CALIFORNIA Efficiency + Demand Management COUNCIL

FEDERAL POLICY WORKING GROUP MEETING
10/11/23 (MEETING CANCELED - WRITTEN REPORT ONLY)

Agenda

1. Administration Activities
2. Legislative Landscape/Updates
3. Energy in the Supreme Court 2023-'24 agenda
4. General Updates
5. REEO / EESG Notes + Links

Notes

1. Administration Activities

On October 6, the US Department of Treasury released guidance to release immediate rebates of up to $7,500 at the point of sale for EVs. From the press release:

> Under the Inflation Reduction Act, consumers can choose to transfer their new clean vehicle credit of up to $7,500 and their previously owned clean vehicle credit of up to $4,000 to a car dealer starting January 1, 2024. This will effectively lower the vehicle's purchase price by providing consumers with an upfront down payment on their clean vehicle at the point of sale, rather than having to wait to claim their credit on their tax return the next year. Only vehicles purchased under the consumer clean vehicle credits are eligible for this benefit.

On October 3, the DOE announced that updating efficiency standards for metal halide lamps is not cost-effective. From the proposed rule: The Energy Policy and Conservation Act, as amended ("EPCA"), prescribes energy conservation standards for various consumer products and certain commercial and industrial equipment, including metal halide lamp fixtures ("MHLFs"). EPCA also requires the U.S. Department of Energy ("DOE") to periodically determine whether more-stringent, amended standards would be technologically feasible and economically justified, and would result in significant energy savings. In this notification of proposed determination ("NOPD"), DOE has initially determined that amended energy conservation standards for MHLFs would not be cost effective. DOE requests comment on this proposed determination and the associated analyses and results.

On September 29, The DOE finalized efficiency standards for residential gas furnaces to take effect in 2028. The standards are anticipated to slash utility costs by $1.5 billion/year. These standards, which take effect late 2028, require non-weatherized gas furnaces and those used in mobile homes to achieve an annual fuel utilization efficiency of 95 percent, conserving energy and improving residential heating. DOE expects these standards to cumulatively save consumers $24.8 billion on their energy bills over 30 years and cut harmful carbon and methane emissions that fuel the climate crisis. Today's announcement underscores the Biden-Harris Administration's continued efforts to lower utility bills for American families, increase energy independence and promote healthier, safer communities for the American people.

On September 28, the DOE adopted final pool motor efficiency standards. From the new standards (summary): The Energy Policy and Conservation Act, as amended ("EPCA"), prescribes energy conservation standards for various consumer products and certain commercial and industrial equipment, including dedicated purpose pool pump motors. When DOE is considering adopting energy conservation standards, EPCA requires that the standards be designed to achieve the maximum improvement in energy efficiency, which DOE determines is technologically feasible and economically justified. In this final rule, DOE is adopting amended energy conservation standards for dedicated purpose pool pump motors. It has determined that the new energy conservation standards for these products would result in significant conservation of energy, and are technologically feasible and economically justified.

On September 27, Department of Treasury released guidance to advance efficiency rebates of up to $5,000 per home. As part of the Biden-Harris Administration's Investing in America agenda, the U.S. Department of the Treasury and the Internal Revenue Service (IRS) today released guidance on an important provision of the Inflation Reduction Act that will lower Americans' utility bills. This program shows the Investing in America agenda in action: lowering energy costs for hardworking families and creating good-paying jobs.

The Inflation Reduction Act extended and enhanced the energy efficient home credit (45L) and allows home builders who construct, reconstruct, or rehabilitate energy efficient homes a tax credit of up to $5,000 per home. Today's guidance provides clarity to home builders on the qualifications for the credit.

"President Biden's Investing in America agenda is focused on reducing costs for Americans, and the Inflation Reduction Act is lowering utility bills by providing increased incentives to make homes more energy efficient," said Deputy Secretary of the Treasury Wally Adeyemo. "Treasury's guidance provides clarity and certainty to home builders planning construction projects."

The value of the home builders credit depends on the type of home and the home's energy efficiency. For multifamily dwelling units, contractors receive the full $5,000 credit only if construction workers are paid a prevailing wage.

