

DOCKETED

Docket Number:	23-DECARB-01
Project Title:	Inflation Reduction Act Residential Energy Rebate Programs
TN #:	255555
Document Title:	Earth Advantage Comments - Assuring IRA Home Efficiency Rebates Support Market Transformation and Catalyze Achievement of Carbon Neutrality in California
Description:	N/A
Filer:	System
Organization:	Earth Advantage
Submitter Role:	Public
Submission Date:	4/5/2024 3:57:14 PM
Docketed Date:	4/5/2024

*Comment Received From: Earth Advantage
Submitted On: 4/5/2024
Docket Number: 23-DECARB-01*

Assuring IRA Home Efficiency Rebates Support Market Transformation and Catalyze Achievement of Carbon Neutrality in California

Additional submitted attachment is included below.



APRIL 5, 2024

RE: PUBLIC COMMENT ON INFLATION REDUCTION ACT HOME EFFICIENCY REBATE PROGRAM (HOMES) WORKSHOP

DOCKET NO. 23-DECARB-01

California Energy Commission
Dockets Unit, MS-4
Re: Docket No. 23-DECARB-01
715 P Street
Sacramento, CA 95814-5512

SUBJECT: ASSURING IRA HOME EFFICIENCY REBATES SUPPORT MARKET TRANSFORMATION AND CATALYZE ACHIEVEMENT OF CARBON NEUTRALITY IN CALIFORNIA

Dear California Energy Commission (CEC) Commissioners and Staff,

Earth Advantage applauds the approach California has begun for deploying the Inflation Reduction Act Home Efficiency Rebates (HOMES), including release of this Request for Information (RFI). As a non-profit organization focused on advancing a more informed and humane residential real estate market, Earth Advantage focuses these comments on how nearly \$292 million in federal home energy rebate funds may be best used as a catalyst for wider market change that carries benefits for all California residents. Earth Advantage's staff of around 50 home energy efficiency and decarbonization professionals bring a wealth of expertise across building science, workforce, market, and climate justice topics.

Earth Advantage endorses CEC's intent to use a portion of the IRA Home Efficiency Rebate funds with the Equitable Building Decarbonization Direct Install Program (EBD). To maximize program impact, Earth Advantage recommends CEC use Home Efficiency Rebate funds to contribute to the fund stack available on a per-unit basis to households served through EBD. The EBD program guidelines have set impressive requirements for including heat pump conversion, establishing prevailing wage, and protecting low-income households from paying high costs, all of which Earth Advantage applauds as mechanisms to support a clean energy economy with protected consumers and workers. Earth Advantage endorses the comments made by the Bay Area Residential Decarbonization High RoadSM Partnership in support of workforce standards and ease of customer use.

We express concern that the cost caps for many household-serving programs (e.g., for EBD, a limit of \$6k per single-family or multi-family unit and \$7.2k per manufactured housing unit) may prove to be a barrier for impactful projects to materialize. Many homes, particularly low-income homes in need of fuel conversion, will need decarbonization work completed that carries a market-rate cost closer to \$30-\$50k per household ([LBNL 2023](#)). Home Efficiency Rebate funds can be a puzzle piece that adds to the fund stack for households where \$6,000 is simply too little funding to cover costs associated with home electrification, energy efficiency, and remediation. Because of restrictions on use of federal funds, Earth Advantage recommends using Home Efficiency Rebates to cover 100% of costs in low-income households related to envelope efficiency measures, and then using EBD funds for electrification and health and safety upgrades.

Rather than attempting to spread money too thinly, Earth Advantage recommends CEC focus on defining a strong sense of *the value* the program should deliver, and then demonstrating this value effectively. While the IRA Home Energy Rebates and EBD funds are significant, if all these funds were spread evenly across California's 13.3 million households (US Census), there would be just under \$96 available per household. If all these funds were provided evenly to the 13% of Californians in poverty (assuming the same rate of households in poverty), then there would be about \$737 per household. There is no way for these funds alone to meet even close to all the need for home energy upgrades in California.

Rather, to meet California's energy and climate goals, these government funds should be used to pay for meaningful levels of improvement and catalyze continued funding. This is possible by systematically showing the value of home energy upgrades to homeowners, financiers, and regulators so they will continue to pay for the installation of these technologies and employment of these workers even after funds have been depleted. By using these funds to deliver substantive value to recipients – homes that transform the at-home living experience, reduce energy bills and healthcare costs, and put people to work in good jobs – and showcasing that value, California can spur market demand for home energy upgrades as a merchandisable, tangible product. In contrast, projects that are too small to make a noticeable difference in the living experience of recipient households will be insufficiently desirable to pull in continued market investment.

