

Recommendations for Clean Energy Municipal Projects Financed under AB811 or Mello Roos

California Home Energy Retrofit Coordinating Committee
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I. Recommended Project Financing Approval Criteria – The Home Performance Program

A. A HERs Phase II-compliant audit and rating (Whole House Home Energy Rating with test-in and test-out and combustion safety testing) shall be performed and a report written that includes a list of recommended cost-effective measures

- To set a baseline energy score/index that will serve as a performance metric.
- To describe baseline conditions/physical infrastructure present in the home at start of project.
- To provide supporting documentation for the finance application and proposed performance of work.
- To help the homeowner understand baseline conditions and the basis for the recommended options.

B. Each project financed shall achieve a minimum of 20% reduction in HERS rating without renewables via energy efficiency measures prior to financing renewable energy projects or the home shall achieve a score of 100 or less on the HERs Phase II Index.

- To ensure maximum societal benefit; in nearly all cases, doing a reasonable amount of energy efficiency first achieves a greater amount of energy use cost reduction and greenhouse gas emission reduction per dollar spent than the same dollar investment in renewables. It also better ensures ancillary improvements like comfort and better indoor air quality.
- In the case where a home is already very energy efficient, the homeowner may be eligible to access financing for renewables right away if his/her home achieves a score of 100 on the HERs Phase II Index, according to the HERs Phase II rating performed above. *Note: this requirement will be field-tested and the score adjusted as warranted. Note: Solar water heating is permissible as an energy efficiency measure, per HERS Phase II.*

C. The minimum loan amount to be financed shall be \$5,000

- This is the minimum amount needed to fund all the easy, most cost-effective energy efficiency measures.
- The loan origination fees and program administration costs are too high to justify lesser amounts.
- The marginal decrease in monthly payments for lower amounts is negligible.

D. The maximum dollar amount financed shall be determined the flowing equation:

Maximum Amount Financed =
$$\frac{(\text{total square footage of the building}) \times (\% \text{ energy use reduction})}{2}$$

with a total cap of \$100,000

For example, a 2,000 ft² building that proposes to reduce energy use by 20% is eligible for a maximum of \$20,000 in financing: $\$20,000 = \frac{2,000 \times 20}{2}$

- To avoid abuses by excessive amounts being financed – generally, the higher the total project cost goes, the less cost-effective the additional installed measures are.
- Better protects the lender.
- Better meets the intent of AB811.
- Ensures higher program integrity.
- Protects the homeowner/future homeowner against excessive tax bill payments that could far outstrip energy bill savings.

Note: Programs may want to increase the denominator in this equation now or in the future to lessen the total project financing available to provide an incentive for homeowners to retrofit their homes now instead of later, and to favor less expensive, more cost-effective investments in energy efficiency over more expensive, less cost-effective investments in solar or other technologies. However, the denominator should not be decreased, for all the same reasons stated above, unless energy costs increase substantially more than the 2-6% per year they have over the past 30 years.

II. Recommended HERs Rater and Contractor Qualifications and Quality Assurance

A. The program shall maintain three lists of approved rates and contractors:

- HERS-certified Raters
- Contractors
- BPI accredited contractors

B. All Raters shall be CEC-certified through a HERS provider in one of the following ways:

- California Whole House Home Energy Rater, or;
- Building Performance Contractor, trained by a California Energy Commission-approved building performance training program and certified by the Building Performance Institute (BPI)

C. All Contractors must possess a valid Class B license under the California Contractors State Licensing Board and either be BPI-accredited or gain BPI-accreditation within 6 months of signing his/her first contract financed by the program.

D. There shall be a mandatory program orientation for all raters and contractors at which all raters and contractors shall sign a rater/contractor performance agreement stipulating the training, certification, accreditation, performance and quality assurance requirements for the rater/contractor.

E. Quality Assurance for work performed shall be accomplished as follows:

- Rater – 5% of all jobs shall be third party audited

- Contractor – 15% of all jobs shall be third party audited for quality assurance until contractor is BPI-accredited
- BPI-accredited contractors – 5% of all jobs shall be third party audited

III. Recommendations for an Optional Transitional “Prescriptive” Pathway to get to the Home Performance Program

- A Home Performance Program shall be offered from the start
- If a parallel, interim transitional “prescriptive” pathway is desired, it is recommended that it shall:
 - Address the building envelope (air sealing, insulating), and duct sealing and insulating.
 - Sunset in no more than 12 months after the California Energy Commission has approved at least one HERs Phase II rater training curriculum.

Caution: developing and marketing two programs may be overly complicated and potentially confusing to the public.