To qualify for the credit, homes must be eligible to participate in certain Energy Star programs and meet applicable energy saving requirements based on home type. For homes acquired in 2023 through 2032, the credit amount ranges from $500 to $5,000, depending on whether Energy Star or Zero Energy Ready Home program requirements are met. These programs certify the energy efficiency of a home's appliances, lighting, insulation, and duct systems, as well as whether the home can accommodate heat pumps and electric vehicles. Homes must be certified by a third-party to verify they meet the requirements.

On September 25, (from EDF): The U.S. Court of Appeals for the D.C. Circuit today rejected an attempt to halt the Good Neighbor Plan – a vital pollution-reduction effort by the U.S. Environmental Protection Agency that protects people in downwind states from smog that blows over their borders from power plants, including coal-plant smokestacks, and other industrial sources in neighboring states.

On September 22, the DOE announced $325 million in funding for 15 projects to advance long-duration energy storage projects. Funded by President Biden's Bipartisan Infrastructure Law, these demonstration projects will increase community control of local power systems, mitigate risks associated with disruptions to the grid, and help communities develop reliable and affordable energy systems. Today's announcement will help DOE realize its Long Duration Storage Shot goal of reducing the cost of LDES by 90% by 2030 and supports the Biden-Harris Administration's efforts to advance critical clean energy technologies, expand the adoption of renewable energy resources, and strengthen America's energy security. Projects in California:

- **Communities Accessing Resilient Energy Storage (CARES)** (Red Lake Nation, Santa Fe, NM, and Petaluma, CA) — Led by Rejoule, this project aims to utilize retired EV batteries to provide demand reduction, load shifting, and resilience to two affordable housing complexes and a Red Lake Nation workforce development campus. Rejoule plans to collaborate with other stakeholders to expand workforce opportunities, such as preparing youth, women, and other individuals with barriers to entry for high-quality, good-paying careers in the clean energy sector.
- **Second life Smart Systems (SMART)** (Atlanta, GA, San Diego, CA, Orangeburg, SC, Denmark, SC, and New Orleans, LA) — Led by Smartville Inc., this project seeks to take advantage of retired electric vehicle lithium-ion batteries to build stationary storage systems that bring grid resiliency, increase energy affordability, and supply backup-up power to senior centers, low-income multi-family affordable housing complexes, and EV charging facilities. This project will include high-tech career employment training at several Historically Black College and Universities.
- **Children's Hospital Resilient Grid with Energy Storage (CHARGES)** (Madera, CA) — Led by the State of California through the California Energy Commission, this project aims to provide critical power backup for an acute care hospital and will provide resiliency in a region that is increasingly at-risk for significant power outages due to fires, storm surges, floods, extreme heat, and earthquakes. In collaboration with Faraday Microgrids, the project team will install a 34.4-megawatt hour battery system for the Valley Children's Hospital, which is located in an underserved community.
- The full list of projects is here.

On September 21, the Biden Administration announced it is directing agencies to consider the SC-GHG in the development and implementation of their budgets, in federal procurement processes, in environmental reviews under NEPA, etc. Actions include:

Key examples of how agencies can, as appropriate, incorporate the SC-GHG into budgeting include:

- Measuring Programmatic Emissions: To value the benefits of investments that reduce emissions, first agencies must measure programmatic emissions. OMB will work with federal agencies to begin measuring baseline greenhouse gas emissions and use the SC-GHG to calculate the benefits and impacts of federal programs, starting with programs that already monitor emissions. As programmatic emission measurement practices are adopted, agencies can begin to incorporate the SC-GHG among the other considerations that inform and justify their budget proposals.
- Assessing Discretionary Grants: The Department of Transportation already recommends that applicants for discretionary infrastructure grants use the SC-GHG in the benefit-cost analyses of their project proposals. Agencies should, as appropriate, expand the application of SC-GHG estimates to assess the potential climate benefits and costs of discretionary grants.
- Considering Harm-Based Penalty Calculation Methodologies: Some administrative penalties for violations of statutory or regulatory requirements are set at monetary levels that reflect the harm to society caused by the unlawful conduct. Agencies should explore their processes for setting administrative penalties and, if found appropriate and consistent with their authorities, consider incorporating the SC-GHG into particular penalties.
- Evaluating International Assistance: Agencies that assess international assistance and financing are encouraged to work with partner countries and international financial institutions to expand use of the SC-GHG metrics as appropriate, and help ensure that such investments support the Administration's climate goals.

