



National Association of State Energy Officials

January 26, 2023

The Honorable Jennifer Granholm
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue SW
Washington, DC 20585

Dear Secretary Granholm:

Congress provided nearly \$9 billion under the Inflation Reduction Act (IRA) in Section 50121 Home Energy Performance-Based, Whole-House Rebates (HOMES); Section 50122 High-Efficiency Electric Home Rebate Program (HEEHR); and Section 50123 State-Based Home Energy Efficiency Contractor Training Grants. Together, these programs present a historic opportunity to lower consumer energy costs, reduce emissions, and catalyze workforce development. Recognizing the scale and complexity of these programs, the State Energy Offices have convened regularly through the National Association of State Energy Officials (NASEO) to exchange strategies and best practices in home energy efficiency program delivery. Based on these dialogues, and on behalf of the 56 State, Territory, and District of Columbia Energy Offices that will implement the programs, NASEO offers the following guiding principles.

Overarching Recommendations

- 1. Afford States Flexibility in Program Design. State Energy Offices reflect diverse state-level policy goals, energy economies, geographies, housing stocks, climates, workforces, and demographics. They are experts in designing programs that meet their residents' needs and private-sector capabilities. State Energy Offices are interested in customizing their rebate programs to complement existing programs, meet the needs and priorities of disadvantaged communities, and leverage private-sector capital and resources. For these reasons, NASEO recommends allowing states maximum flexibility to design the HOMES, HEEHR, and contractor training programs to meet their states' unique needs and to modify and improve the programs over time.
2. Utilize a Phased Guidance and Funding Approach. NASEO recommends DOE implement a two-phased approach to release the funds. For the first phase states would submit a simple application to access administrative and planning funds so that each state can begin program design. The second phase would provide the remainder of the funds. States would

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provide a more detailed program design submission for DOE concurrence on a rolling schedule, over one-year, so that implementation funds can be distributed to the states as soon as each state is ready to act. It is critical for DOE to provide final program requirements and guidance prior to or during the administrative and planning phase so that states can prepare to meet DOE's requirements and design their programs accordingly. This approach will allow states to optimize program design and build their capacity, and it would afford DOE time to create necessary administrative and oversight mechanisms, while accelerating the overall implementation schedule to meet consumer needs. NASEO recommends that the full funding allocation be distributed after program design concurrence, and it should not be divided over the duration of the program.

3. **Collaborate with State Energy Offices on Development of Program Guidance.** As DOE develops program guidance, NASEO recommends close collaboration with the State Energy Offices through the existing NASEO Residential Energy Efficiency and Beneficial Electrification Task Force. The Task Force includes 34 State Energy Office members, and other State Energy Office observers. Through the Task Force, State Energy Offices have identified several of the key program design elements and have organized working groups with private sector experts to identify solutions and best practices on a range of topics. The working groups convene regularly to discuss strategies for modeling and measuring energy savings, quality monitoring, income verification, point-of-sale rebate execution, contractor training, quality assurance, reaching underserved communities, and others as directed by the State Energy Offices. These working groups are an efficient means for DOE to work with states in co-developing program requirements and guidance. We encourage DOE participation.
4. **Provide Regular Updates on Program Actions to State Energy Offices.** NASEO recommends that DOE establish a regular communication schedule with State Energy Offices on programmatic updates and issues under consideration, with opportunities for State Energy Offices to provide input. We recommend at least twice a month briefings with the NASEO Residential Energy Efficiency and Beneficial Electrification Task Force.
5. **Prioritize the Consumer Experience.** DOE, State Energy Offices, and the private sector should work together to ensure that the consumer experience is as frictionless as possible. The rebates are ultimately consumer-facing programs and identifying opportunities to reduce participation burdens, offer education, and protect customers should be priorities. DOE can work together with State Energy Offices, many of which already engage with consumer protection agencies, to ensure that programs are compliant with state rules and regulations; that there are rules in place to prevent waste, fraud, and abuse; and that the programs do not have adverse effects on participants.
6. **Conduct Cross-Office Collaboration.** NASEO recommends coordination with the Weatherization Assistance Program and the Building Technologies Office, specifically the Home Energy Score program. NASEO also recommends collaboration with the ENERGY STAR program at the U.S. Environmental Protection Agency, multifamily and public housing offices at the U.S. Department of Housing and Urban Development, Low Income Home Energy Assistance Program at the U.S. Department of Health and Human Services, and the energy efficiency programs at the U.S. Department of Agriculture so that states can leverage various federal programs seamlessly if that is their desire. Such cross-collaboration

efforts will assist with the identification of processes or mechanisms for ensuring that rebate recipients do not receive rebates under both rebate programs for the same measures.

