



Department of  
**Environment &  
Conservation**

# **Inflation Reduction Act Home Energy Rebate Programs**



# Agenda

- Introduction to the Tennessee Department of Environment and Conservation's Office of Energy Programs (TDEC OEP)
- Overview of Inflation Reduction Act Home Energy Rebate Programs
- TDEC OEP's Home Efficiency Rebate Program
- TDEC OEP's Home Electrification and Appliance Rebate Program
- Program Design and Implementation
- Timeline and Next Steps
- Public Comments

# About TDEC OEP



TDEC OEP serves as the Governor-designated State Energy Office (SEO) for the State of Tennessee.

TDEC OEP provides education, outreach, technical assistance, and/or funding and financing opportunities for the following: energy efficiency; energy management; renewable energy; energy security planning, preparedness, and response; grid resilience; and energy in transportation (alternative fuels and sustainable transportation options).

Through its activities, TDEC OEP promotes the efficient, effective use of energy to enhance the environmental and economic health of the state.

# Federal Funding Opportunities for Tennessee

- Infrastructure Investment and Jobs Act (IIJA) (also known as Bipartisan Infrastructure Law or BIL) of 2021

- State Energy Program
- Grid Resilience Program
- Revolving Loan Fund Program
- Energy Efficiency and Conservation Block Grant Program
- Energy Auditor Training
- National Electric Vehicle Infrastructure Program

- Inflation Reduction Act (IRA) of 2022

- Home Energy Rebate Programs
- Training for Residential Energy Contractor Grants
- Greenhouse Gas Reduction Fund
  - Solar for All
  - Climate Pollution Reduction Grant

# Overview - Inflation Reduction Act Home Energy Rebate Programs

# IRA Home Energy Rebate Programs - Overview

The Inflation Reduction Act (IRA) authorized the U.S. Department of Energy (U.S. DOE) to carry out two Home Energy Rebate Programs

- Section 50121 established the Home Efficiency Rebate Program (HER)
- Section 50122 established the Home Electrification and Appliance Rebate Program (HEAR)
- HER and HEAR Rebates may not be combined for the same, single upgrade and rebates must not exceed total project cost
- Separate applications and supporting documentation must be submitted for each program
- The Program goal is to accelerate the transition to more affordable, efficient, resilient, and low carbon homes
- Program runs until funding is exhausted or through 9/30/2031
- Most program elements and rules are set by the IRA and are non-negotiable; however, states may choose to narrow or limit some of the program elements offered
- IRA rebate funds are expected to provide rebates to 1-2% of households nationwide



# IRA Home Energy Rebates - Overview

- Retroactive Rebates:
  - Section 50121 authorizes states to provide rebates for projects that:
    - are initiated on or after August 16, 2022\*
    - meet all DOE requirements within the document
    - meet any additional requirements determined by the state for their specific program.
  - Section 50122 does not authorize states to offer Home Electrification and Appliance Rebates retroactively.\*\*

\*As stated in IRA section 50121(c)(1), “[a] HOMES rebate program carried out by a State energy office receiving a grant pursuant to this section shall provide rebates to homeowners and aggregators for whole-house energy saving retrofits begun on or after the date of enactment of this Act and completed by not later than September 30, 2031.”

\*\*As stated in the [DOE FAQs](#)



# IRA Home Energy Rebates - Overview

## Eligible Properties

### – Single-Family Dwellings

- A building that contains at least one but not more than two dwelling units\* that have independent mechanical systems (e.g., heating, cooling, water heating, and ventilation) for each dwelling unit
  - Each dwelling unit must have its own active electric meter
- Manufactured homes built after 1976 and on a permanent foundation

### – Multifamily buildings:

- A single building containing at least two dwelling units used for residential purposes

\*A dwelling unit may include a single-family home, an apartment, or condominium unit in a multifamily building