On September 20, the Biden Administration launched the Climate Corps workforce training + program. The Climate Corps is intended to:

> …train young people in high-demand skills for jobs in the clean energy economy. The American Climate Corps will put a new generation of Americans to work conserving our lands and waters, bolstering community resilience, advancing environmental justice, deploying clean energy, implementing energy efficient technologies, and tackling climate change. American Climate Corps members will gain the skills necessary to access good-paying jobs that are aligned with high-quality employment opportunities after they complete their paid training or service program.

On September 20, the EPA opened a nearly $5 billion competitive grant program eligible to states, territories, localities, and tribes. These competitions are open to entities that received planning grants to develop Priority Climate Action Plans (PCAPs) under phase 1 of the CPRG program, as well as entities that did not directly receive a planning grant that are applying for funds to implement measures included in an applicable PCAP. Eligible applicants may only apply for funding to implement measures contained in an applicable PCAP.

For the general competition, EPA anticipates awarding individual grants between $2 million and $500 million, with funding tiers allowing comparably sized projects to compete against one another. For the competition for tribes and territories, EPA anticipates awarding individual grants ranging between $1 million to $25 million.

On September 19, the U.S. Treasury published a report "Principles for Net-Zero Financing & Investment". The voluntary Principles highlight emerging best practices for private sector financial institutions that have made net-zero commitments and promote consistency and credibility in approaches to implementing them. With the Principles, the Treasury Department is supporting the mobilization of more private sector capital to address the physical and economic impacts of climate change and to seize on the historic economic opportunity presented by the green transition.

On September 19, the U.S. Department of Energy ("DOE") made $400 million available to states and Tribal territories in adopting and implementing energy efficiency building codes. The surge of investment is part of the Biden Administration's "Investing in America Agenda" under the Inflation Reduction Act. The $400 Million is a portion of the (roughly) $1 Billion made available for state and local governments to adopt and implement the latest building energy codes, zero energy building codes, or equivalent codes and standards. The formula funding is intended to advance the adoption and implementation of the latest building energy codes and zero energy codes.

Homes built to today's energy codes are nearly 40% more efficient than homes built just 15 years ago, dramatically cutting energy costs for consumers. If all states updated to the latest model energy codes, over the course of 30 years, this action would save enough energy to power all households in the United States for a full year. Switching to the updated energy codes would equate to almost 2 billion metric tons of CO2 emissions reduction, the equivalent of removing over 445 million gas powered cars from the road over the same 30 years.

The DOE provided guidance in adopting and implementing two categories of building energy codes through an Administrative and Legal Requirements Document ("ALRD"): $240 million will be available to adopt and implement the latest building energy code, the 2021 International Energy Conservation Code (IECC) for residential buildings and the ANSI/ASHRAE/IES Standard 90.1–2019 for commercial buildings, or other codes that achieve equivalent or greater energy savings. $160 million will be available to adopt and implement the zero energy provisions in the 2021 IECC, or other codes with equivalent or greater energy savings.

With this ALRD, states will have support in adopting, implementing, enforcing, and measuring compliance rates of specified building energy codes, while training and educating their workforce and building localized capacity. You can find more information here.

The Office of State and Community Energy Programs will oversee the administration of the program. DOE intends to release additional, complementary competitive funding in the following months.

On September 18, As part of an ongoing effort, the U.S. Department of Energy recently released their latest installment to the "Pathways to Commercial Liftoff" series regarding virtual power plants "VPPs". The Pathways to Commercial Liftoff series are intended to access a wide range of interests, from novice to expert. They are also intended to discuss the market opportunities, challenges, and potential solutions for commercialization of these technologies. "Their goal is to catalyze rapid and coordinated action across the full technology value chain."

The installment acknowledges the challenges with meeting growing electricity demand with increasingly variable renewable resources while retiring legacy fossil plants. It defines VPPs as: aggregations of DERs such as rooftop solar with BTM batteries, and EV chargers, electric water heaters, smart buildings and their controls, and flexible C&I loads that can balance electricity demand and supply and provide utility-scale and utility-grade grid services like a traditional power plant. The installment also acknowledges VPP's potential range of benefits to include low cost resource adequacy, resilience, GHG emissions reduction, grid stability, broad community opportunities, and adaptability.