7. **Allow for Categorical Eligibility in Income Verification.** DOE should allow states to utilize automatic participation in rebate programs if individuals or families already qualify for federal low-income programs. There should be flexibility for the State Energy Offices to determine what is required to confirm participation in low-income programs. Additionally, DOE should allow states the option to determine eligibility based on location. Several State Energy Offices have expressed interest in pre-determining eligibility based on census tract information. The Community Eligibility Provision in the USDA Child Nutrition Programs could serve as a model. It is communicated as a way to reduce program participation burden, a key priority of State Energy Offices. Finally, DOE should allow for automatic eligibility for participants in state income-eligible or location-eligible programs. State Energy Offices can propose state-level programs for automatic eligibility as part of their program applications.
8. **Communicate Confirmation that Rebates Can Be Used in Conjunction with Tax Credits.** In the fact sheet *Frequently asked questions about energy efficiency home improvements and residential clean energy property credits*, the Internal Revenue Service communicated that Residential Clean Energy Property Credit tax credits can be used with state rebates. We recommend that DOE affirm that this means HOMES and HEEHR can be used in combination with tax credits.

HOMES and HEEHR Program-Specific Recommendations

Based upon the statutory language for IRA Sections 50121 and 50122, several topics emerged as requiring clarification from DOE. NASEO makes the following recommendations to address program design needs. NASEO anticipates preparing additional recommendations as discussions with State Energy Offices continue under the NASEO Residential Energy Efficiency and Beneficial Electrification Task Force.

1. **Confirm HOMES and HEEHR Rebates May be Used in the Same Home.** The legislation makes clear that the HOMES and HEEHR rebates cannot be combined to fund the same measure. However, there is no such prohibition on funding improvements in the same house so long as the energy savings associated with the HEEHR upgrades are not included in the total home energy savings calculated for the HOMES rebates. For example, the same home should be able to take the HEEHR rebate and then take the HOMES rebate in a later year with a new baseline or take both rebates in one year as long as the savings are not double counted.
2. **Affirm that Rebates Should Not be Issued for Purchases Completed Before the Launch of a State's Rebate Programs.** NASEO recommends that rebates not be issued retroactively. DOE should provide states with adequate flexibility to develop, but not require, rapid rebate approvals at point of sale.
3. **Allow for Non-Electric Supplemental Systems.** In many parts of the country, it is not practical to completely replace non-electric systems with electric systems; a supplemental system is necessary for resilience. DOE should allow for HEEHR rebates to be used in homes where back-up systems remain or are installed to augment new appliances.

Contractor Training Recommendations

The Section 50123 Contractor Training Program is a critical component of the HOMES and HEEHR programs and should be closely linked with the overall implementation by State Energy Offices. NASEO recommends the following:

1. **Distribute State-Based Home Energy Efficiency Contractor Training Grants By Formula.** All contractor training funds should be provided to State Energy Offices by formula for two important reasons: a) ensuring more equitable access to training resources by contractors in disadvantaged or otherwise hard-to-reach communities; b) minimizing cumbersome and time-consuming federal procurements that would cause unnecessary delay. The timely dispersal to prepare contractors for implementations is critical to meet state and DOE goals. NASEO recommends that DOE utilize the U.S. State Energy Program formula in effect on January 1, 2022, for this allocation. This is the same formula identified in statute for HOMES and HEEHR distributions.
2. **Distribute State-Based Home Energy Efficiency Contractor Training Grants to States No Later Than the HOMES and HEEHR Rebate Funds.** NASEO strongly recommends that training funds be made available to State Energy Offices before or at the same time as rebate funds so there is ample time to train the workforce on the new opportunities.

NASEO and the State Energy Offices look forward to collaborating with DOE and our private-sector partners in the design and implementation of these programs. We appreciate your consideration of these recommendations.

Best regards,



David Terry, President
NASEO

CC: State Energy Offices; Henry McKoy, Michael Forrester, Joan Glickman, Ali Nouri