# Home Energy Rebates - Area Median Income (AMI)

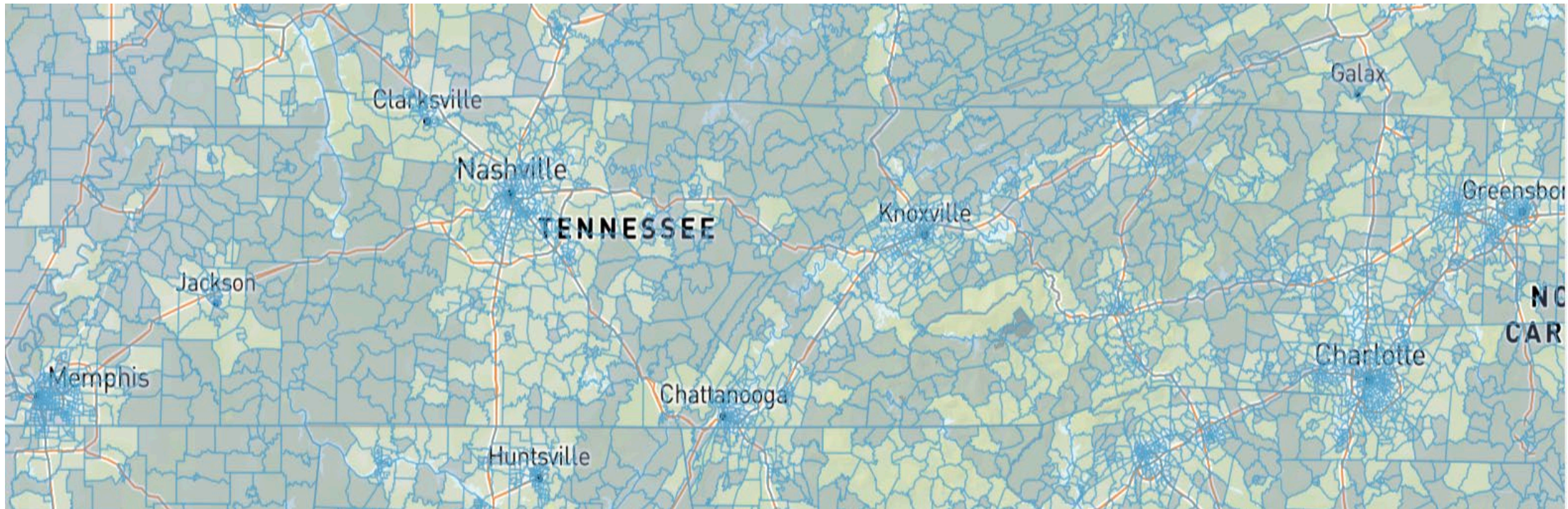
AMI is calculated annually by the [Department of Housing and Urban Development](#)

- It is the midpoint of a region's income distribution (half of the households in the region earn more than the median and half earn less than the median)
  - Low-income is defined by DOE as a household below 80% AMI
  - Moderate-income is defined by DOE as a household between 80%-150% AMI
- Calculated by gross income (total income before taxes and other payroll deductions)
- Differs by state
- Accounts for household income relative to the county of residence and the number of people in the household

# Home Energy Rebates - Justice40

## Justice40 is a requirement of the HER Programs

- Requires that 40% of the program benefits flow to disadvantaged communities (DACs)
- DACs are determined by DOE's Climate and Economic Justice Screening Tool (CEJST) - census tracts in gray are categorized as DACs
- The IRA includes mandatory contractor compensation for work performed in DACs



# Home Energy Rebate Programs – TN Funding & Allocations

Program	Total Allocation	Max. for Admin (20%)	Min. allocation for low-income* households (40%)	Min. allocation for low-income* multi-family households (10%)
Home Efficiency Rebates (50121)	\$83,877,940	\$16,775,588	\$26,820,076	\$6,710,235
Home Electrification and Appliance Rebates (50122)**	\$83,390,060	\$16,678,012	\$26,664,075	\$6,671,205

\*At a minimum, states must allocate a percentage of their rebate funding for each rebate program in line with its percentage of low-income households. In TN, 40% of households are low-income, defined as below 80% Area Median Income.

