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California Energy Commission  
Dockets Office MS-4  
Re: Docket No. 09-OII-01  
1516 Ninth Street, Sacramento, CA 95814-5512  
docket@energy.state.ca.us

**RE: Comments on ARRA SEP Guidelines**

*Filed electronically per instructions, plus one paper copy by US Mail*

Dear Esteemed Energy Commissioners and Staff,

The California Real Estate Inspection Association greatly appreciates this opportunity to comment on the Preliminary State Energy Program Guidelines prepared by the California Energy Commission (CEC) under the requirements of the American Recovery and Reinvestment Act (ARRA).

The California Real Estate Inspection Association (CREIA) is a voluntary, nonprofit public-benefit organization of real estate inspectors. Founded in 1976, CREIA provides education, training and support services to its members and the real estate community. CREIA's Code of Ethics and Standards of Practice are recognized by the California Business and Professions Codes and are considered the standard of care by the real estate industry and legal profession in the state.

CREIA Membership is comprised of a growing spectrum of accredited impartial inspectors, verifiers, evaluators and consultants related to buildings, from planning through construction, transfer of title, maintenance, remodeling and recycling of a building. CREIA requires its accredited members to be tested for their technical knowledge and to keep current in their trade or discipline with a minimum of 30 hours of continuing education annually. CREIA members support best building practices and responsible resource management and share educational and networking opportunities.

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CREIA recognizes that the vast majority of California homes will require cost-effective energy efficiency improvements to meet the State's AB32 goals – a major public policy challenge that must be addressed immediately. As the state's largest group of organized real estate inspectors, our members inspect over 20,000 homes each year, and we observe opportunities for energy efficiency improvements almost every day. We recognize the potential we have to play a key role in the fight against climate change, and to help the CEC solve what the G8 +5 international science academies recently described as one of the "crucial challenges for the future of humanity".<sup>1</sup>

We applaud the CEC's preliminary plan to integrate the Municipal Financing District (MFD) and Comprehensive Residential Building Retrofit (CRBR) Programs, while encouraging local communities to match and extend the impacts of any SEP funding they may receive from their Energy Efficiency Conservation Block Grants (EECBG) and/or other funding sources. We agree with the Commission that such a coordinated approach has the greatest potential to generate lasting beneficial impacts long after these extraordinary stimulus funds have been spent.

We believe that the SEP program as outlined provides an excellent and unprecedented opportunity to leverage the unique knowledge and experience of real estate inspectors to identify Tier 1, Tier 2, and Tier 3 efficiency opportunities in existing homes, particularly during the highly cost-effective context of an impartial home inspection. CREIA members maintain excellent relations with the state's real estate licensees and we have recently signed Memoranda of Understanding with organizations providing green building and HERS rating services. We look forward to working with our colleagues in the real estate and building performance rating industries to demonstrate that the MFD and CRBR programs can be a success for service providers and for consumers, and all without negatively impacting the affordability and resale potential of California's existing homes.

We offer the following comments in support of specific aspects of these guidelines that we believe the Commission should maintain or enhance.

- CREIA strongly supports the CEC's plan to inject stimulus funding quickly into multiple strata within the building services industry:
  - entry-level: low-cost measure installation trainees
  - mid-level: licensed specialty contractors (electricians, plumbers, HVAC , weatherization contractors, etc.) and HERS I Raters
  - top level: licensed general contractors certified as "building performance contractors" and HERS II Raters
- However, we hasten to point out that this short preliminary list overlooks CREIA-member home inspectors who could play a major and immediate role in facilitating Tier 1 measure installations at relatively low incremental cost (because they are already onsite). In addition, as more of our members secure the advanced training, equipment, and certifications required to become HERS I and HERS II raters, the CEC should actively encourage the

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<sup>1</sup> <http://www.nationalacademies.org/includes/G8+5energy-climate09.pdf>

cross-training of Home Inspector / HERS Raters and their participation in SEP-funded Tier 2 and Tier 3 activities.