The installment acknowledges existing system planning, operations, and market participation have insufficiently integrated VPP considerations and thus inhibited the resource's growth to date. If properly integrated into various processes and implemented across programs and markets, VPPs could contribute between 10-20% of peak demand across the nation. Of significant importance, the VPPs could also provide regional services, variations based on unique community/grid needs. Deploying 80-160 GW of VPPs by 2030 to help address national capacity needs could save on the order of $10B in annual grid costs and will direct grid spending back to electricity consumers.

The installment calls for a five separate but complementary "imperatives" for VPP liftoff:

1. Expand DER adoption with equitable benefits: various stakeholders and decision makers should collaborate on holistic support for DER and VPP adoption and integration to meet community-wide needs.
2. Simplify VPP enrollment: Stakeholders and utilities should collaborate to streamline VPP participant enrollment, including education, automatic enrollment of DERs into VPPs at the point of purchase (enabling opt-out abilities), and broader integration of VPP-enablement of DER devices.
3. Increase standardization in VPP operations: "Private sector and public sector stakeholders can improve coordination and resourcing for the development of guidelines, standards, and/or requirements that make VPPs more repeatable and shorten the design and pilot stages of individual VPP deployments."
4. Integrate into utility planning and incentives: Primarily focused on increasing resources to regulators.
5. Integrate into wholesale markets: To follow and advance FERC Order 2222.

These benefits are seriously expanded when considering the DOE is projecting upwards of $290-505 billion per year in EVs, and $50-105 billion per year (2025-2030) in other DERs across residential and non-residential settings.

September 18, the DOE released another Pathways to Liftoff Report regarding Industrial Decarbonization. This Pathway to Commercial Liftoff report provides an overview of the pathways to

decarbonize eight industrial sectors of focus: chemicals, refining, iron & steel, food & beverage, pulp & paper, cement, aluminum, and glass

On September 12, the EPA released a report re: the CO2 emissions reductions due to the Inflation Reduction Act. Takeaways include:

- Lowers economy-wide CO2 emissions, which include electricity generation and use, by 35 to 43% below 2005 levels in 2030.
- Spurs CO2 emissions reductions from the electric power sector of 49 to 83% below 2005 levels in 2030.
- Reduces CO2 emissions in all end-use sectors, most significantly in residential and commercial buildings followed by industry and transportation.

2. Legislative Landscape/Updates

On October 3, the House of Representatives ousted its Speaker for the first time in US history. Rep. McHenry (R-NC) is filling the vacancy as Speaker Pro Tempore. **On October 11**, House Republicans nominated Rep. Scalise (R-LA) for House Speaker, winning the secret ballot over Rep. Jordan (R-OH). It is currently unclear when the House will move to the Floor to vote on Scalise for Speaker.

On September 18, several Congressmembers submitted a letter to DOE Secretary Granholm urging the DOE to:

> …expedite the deployment of the IRA's historic rebate programs for investing in affordable, energy-efficient home upgrades. Because of delays in finalizing program guidance and distributing administrative funds, we are informed that states may be unable to offer rebates until the Fall of 2024 or later, which would be more than two years after IRA enactment.

On September 14, the House of Representatives passed H.R. 1435 ("Preserving Choice in Vehicle Purchases Act") which would effectively block California's ability to establish emission standards on vehicles dependent on the state's limitation of internal-combustion engine vehicles. From the Committee on Rules Report:

> The purpose of H.R. 1435 is to amend the conditions contained in the Clean Air Act (CAA) under which the Administrator of the Environmental Protection Agency (EPA) must deny a State a waiver for vehicle emissions laws. Specifically, H.R. 1435 adds a requirement that the EPA cannot grant a waiver if the State directive ''directly or indirectly'' limits the sale or use of new motor vehicles with internal combustion engines.

On September 14, the House Energy and Commerce Committee's Energy, Climate, and Grid Security Subcommittee heard the following proposals:

- H.R. 4167 (Hudson, R-NC) ("Protecting America's Distribution Transformer Supply Chain Act"
- A yet-to-be introduced bill "DOE Appliance and Equipment Standards Reform and Consumer Protection Act" was addressed by its sponsor Rep. Lesko.
- Another yet-to-be introduced bill "GRID Act" was also addressed.