\*\* Rebates limited to low- and moderate-income residential households.

In alignment with national statistics, this funding is anticipated to reach only 1-2% of households in Tennessee



# **TDEC OEP's Home Efficiency Rebate (HER) Program**

# IRA, Section 50121 - Home Efficiency Rebates (HER)

HER is a performance-based program to help residents make their entire home more energy efficient. The IRA does not establish a specific list of eligible products and building materials for the HER Program.

- Rebates are available to households of any income
- All homes receiving rebates must first complete an energy audit
- Rebates are determined by the amount of energy an upgraded home will save through modeled energy savings; homes must be predicted to achieve at least 20% savings
- All energy efficiency measures and upgrades must be contractor-installed
- A minimum allocation of 40% must be reserved for low-income households
- A minimum allocation of 10% must be reserved for low-income multi-family households

# Home Efficiency Rebates Program – TN Funding & Allocations

Tennessee's Allocation	Tennessee's Maximum Allowable Administration Budget (20%)	<b>Tennessee's Proposed Initial Administrative Expenditures Reserve (15%)</b>	Additional funds available for rebates	Preliminary budget for rebates (85%)
\$83,877,940	\$16,775,588	<b>\$12,581,691</b>	\$4,193,897	\$71,296,249*

\*As previously mentioned, this funding is expected to reach approximately 1-2% of Tennessee households. However, TVA's EnergyRight rebates and federal tax credits may be utilized to impact additional homes.



# Home Efficiency Rebates – Rebate Limits

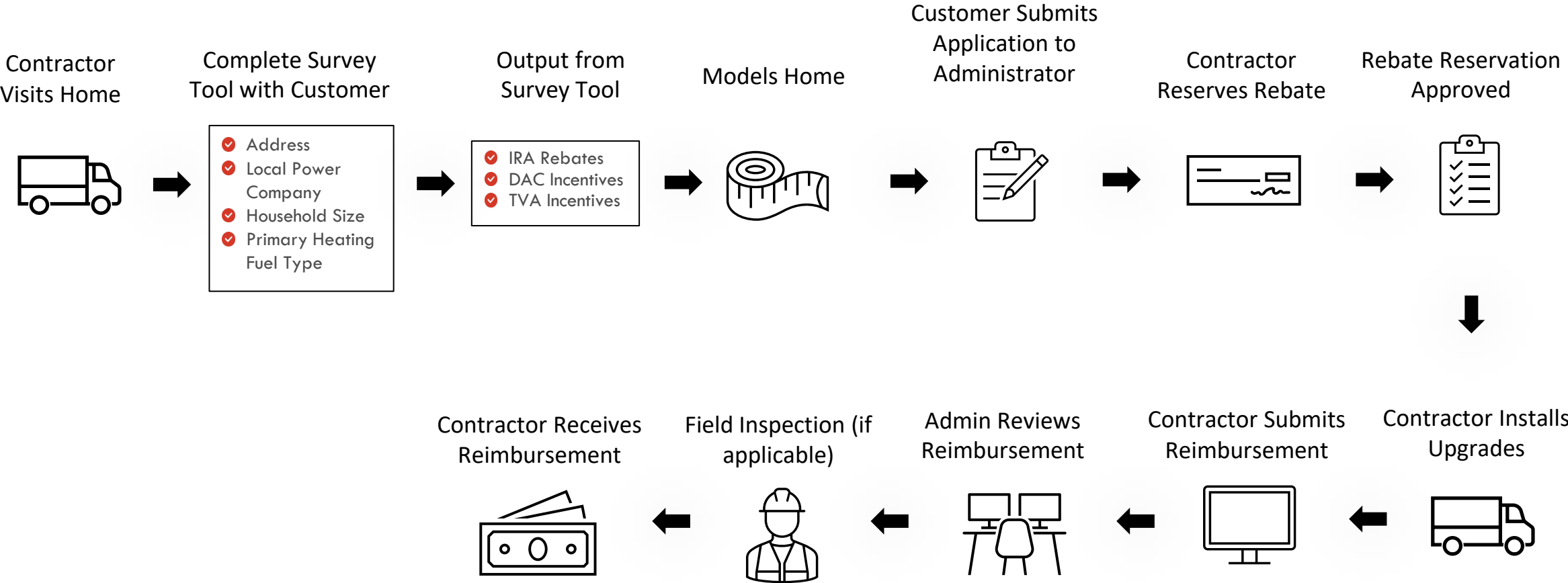
Single-Family Households		
Modeled Energy Savings	Income Level	Rebate Amount
20%-34%	Less than 80% AMI	<b>Lesser of \$16,000 or 100% of project cost*</b>
	80% AMI and greater	Lesser of \$2,000 or 50% of project cost
35% or greater	Less than 80% AMI	<b>Lesser of \$16,000 or 100% of project cost*</b>
	80% AMI and greater	Lesser of \$4,000 or 50% of project cost
Multifamily Households		
Modeled Energy Savings	Income Level (by building)	Rebate Amount
20% or greater	100% of households with incomes less than 80% AMI or pre-identified buildings that meets income requirements for WAP, LIHTC or other HUD-assistance programs to be announced by TDEC OEP	<b>Lesser of \$16,000 per dwelling unit or 100% of project cost*</b>

