

Response of the American Council for an Energy-Efficient Economy (ACEEE) to the NASEO RFI on the DOE Home Energy Rebates

May 19, 2023

The American Council for an Energy-Efficient Economy (ACEEE), a nonprofit research organization, develops transformative policies to reduce energy waste and combat climate change. With our independent analysis, we aim to build a vibrant and equitable economy – one that uses energy more productively, reduces costs, protects the environment, and promotes the health, safety, and well-being of everyone. Thank you for the opportunity to provide input—additional suggestions are in our [response](#) to the Department of Energy and a [blog post](#). No proprietary or confidential information is included in this response, and it is suitable for public dissemination by NASEO.

CATEGORY 2

16. NAME, CONTACT INFORMATION, COMPANY OR ORGANIZATION THAT YOU REPRESENT.

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17. AN OVERVIEW OF YOUR APPROACH TO EQUITY, DIVERSITY, INCLUSION, AND ACCESSIBILITY (DEIA).

ACEEE is committed to DEIA in process and outcomes both in our own operations and across our work. ACEEE continues to strive for a diverse ACEEE board and staff, recognizing that our work needs to resonate with an increasingly diverse country if we are to be effective. The majority of ACEEE's staff are women (55%), mostly in research/professional positions; 35% of ACEEE staff have indicated they are from a racial or ethnic minority. Our board of directors now has 15 women and 7 people of color out of 21. Our internal organizational efforts related to DEI are embedded in our strategic plan goals. We have an active DEI Committee with six working groups and 20 members ranging across programs and job levels at ACEEE.

ACEEE's commitment to equity and improving energy affordability in disinvested communities is a long-term effort. Our research has included highly visible reports on [energy burdens](#) and guidance on best practices in the design and implementation of low-income and multifamily energy efficiency programs. Due to the [Leading with Equity](#) Initiative and contributions from our equity working group of Community Based Organizations (CBOs), our city, state, and utility scorecards are also increasingly gauging the extent to which social and racial equity are a focus of policy and program solutions. Our work with utilities includes multifamily, low-income, and low-income electric vehicle working groups. Dozens of technical assistance projects with cities and states have provided critical guidance

on program planning and delivery. In our Energy Equity for Renters and Energy Equity for Homeowners initiatives, cities must partner with CBOs to be eligible for assistance.

18. AS APPLICABLE, A SHORT DESCRIPTION AND A LINK TO PROGRAMMING THAT YOUR COMPANY IS CONTRACTED OR HAS BEEN CONTRACTED TO IMPLEMENT FOR PLANNING, ADMINISTERING, AND/OR FIELD DELIVERY OF FEDERAL OR STATE PROGRAMS. NOTE WHICH, IF ANY, PROVIDES LOW- AND MODERATE-INCOME AND AFFORDABLE HOME ENERGY UPGRADES, ESPECIALLY WITH AND IN DISADVANTAGED COMMUNITIES.

[Residential Retrofits for Energy Equity](#) (R2E2) provides deep technical assistance to state, local, and tribal governments as well as community-based organizations to jumpstart energy upgrades for single family and multifamily affordable housing, especially in frontline communities. R2E2 is providing training and capacity building assistance for applicants to the U.S. Department of Energy's Buildings Upgrade Prize (Buildings UP), which is awarding cash prizes and technical assistance to teams that develop innovative concepts for energy efficiency and efficient electrification initiatives for buildings in their communities. R2E2 encourages teams to equitably distribute resources, prioritize authentic engagement with underserved communities, bolster community priorities and leaders, advance local workforce development, and target programs to those who have historically been excluded by past policies, such as BIPOC communities, renters, and marginalized groups.

R2E2 is a partnership of ACEEE, Elevate, Emerald Cities Collaborative, and HR&A Advisors, with People's Climate Innovation Center advising on centering equity in the project.

19. DESCRIBE THE PROGRAM ELEMENT THAT IS IMPORTANT FOR STATE ENERGY OFFICE CONSIDERATION. BE AS DETAILED AS POSSIBLE.

LOW-INCOME AND DISADVANTAGED COMMUNITIES

Outreach and participation: DOE and the states should work with community-based organizations that serve various low-income and disadvantaged communities on the design and implementation of the rebate programs and should compensate the CBOs for their participation. Our 2021 [report](#) (p. 10-12) discusses best practices for community engagement.

Consumer protections: Higher bills may be an issue for rebates for heat pumps that replace gas furnaces and that are not part of broader home retrofits that reduce heating load (or for heat pumps that provide air conditioning in homes that had been without it). Programs should encourage or require broader retrofits (which may be sequential) that at least ensure good insulation and air sealing along with heat pumps in order to reduce bills. However, skilled installation of both heat pumps and insulation is important to obtain the efficiency benefits and prevent other problems, and often contractors are not trained and certified to do both. Programs may need to provide training, encourage contractors to work together, and require appropriate certifications in order to provide beneficial electrification under the Home Electrification Rebates.

