonization program is anticipated to continue despite potential budget cuts, and was established to provide a longer trajectory of assistance than will be available through HOMES. We appreciate the out-of-the-box thinking in trying to economize these efforts together and deliver a program that will not appear as volatile and short lived to market players, including local and

regional administrators that will have to commit time and resources into braiding this program with their efforts.

Simplicity for customers and contractors

Our network knows that, even with “free installation,” getting a resident to commit to an energy project is extremely challenging. Long term local program administrators have learned that, from the users or customers’ perspective, the process should be straightforward and risk-free, with zero upfront costs whenever possible.

Project and income verification

There are more reasons than just cost that determine whether a lead will not ultimately participate in a program, including delays and time consuming/ endless steps, hassle and paperwork, and uncertainty and risk with respect to rebate approval. During ARRA, Energy Upgrade CA introduced far more project verification complexity into the process for customers and contractors than DOE guidelines had required. Conversely, Davis Bacon, Buy America, and other federal flow down provisions, if required, will substantially impact the complexity and affordability of projects for customers and administration for regional implementers, as they did under ARRA. We hope the CEC will find ways to avoid these pitfalls.

We suggest minimizing requirements beyond those needed to meet DOE reporting requirements, and even for those requirements, finding creative pathways to meeting them. CEC should eliminate steps by finding an efficient way to report energy savings that doesn’t require complicated modeling or measuring to approve projects. E.g. tie an averaged proxy to each type of eligible measures based on existing data, or capturing energy savings based on normalized metered energy consumption.

Some local programs have found ways to simplify the process such as tying income eligibility to participation in the CARE program. One member suggested that apps such as the XeroHome program can support household/building-specific cost-effectiveness analysis of electrification projects, while providing location-specific direction on rebates and incentives available at the local, state, and federal levels.

Customer support

Home retrofit projects are complex. Public sector and commercial facility retrofits often have a highly skilled owner’s representative doing the coordination work among contractors and programs. Residents lack technical knowledge about efficiency and

electrification improvements and need the same kind of careful, hands on support. They need a single point of contact and hand holding through various decision points and this can be time consuming and expensive. The right person to play this role is often NOT the contractor, and programs that assume that contractor will play this role will often get stuck.

Members of the network suggest investing more than you'd think in customer support. CEC should consider tying to the TREC energy concierge program and funding local/regional administrators of existing trusted energy support programs.

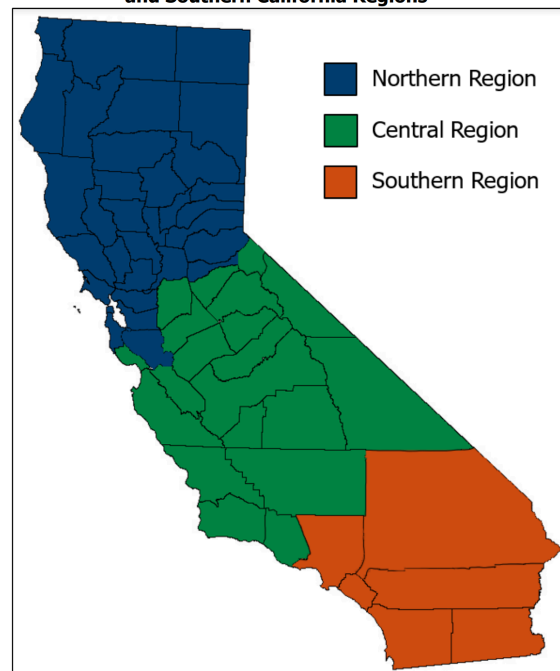
Centralization and consistency of processes and application materials

During ARRA, having four service territories with vastly different processes was incredibly challenging, especially for contractors and local governments that served multiple territories. Many of the State's leading local or regional administrators feel that successfully addressing millions of homes in the next ten years demands that we develop a single, seamless, streamlined point of entry for customers. This program could help pave the way there by developing an easy to use application portal along with a backend that is designed to be shared with multiple program administrators, where the complexities are ironed out behind the scenes.

Regional implementers

While the program will benefit from a single public portal and standard rules and procedures, we are pleased to hear that CEC intends to solicit proposals from regional implementers for EBD and HOMES ([Figure 1](#)). The work required to engage participants and contractors demands local proximity, trust, and collaboration with various organizations capable of conducting effective outreach into targeted communities. We recommend ensuring that local governments, MPOs and other regional consortiums of local governments are made clearly eligible to apply for this role.

Figure 1: Map of Northern, Central, and Southern California Regions



Source: CEC staff

Collaboration, leveraging, and braiding with other existing programs targeting homes

Practitioners on the ground know that the key to enabling customer participation lies in 1) seamlessly stacking incentives to make projects as close to free as possible, 2) putting to work all qualified contractors, and 3) engaging communities through trusted local program administrators.

The landscape of program administrators and key players includes many players such as:

1. Regional Energy Networks (REN)
2. Community Choice Aggregators (CCA)
3. Local governments
4. Non profit weatherization programs
5. Community-based organizations
6. IOUs/MOUs
7. TECH Clean CA
8. SOMAH
9. DAC SASH
10. SGIP
11. Go Green Financing
12. Workforce development programs, trainers and trade groups
13. Solar for all (pending)
14. Private sector contracting and energy industry experts and service providers

Some of these existing programs could represent opportunities to quickly fund already established programs ready to deliver projects and savings

A Small Sampling of Relevant Local Programs

SoCalREN recently supported a pilot for income eligible customers in Bassett and Avocado Heights. It has completed 35 homes in partnership with community-based organizations. Projects included solar/storage, electrification, and heat pump installation. Multiple contractors were involved and required extensive project coordination. [This fact sheet](#) describes the community-based approach, including how the pilot stacked funding sources, and also shares initial insights gained from the pilot.