Section 3.1.3: IRA Section 50121 provides larger rebates for single-family homes occupied by low-income households (below 80% AMI) and allows States to request authority to provide even larger rebates – up to 100% of project costs – to allow meaningful retrofits of low-income homes.

\*TDEC OEP proposed rebates, contingent upon DOE approval. Historically home upgrades average \$12,000/home; TDEC OEP has requested a cap up to \$16,000 per home

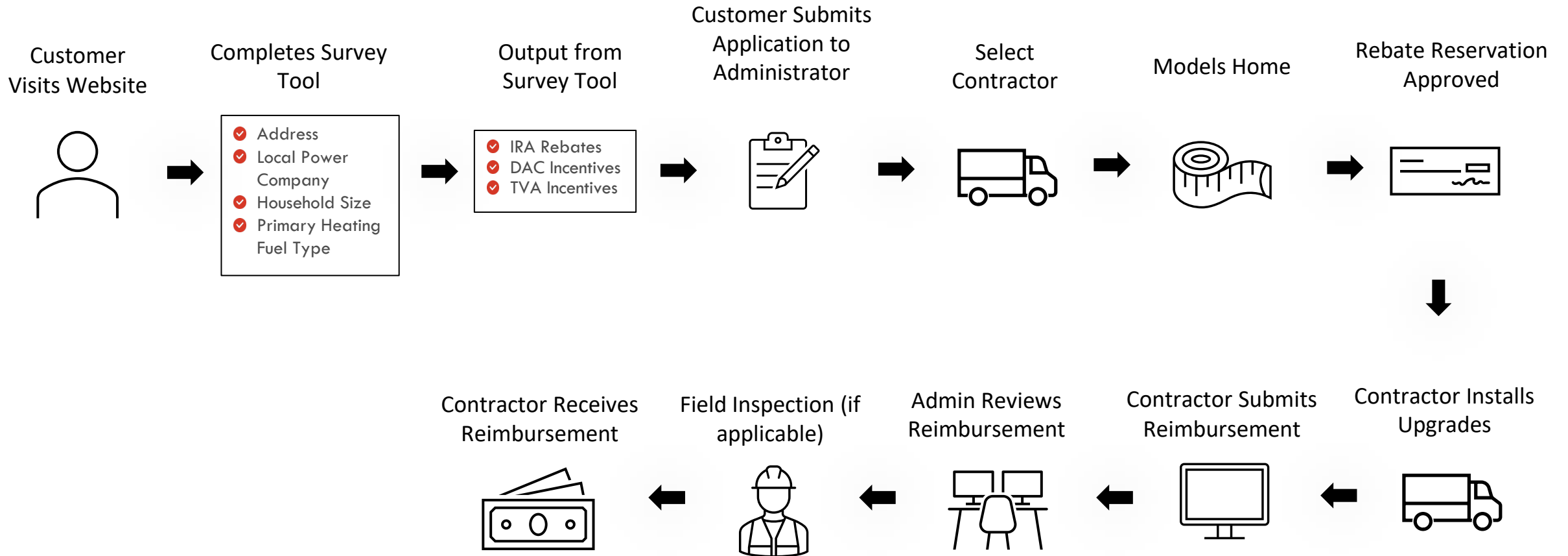


# HER Program – Contractor Initiated Program Participation





# HER Program – Customer Initiated Program Participation



# **TDEC OEP's Home Electrification and Appliance Rebate (HEAR) Program**

# IRA, Section 50122 – HEAR Program

The HEAR Program provides rebates to low- and moderate-income (LMI) residential households to install high-efficiency home appliances and equipment

- Rebates are available to:
  - Single-family LMI households (property owners or renters)
  - Multifamily
    - Publicly-owned, Weatherization Assistance Program-eligible units
    - Tennessee privately-owned multifamily properties that are Housing and Urban Development assisted
    - Tennessee privately-owned Low-Income Housing Tax Credit eligible multifamily properties
- A limited energy audit is required for installation of electric heat pump for space heating/cooling
- Rebate amounts were set by the IRA
- A minimum allocation of 40% must be reserved for low-income households
- A minimum allocation of 10% must be reserved for low-income multi-family households