Consumer education also is important to avoid energy bill surprises. A web-based tool could estimate changes in energy bills for heat pumps replacing furnaces. Similar to a Home Energy Score but with less detailed information required, contractors could enter the location, basic home information, existing heating information, existing fuel bill, and proposed new heat pump model (and perhaps information on existing and new insulation and air sealing if those are changed), and the tool could use that information and local utility rates to provide a rough estimate of energy bill impacts to inform homeowners considering electrification. While likely not as accurate as a home energy audit, this should provide some consumer protection from unforeseen energy bill increases for projects without more detailed home modeling.

Low-income weatherization: States should make referrals to the WAP program for income-eligible customers. For WAP-eligible customers, the WAP grant will often be a better deal for home energy retrofits since WAP pays 100% of costs and Home Efficiency Rebates are capped at 80%. However, many states have waiting lists for WAP, and therefore for some households participation in the Home Energy Rebate programs will be preferable to waiting a long time for WAP services. Joint marketing to and income verification for low-income households, and partnerships with community-based organizations, could also help ensure low-income households use the best programs for their needs. In some states the community action agencies and contractors that implement WAP could also be a delivery vehicle for Home Energy Rebates, and WAP could be used for different measures in the same home (e.g., a heat pump and envelope improvements) in order to carry out more comprehensive improvements.

Income verification: This is an issue of great concern to program implementers; income verification must be easy if the programs are going to work. However, income verification by contractors may be unreliable and raises privacy concerns. No single approach will work in all cases, and thus we recommend that states use a combination of methods. New Jersey utilities have adopted a common approach:

- Homeowners in census tracts in which most residents meet the income cap can self-certify based on a table of qualifying incomes in that area. A program could also use Qualified Census Tracts under the LIHTC program, though that may be unduly restrictive, or zip codes instead of census tracts to ease identification.
- Homeowners can demonstrate that they have qualified for income-based programs with similar or more restrictive qualification levels, such as the Weatherization Assistance Program, Low-Income Home Energy Assistance Program, Supplemental Nutrition Assistance Program, Temporary Assistance for Needy Families, Section 8 Housing Assistance, and Supplemental Security Income. Data sharing between these programs and the rebate implementer could facilitate verification that homeowners have qualified for them. But implementers in some states may be prohibited from asking about federal assistance.

- Homeowners in neither of the above categories can document their individual income. This might best be done with a federal or state online system using the previous year's tax return if available, pay stubs, or documentation similar to that required for other assistance programs; it would be facilitated if the system has real-time access to tax returns (like the FAFSA student aid form). The building contractor could only see whether or not the household was verified as meeting the requirements.

However, states with other systems that can provide the needed income verification should be able to use them.

Multifamily buildings with federal or state assistance should easily be able to show that they are in a program that requires tenants to meet the income qualifications. As documenting resident income may be impossible for other multifamily buildings, they should be able to qualify based on rents being affordable for tenants at the income qualification levels.

RENTAL AND MULTIFAMILY

Renter protection: The balance between encouraging rental unit owners to upgrade properties and protecting low-income renters from rent increases is tricky and should be considered in state plans. We would suggest that for rebates above a threshold amount, states require landlords to continue for a period of time the affordability provisions they used to qualify for the rebates. Thus, if a landlord demonstrated meeting the rebate income caps by their participation in a federal or state assistance program, they commit to continuing to meet the requirements of that program. If a landlord not under rent restrictions demonstrated meeting the caps with rental rolls (per earlier comment), they would commit to keeping their rental rolls within the limitations for a period of time. Home Efficiency Rebates without the LMI adder and thus with no income cap would have no such restrictions.

The period of affordability restriction could be based on the amount of the rebate. For example, a state could set no restriction for rebates up to \$2,000 per unit; for rebates above that amount, one year for every \$2,000 per unit (e.g., four years for an \$8,000 per-unit rebate and seven years for \$14,000 per unit). Research on rent restrictions in current programs and on their impacts would be helpful in finding an effective balance.

PROGRAM DESIGN

Market Transformation: Even \$9 billion will only reach a small fraction of homes. To have a lasting impact, the rebate programs should help make energy efficiency a regular part of the home improvement market. Owners of affordable multifamily buildings have a key opportunity during project refinancing and capital needs assessments that typically are done after a decade or two. The state energy offices should work with state housing finance agencies to incorporate the energy upgrades and rebates (perhaps in the form of loans rather than grants to be compatible with the Low-Income Housing Tax Credit) into the broader projects—see joint [comments](#), p. 8. For single-family homes, the time of purchase,

refinancing, and other home renovation projects all should incorporate energy upgrades. And states should coordinate the rebates with existing utility and state efficiency programs, which should continue after federal funds are gone.

To help make efficiency upgrades common practice, states should also reinforce the rebates with complementary policies. For example, widespread energy ratings and other consumer information on home efficiency, such as required heating bill disclosure to prospective renters in Chicago, IL, and energy scores in homes for sale in Portland, OR, and Minneapolis, MN, can build owner interest. And building energy and climate performance standards for multifamily buildings ensure all are efficient.