- CREIA also strongly supports the planned focus on region-based consortia of local governments to facilitate orderly market development and minimize administrative costs. A regional approach to financing districts will help to ensure that sufficient economies of scale can be achieved quickly, leading to collectively lower administrative costs and maximum program benefits.
- Beyond local governments, CREIA encourages the CEC to consider the key interregional functions performed by statewide non-profit organizations like CREIA in developing new standards and facilitating their adoption as routine business practices. Through mechanisms such as the CREIA Standards of Practice and our continuing education programs for CREIA Accredited Professionals, CREIA has made possible greater professionalism and consistency in home inspection practices throughout the entire state. Significantly, we have managed to do this even when legislative or regulatory attempts intended to accomplish similar goals proved to be infeasible.
- CREIA strongly supports the CEC's preliminary plan to ensure that SEP-funded programs respect the intent of the legislature (as codified in AB 2176) by requiring that all awarded proposals demonstrate a minimum level of quantitatively measured cost-effectiveness: >10 MMBTU (source) saved per \$1000 spent. Unless the CEC upholds its commitment to cost effectiveness, our children will be burdened with paying off yet another government spending program that failed to deliver on its promise of real benefits for real consumers.
- CREIA supports the logic of an "efficiency-first" loading order and therefore the requirement that all lien-secured financing be prioritized according to cost effectiveness, including the requirement that energy efficiency improvements must precede solar electric (photovoltaic) and/or other on-site renewable energy generation.
- CREIA members share a commitment to consumer protection. We are therefore concerned about the potential for profit-minded contractors attempting to take advantage of tax-lien secured financing. We realize that many contractors will be motivated to sell – based on their comfort benefits – certain "efficiency" measures which don't actually conserve any energy at all, and others which may save a little but not enough to payback their initial cost by the end of the finance period. Examples of such "comfort-only" measures would include adding space conditioning for previously unconditioned spaces and replacing non-functioning air conditioning equipment. Examples of "comfort-first" measures include replacement windows in homes without air conditioning (in certain climate zones), some domestic hot water recirculation system designs, etc. To concentrate program funds where they will deliver the most public (vs. private) benefits, CEC should authorize only programs that exclude such "comfort-only" and "comfort-first" measures from multi-measure packages.
- We are very supportive of the proposed requirements for HERS II ratings (including the disclosure of "standard approach" recommendations, and where possible bill analysis) for at least lien-based Tier 3 whole-house retrofits that are expected to be relatively costly. We feel strongly that such disclosures should be made openly to clients, perhaps by requiring their signature to confirm that they have read and understood the results of the HERS analysis. This would alert them to any otherwise cost effective recommended measures they may be waiving and the overall cost of the package they are committing to installing relative

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to their historic energy bills. Such disclosures we believe will help to reign in the excesses of overzealous contractors.

- For the reasons cited above, the CEC may wish to consider extending the requirement for HERS II ratings to also include any other projects where the estimated cost of Tier 1 or Tier 2 measures may exceed a certain threshold dollar amount (e.g., >\$5000). In cases where significant Tier 1 or Tier 2 opportunities may be present, a relatively low cost HERS rating will likely be the best way to identify whether any other measures might be more cost effective, thus minimizing the potential for lost opportunities in individual homes and throughout the SEP program.
- We encourage the commission to follow through on its plan to require a progress report in May 2010 of all program implementers and to reallocate funds from any programs that have failed to launch to others that are more likely to produce the near-term impacts the ARRA bill intended.

Finally CREIA wishes to recommend that the CEC should amend the SEP guidelines to add to the list of proposal evaluation criteria additional weight for proposals that include:

- A plan and timeline for local or regional initiatives that result in the ongoing availability of Tier 1 energy assessments and/or Tier 3 HERS ratings at the time of sale after the SEP program has ended,
- A plan for working with statewide non-profit organizations of real estate inspectors, such as CREIA, to facilitate the introduction and success of such local or regional initiatives.

In closing we reiterate our support of the SEP program and our willingness to assist the CEC in making it a success.

Thank you sincerely for your consideration of these comments.

Respectfully Submitted,



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