- Per the IRA, States may choose to work with contractors only (DOE FAQ #80)

# HEAR Program – TN Funding & Allocations

Tennessee's Allocation	Tennessee's Maximum Administration Budget (20%)	<b>Tennessee's Proposed Initial Administrative Expenditures Reserve (15%)</b>	Additional funds available for rebates	Preliminary budget for rebates (85%)
\$83,390,060	\$16,678,012	<b>\$12,508,509</b>	\$4,169,503	\$70,881,551*

\*As previously mentioned, this funding is expected to reach approximately 1-2% of Tennessee households. However, TVA's EnergyRight rebates and federal tax credits may be utilized to impact additional homes.



# HEAR Rebates - TN Proposed Rebates

Product Rebates*		
Upgrade Type	Qualified Product (Energy Star Certified)	Rebate Amount Not to Exceed
Appliance	Electric Heat Pump Water Heater	\$1,750
	Electric Heat Pump for Space Heating/Cooling	\$8,000
Building Materials	Electric Load Service Center**	\$4,000
	Insulation, Air Sealing, and Ventilation	\$1,600
	Electric Wiring**	\$2,500
<b>Maximum Rebate</b>		<b>\$14,000</b>

\*Within the scope of the program requirements, states may choose to restrict program eligibility to a narrower set of households, existing conditions, and/or technologies than is allowable under the law. States are not required to offer Home Energy Rebates for all technologies, or all household types identified within the Inflation Reduction Act. (DOE FAQ #68)

\*\*Must be associated with the installation of a qualified electrification project.