SoCalREN also developed a residential portfolio to educate and inform the market while providing decarbonization upgrades for single family and multifamily residential buildings, focused on Hard to Reach and Disadvantaged Communities.

Through the Single Family Home+ (Home+) program, **BayREN** provides a variety of service offerings to Bay Area single family homeowners and renters including rebates for qualifying measures, an online energy evaluation, no-cost energy efficiency kits, in-home education, and direct install services. Information on the rebates available to single family homeowners through BayREN's Home+ Program is available [here](#). BayREN also developed a [list of rebates for heat pumps](#) in BayREN territory.

BayREN also offers generous and flexible rebates and no-cost technical assistance for multifamily property owners through the Bay Area Multifamily Building Enhancements (BAMBE) Program.

3C-REN recently began administering a NMEC single family program that pays a substantial portion of the incentive upfront via the contractor based on modeled savings, and the remaining incentive is paid based on actual measured savings. The program developed a [promotional graphic](#) that details how they are layering **incentives** and funding programs specifically for heat pumps. 3C-REN's single family program currently asks the contractor to ask the customer if they are on the CARE program, speak a language other than English at home, or live in a mobile home. This qualifies them as hard-to-reach and makes them eligible for a higher rebate.

3C-REN's multifamily program requires the building owner to provide a self-attestation that at least 65% of residents are on CARE program or speak language other than English at home. This qualifies them as hard-to-reach- and makes them eligible for a higher rebate.

The **City of Berkeley** is identifying how a number of programs can be layered on top of each other. Berkeley offers up front or point-of-sale rebates because they are easier for homeowners to take advantage of, especially those that are low income residents.¹

Additionally, to clarify its community's needs, the City of Berkeley conducted a residential funding gap analysis, which determined that single and multi-family homes face a

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https://eecoordinator.info/wp-content/uploads/2022/10/Makous_Neely_Campbell-Orrrock_Dirr_Funding-Equitable-Residential-Decarbonization-in-Berkeley.pdf

significant gap in funding for decarbonization upgrades, with a range of \$22,000 to \$40,000 per unit. It further concluded that low-income households face higher gaps, often due to the need for additional funds for health and safety upgrades alongside electrification upgrades and middle income households are challenged by ineligibility for many programs but insufficient capital to afford improvements. Building Electrification Institute presentation on Funding Equitable Decarbonization in Berkeley (2022) is available [here](#).

The **City of Sacramento** partnered with SMUD to implement a \$350,000 TECH Quick Start Grant that provided heat pumps at no cost to 20 low-income homeowners. To implement the work, SMUD's Energy Specialists conduct an audit of each home to identify all eligible electrification and efficiency upgrades. Many of the homes have received both heat pump water heaters and HVAC, in addition to induction stoves, EV circuits, and/or energy efficient refrigerator upgrades. SMUD leveraged separate funding to implement these projects, which have cost between \$15,000 and \$35,000 per home (~\$25,000 on average). This pilot included full electrification of two homes -- in addition to solar and back-up battery storage -- in partnership with Habitat for Humanity of Greater Sacramento with \$60,000 from the USDN Energy Innovation Fund. The two full home electrification and resiliency retrofits had an average cost of \$100,000 per home.

The [working document](#) offers many more local examples.

Strategic Residential Energy Task Force and Analysis

Despite CA's leadership and progress on home energy, the State's program landscape for home energy has been fractured and somewhat short sighted for several decades. The CCEC network would like to see a concerted, State-led effort to bring together key players, including local and regional agencies, to think strategically and long term about how to work together to best tackle decarbonizing the State's 14 million homes over the next decade.

We propose that the State commit some HOMES dollars to an inclusive task force (independent of individual administrators) and analysis that can help all entities committed to tackling California's residential energy emissions equitably to:

1. Fully understand and outline CA's existing energy upgrade and workforce programs, needs, and investment landscape, including weaknesses and strengths, and
2. Deconstruct the home upgrade customer process and workflow
3. Collaboratively design HOME, HEEHRA, and TREC program details

4. Develop a strategy outlining a long-term vision for future residential energy upgrade and workforce programs that meaningfully involves and integrates mature local/regional programs and other key actors that have the capacity, knowledge, proximity, program infrastructure and trust to ensure successful deployment of TREC, HOMES, HEEHRA, EBD, TECH Clean Energy and other CA energy programs (while recognizing parallel efforts in codes/standards).

Timeline

Members of the CCEC network share CEC's eagerness to begin serving customers as soon as possible. But since the application for HOMES isn't due until January 2025, we wonder if it would be best to take more time to consider the approach to HOMES given the input shared in this document, and in light of the State's many existing programs like RENs, CCAs and TECH Clean California, as well as pending programs like HEEHRA and EBD incentives. The CCEC network would be happy to host more meetings to ensure knowledgeable perspectives understand the proposed program, consider alternatives and unintended consequences, and can help inform the most promising program possible.

When the CEC does submit its application, we suggest proposing a deployment timeline that reflects critical program elements that may take time and careful consideration. Our network's deep experience has shown that wrap-around services, such as contractor engagement and training, customer protections, and homeowner education and advising, have proven necessary to achieve participation in past and current programs across the State. We recommend building into the proposed program time (and budget) to engage the right stakeholders, develop the workforce, streamline and simplify processes, and educate and advise residents.

We appreciate your consideration of the CCEC network's insights and input. We are committed to continuing to support CEC, where useful, as it develops and implements the HOMES program.

Respectfully submitted by Angie Hacker, CCEC's Statewide Best Practices Coordinator, on behalf of the California Climate and Energy Collaborative (CCEC).