Gene Rodrigues also provided witness testimony during this hearing.

3. Energy in the Supreme Court 2023-'24 agenda

On October 2, the Supreme Court opened its 2023-24 session with several new issues on its docket. One case poses the chance ot throw out the Chevron defense - which provides agencies

the flexibility to interpret statutory ambiguities when implementing laws/drafting regulations. From NewsData:

> A ruling to overturn or narrow the doctrine would further restrict the scope of rulemaking authority held by the Environmental Protection Agency and other regulatory agencies, following last year's high-court decision on power plant greenhouse gas emissions limits. In that decision, the court invoked the "major questions" doctrine to bar "generation shifting" limits on GHG emissions that lack explicit congressional authorization.

4. General Updates

- Implementation of IRA & IIJA
  - EPA GHG Reduction Fund
  - Home Energy Rebates – see attached
  - EPA Climate pollution grants – see attached
  - Codes
  - Other
    i. 9/28 Webinar on Combining Resi EE Incentives

2. FHFA Activity & Building Codes, Standards
3. Other Business & Announcements
   1. https://www.bluegreenalliance.org/wp-content/uploads/2023/09/0923-Executive-Summary-PERI-Report.pdf

Federal Program Links

- DOE Technical Assistance for the Adoption of Building Energy Codes
  - NOI Letters **Due 11/21/23**; Applications **Due 9/30/25**
- DOE FOA IIJA Weatherization Assistance Program Enhancement & Innovation Grants
  - Applications **Due 1/5/24**
- EPA GHG Reduction Fund (GGRF) – Solar for All Program NOFO
  - Applications **Due 10/12/23;** Announcement
- EPA GHG Reduction Fund (GGRF) – National Clean Investment Fund NOFO
  - Applications **Due 09/26/23;** Announcement
- EPA GHG Reduction Fund (GGRF) – Clean Communities Investment Accelerator NOFO
  - Applications **Due 10/12/23;** Announcement
- DOE FOA – IIJA Assisting Federal Facilities with Energy Conservation Technologies (AFFECT Grants)
  - Phased Submission Deadlines for Federal Agencies – **Winter Due 11/29/23**
- HUD Green and Resilient Retrofit Program (GRRP)
  - GRRP Elements **Due 3/28/24**, GRRP Leading Edge **Due 4/30/24**, and GRRP Comprehensive **Due 5/30/24**
- DOE – IRA Home Energy Rebate Programs

Other Links

- EESI will host a 9/28 briefing on IRA tax incentives – RSVP here
- USGBC Greenbuild 2023 – Register here
  - AnnDyl Policy Brief:
    - The Residential Capital Stack: Maximizing Impacts of HOMES, HEEHR, 25C Tax Credit, WAP, and Utility Programs for Existing Single-Family Homes
  - BlueGreen Alliance Resources:
    - Making Clean Energy Tax Credits Deliver for the Public: A User Guide for Governments, Schools, and Nonprofits
    - Domestic Content Bonus for Clean Energy Tax Credits
  - Roadmap to Navigating Federal Funding for Public Buildings

- https://drive.google.com/file/d/1ijoQCMnXvusVgmCnQs3O1_BovdX-QKqm/view?usp=sharing
- https://docs.google.com/document/d/1hKeYiXmyPOlnRrLWhLsSDk4wAWkime-5/edit?usp=sharing&ouid=112623796187692282608&rtpof=true&sd=true
- https://docs.google.com/document/d/15St__SVwkwsKQlLJtbbY300VCsoYzRyU/edit?usp=sharing&ouid=112623796187692282608&rtpof=true&sd=true

5. Notes from EESG/REEO Call

- The following notes are a bit rough, captured from the late September REEO/EESG call:

GGRF:

