

DOCKETED	
Docket Number:	23-DECARB-01
Project Title:	Inflation Reduction Act Residential Energy Rebate Programs
TN #:	254170
Document Title:	Response to RFI on the Inflation Reduction Act Home Energy Rebates
Description:	The CEC proposal to incorporate HOMES into the Equitable Building Decarbonization Program (EBD) and potentially provide rebates based upon cost – rather than energy savings – would drive increases in project expenses and undo the program’s performance-based benefits, potentially diminishing emissions reductions and failing to protect low-income families from rising energy bills.
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January 26, 2024

Commissioner J. Andrew McAllister
California Energy Commission
715 P Street
Sacramento, CA 95814

Re: Docket No. 23-DECARB-01: Response to RFI on the Inflation Reduction Act Home Energy Rebates

Dear Commissioner McAllister:

Thank you for the opportunity to respond to the California Energy Commission's (CEC) Request for Information (RFI) on the Inflation Reduction Act (IRA) Home Efficiency Rebates Program (HOMES). The HOMES program was envisioned as a mechanism to transform the home energy retrofit market by providing increasing incentives based on whole-home energy savings for each household – using measured energy usage or modeled savings calibrated to prior energy bills and weather data. The CEC proposal¹ to incorporate HOMES into the Equitable Building Decarbonization Program (EBD) and potentially provide rebates based upon cost – rather than energy savings – would drive increases in project expenses and undo the program's performance-based benefits, potentially diminishing emissions reductions and failing to protect low-income families from rising energy bills.

We urge the CEC to stand-up the HOMES rebates as a true whole-home energy savings program as envisioned by Congress, with increasing incentives for higher energy savings – while maintaining the goal of covering 100% of project costs for low-income households – for the following reasons:

¹ Per the CEC's RFI, "at this time, CEC is planning on incorporating or 'braiding' HOMES funding with the Equitable Building Decarbonization (EBD) Direct Install Program" (p.2), though the RFI acknowledges the possibility of the "situation where CEC does not incorporate/braid HOMES program funding into the EBD Direct Install Program" (p.4). In addition, CEC notes that states "can choose to set rebate values by...paying a portion of the project cost" (p.4).

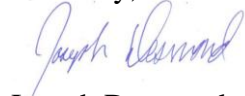
1. **HOMES Rebates Can Expand Rebates to Communities Not Served by EBD:** The EBD program will require program administrators to identify initial community focus areas for EBD direct installations, leaving many other low-income communities unserved by the program. The HOMES rebates provide an opportunity to deploy energy efficiency measures in more low-income communities across the state, ensuring the broadest possible eligibility and participation.
2. **Additional HOMES Rebate Program Requirements Would Delay EBD Implementation:** U.S. Department of Energy guidance for the HOMES program establishes numerous data and process requirements for all projects; integrating HOMES into EBD would add significant administrative burdens to EBD implementation. In particular, the HOMES program requires an energy audit consistent with BPI-1100/1200 standards, which could add hundreds of dollars in additional costs to each project and significantly limit the pool of contractors willing to participate in the EBD program.
3. **Relying on a Drafting Error Creates Regulatory and Legal Risk:** The HOMES Measured approach in the IRA includes a well-known drafting error that could vastly increase customer incentives in ways not anticipated by Congress.
 - In the HOMES language, the words “the lesser of” were unintentionally left out of the measured path, though they were included in the modeled path, accidentally removing the cap from the measured rebate. These approaches have always been proposed by Congress as equivalent pathways with the same caps.
 - Using this error to provide rebates as a percentage of cost – not energy savings – is contrary to the intent of Congress and could cause legal and regulatory delays, and/or require dramatic programmatic changes if the drafting error is fixed in subsequent legislation. This could impact the speed at which Californians receive IRA HOMES funding and slow progress on achieving the state’s rightfully ambitious climate goals.
4. **A Pay-For-Performance Approach Achieves the Same Goals as EBD:** A performance-based approach to the HOMES program would accomplish many of the same objectives as the EBD program – targeting households and communities with the greatest savings potential, driving down project costs, and providing a whole-home approach to decarbonization. Rather than relying on program implementers to manage and trade-off all of these factors, the performance-based approach allows contractors and aggregators to handle these functions, driven by market incentives to achieve the highest energy savings at the lowest cost.
 - The CEC could still require similar packages of measures for HOMES projects as the EBD program, with full electrification encouraged by program rules.

- To avoid additional administrative costs, the CEC can utilize the same implementer for the HOMES and EBD Programs; however the HOMES Program will need to be separate from the EBD to ensure that it is a measured savings program.

5. Performance-Based HOMES Programs Can Cover 100% of Project Costs: The HOMES measured savings programs should still strive to cover 100% of project costs for low-income households by setting appropriate incentive rates, including bonus incentives under the *time, location, and greenhouse gas incentive* provisions of the HOMES program. The CEC should leverage the HOMES program, in coordination with community-based organizations, contractors, and aggregators, to gather data on average project costs and energy savings for low-income households. Using this data, the CEC can set incentive rates to ensure that the rebates are sufficient to cover 100% of project costs for the vast majority of low-income households; this data will also be valuable to support the EBD program administrators in implementing mechanisms to control costs, such as cost analysis, competitive bidding, and standard pricing for eligible measures.

Thank you for the opportunity to comment on these important programs. We look forward to working together to ensure the success of both the EBD and the HOMES programs in support of California's most deserving households.

Sincerely,



Joseph Desmond
Executive Director
California Efficiency + Demand Management Council