In alignment with achieving this end, Earth Advantage recommends the following:

1. Complete the DOE required Market Transformation Plan alongside the Home Efficiency Rebates application to assure market transformation efforts are embedded into the rebates program design.
2. For every home served with Home Efficiency Rebates and/or EBD funds (whether together or separate), deliver a CEC-approved home energy label that serves the needs of both CEC and CPUC's ongoing home energy labeling efforts.
3. Even if full programmatic integration is not possible between the Home Efficiency Rebates and EBD, wherever possible align wage standards, workforce credentialing, quality assurance systems, and technical standards requirements between programs to ease implementation and create consistency for contractors and other actors.
4. Dedicate programmatic funds (if possible, beyond administrative funds) to pay existing community-based organizations for engagement, recruitment, and support with recipient households.

To accomplish these ends, Earth Advantage strongly recommends CEC leverage recommendations resources published by US DOE – including but not limited to the recommendations webpages on supporting the clean energy economy and the workforce, as well as the published sample application. Across these existing documents and resources, DOE recommends use of Home Energy Score as a component of any home energy label issued with these programs, which Earth Advantage also endorses given its applicability to national market transformation efforts and current use in the CPUC's funded Home Energy Score program. Home energy labels built off DOE's Home Energy Score can meet the Home Efficiency Rebates requirement for a third-party verification and provide particular benefit to low-income households that may otherwise struggle to retain or build value for their home at a future time of sale.

Transforming the market does not necessitate delivering valuable and finite government funds to higher income households. In fact, a key element of market transformation is supporting market growth, which is not achieved if these funds are merely subsidizing the price of installations that higher income households are already supporting. Instead, Earth Advantage recommends that as much as possible of these funds – well over the 50% requirement – are dedicated toward substantially helping the homes that need funds most and providing substantial support on a per-household basis. Earth Advantage recommends that CEC prioritize households with high energy burdens, using oil, propane, or electric resistance for heat, and with

residents that experience at-home respiratory distress that is potentially exacerbated by poor home energy performance.

Alongside these efforts, CEC should dedicate resources to making sure the benefits of these programs are known among households across the state, such that households with access to resources choose to invest in energy upgrades with the help of tax credits and low-interest financing. These efforts should include establishing a financing roundtable and providing access to aggregated home energy data to mortgage underwriters, who are interested in expanding green lending into single-family home upgrade markets.

To assure these funds deliver products of value such that they effectively pull more funding into this space, sufficient funding must be dedicated to program administration, communications and outreach, quality assurance, and valuation. Oftentimes, there is significant pressure on administrators to reduce the cost of doing business to such an extent that the quality of the work and value being delivered is hampered. This creates a negative vicious cycle of people not seeing the value to sufficiently continue large-scale investment. Earth Advantage recommends the following strategies as ways to assure real help is offered through these programs and real value is achieved for the homes that are served:

- **Fund community organizations to participate in this work as subcontracted partners to build credibility and gain efficiencies of existing systems.** This funding can make the difference for whether low-resourced organizations, businesses, and households can overcome barriers to participation at all. These groups can more flexibly offer various hand-holding services to households in need including direct outreach, language translation, and trusted guidance.
- **Set up programs to be as flexible as possible for recipient households on the front end, such as by accepting various forms of documentation for income verification.** Rather than slowing the process on the front end, require the program implementer engaging with the resident (e.g., the CBO) to document their process clearly. Lists stating the array of forms or IDs someone may use to attest their income qualification should be exemplary rather than exhaustive. Explain clearly to recipients the risks of misrepresenting their income information (e.g., if attestation is found to be falsified, they must pay back the funding) and then perform quality review of the program's income verification as part of the overall program quality assurance.

- **Do not underestimate the costs that must be budgeted to convey program value.** Efforts for quality assurance, quality control, data collection and analysis, communications and outreach, and program evaluation all play a role in demonstrating that the work happening in the field is worthwhile. Strong quality assurance and quality control is necessary to assure recipients become advocates for the benefits of energy upgrades. These are also important efforts to allow the program to adjust or pivot mid-deployment if collected data provides unexpected or undesirable results. Mechanisms for automated data collection – including but not limited to API-linked home energy assessment tools and centralization of income verification information – can reduce burden on these processes for implementers.
- **Attract high-quality contractors by offering bridge loans to help contractors wait for the payment of rebate funds.** Without publicly supported bridge loans, attracting enough contractors that can wait for repayment may prove to be a challenge for scalable program deployment.

Thank you for your time and attention reviewing these comments and the others submitted in response to this RFI. Background information informing these comments and recommendations are included on the following pages.

Sincerely,



Madeline Salzman
Head of Strategic Partnerships
Earth Advantage