- Working to ensure EE is/remains a main part of GGRF, including
    - EE as an enabling upgrade in Solar for All Program - EPA concurred as it is an enabling upgrade for solar (defined as upgrades necessary to maximize solar installation). Other e.g.s include roofing.
        - Solar for All will see over 50 awards.
        - Now that EPA has made some moves - it'll be up to states (and stakeholders working with them) to nail down specifics and get projects put forward, approved, and out the door.
            - This is particularly true and important for ensuring that EE remains at the forefront of investment and application considerations.
        - FAQ / Fact Sheet
        - General info
    - NCIF - three priority project types, distributed generation/storage, net-zero emissions buildings, and zero-emissions transpo.
        - Q&A Fact Sheet
        - Only a handful of entities will receive funding - then they will be responsible for how to distribute those funds down the line.
    - CCIA - same three priority project types as above.
        - Sent EPA clarification on distributed energy generation/storage which allows for enabling infrastructure investments. EPA responded with most EE efforts under energy storage/generation will go to net-zero buildings. EPA also said in as much as those investments are necessary towards storage/generation are allowable. REEO read that to allow:
            - In front of meter EE investments, demand flex investments,
            - It also opens the door for VPPs as a potential project category.
        - Net-zero buildings generally = energy efficiency + electrification.
        - Only a handful of entities will receive funding - then they will be responsible for how to distribute those funds down the line.
    - Other EPA clarification on GGRF:
        - What is a highly energy efficient building? EPA ID'd for retrofits as general rule, buildings that achieve an energy score of 75 or higher. For buildings for which there is not an energy score available, there is a % requirement.
        - Re: Net-zero project priority type; should generally be 20 years or less and one that moves building towards net-zero. Substantially used in this language is undefined.
        - $27 B investment opportunities.
- Energy Service Agreement: GGRF is built to meet those project types as long as EPA meets needs of issues identified. GGRF funds are intended to be "flexible". EPA understands 40%

of funds going into lower income communities - so investments should not be flexible rates, looking towards forgivable and partially-forgivable loans, no interest loans, low-interest loans, etc.
    - Money for HUD also under GGRF that could serve this issue.
    - One major interest/issue: how to include or address multi-family homes (like larger public housing). How this works with ESA is not clear - if it's allowed at all.
    - Money available through HUD that may split the difference. Hoping to tap into flexibility of other frameworks and drive multiple sources of funding.
    - New guidance from a few weeks ago. Want to see if EPA got targets correct, then work towards advancing capital stack framework in low-income and disadvantaged communities.
    - "Forgivable" = (generally) requirements that must be met in order to receive those funds, also forgiveness often occurs incrementally over a period of time (must meet requirements over "10 years", receiving partial loan forgiveness each year until that 10 years are met).

EPA communications, DOE re: guidance to HOMES

- A few weeks ago, some changes that were suggested have been incorporated into HOMES. Ongoing concerns include:
    - Apparent interest in interpretation that requires audit of blower door test for every house, even though it was developed over the last decade you have data to base the retrofit.
        - This is concerning because that is very expensive. This is a belt and suspenders - esque issue.
        - Here's a congressional letter to DOE.

CODES

- The way some of the requirements are built out may prohibit other states from being able to apply or participate.
- The Administrative and Legal Requirements Document (ALRD) from today's announcement provides application instructions and federal guidance in adopting and implementing two categories of building codes:
    - $240 million will be available to adopt and implement the latest building energy code, the 2021 International Energy Conservation Code (IECC) for residential buildings and the ANSI/ASHRAE/IES Standard 90.1–2019 for commercial buildings, or other codes with equivalent or greater energy savings.
    - $160 million will be available to adopt and implement the zero energy provisions in the 2021 IECC, or other codes with equivalent or greater energy savings.

GENERAL

- Waiting on more input/guidance on programs - generally more in the Treasury's wheelhouse.
- Federal Housing Finance Agency - Freddie Mae and Fannie Mac collectively back more than 50% of mortgages for new homes in USA.
    - HUD and USDA have proposed setting IECC 2021 as minimum building code for accessing federal financing for mortgage for new construction.

- Looking to get FFHA to do the same thing (effectively). Will be looking towards a new sign on letter. Receiving opposition of Federal Home Builders. Looking to reach hundreds of orgz.

Next Meeting

Our next Federal Policy WG meeting will be rescheduled from Wednesday November 8 at **8:15 am**. Call-in coordinates are below.

Zoom link
Call-in: +13126266799,,83592457581#
Passcode: cedmc2022