Qualified Electrification Projects includes the purchase and installation of appliances described above, the purchase of which is carried out:

- As part of new construction; or
- When the purchase is a first-time purchase of a heat pump for space conditioning in an existing home and is installed to provide the primary heating and cooling for the household



# HEAR Rebate Limits

Rebate Limitations		
Eligible Rebate Recipient	Income Level	Rebate Amount Not to Exceed
LMI Household or Eligible entity representative for LMI household	Less than 80% AMI	100% of qualified project cost
	80%-150% AMI	50% of qualified project cost (maximum rebate of \$7,000)
Owner of multifamily building or Eligible entity representative of multifamily building	100% of households with incomes less than 80% AMI or pre-identified buildings that meet income requirements for WAP, LIHTC or other HUD-assistance programs to be announced by TDEC OEP	100% of qualified project cost

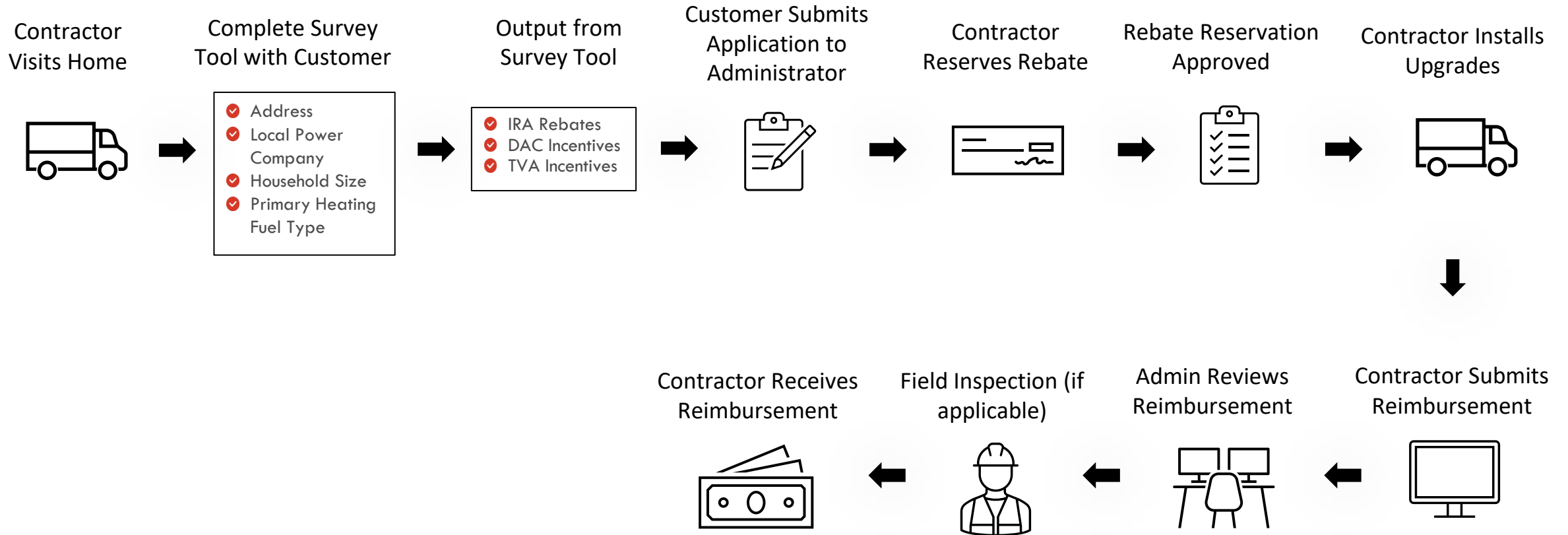
# HEAR Rebates - Mandatory Contractor Installation Compensation for Disadvantaged Communities

<b>Qualifying Activity</b>	<b>Maximum Compensation*</b>
Installation located within a disadvantaged community per dwelling unit	\$200
Installation of one or more electric heat pump water heaters	\$150
Installation of one or more electric heat pumps for space heating and cooling per dwelling unit – ducted	\$300
Installation of one or more electric heat pumps for space heating and cooling per dwelling unit – unducted	\$200
Installation of one or more electric load service center	\$150
Installation of insulation per dwelling unit	\$250
Installation of air sealing and materials to improve ventilation per dwelling unit	\$250
Installation of electric wiring per dwelling unit	\$250

\*Total compensation for qualifying activities not to exceed \$500 per contractor

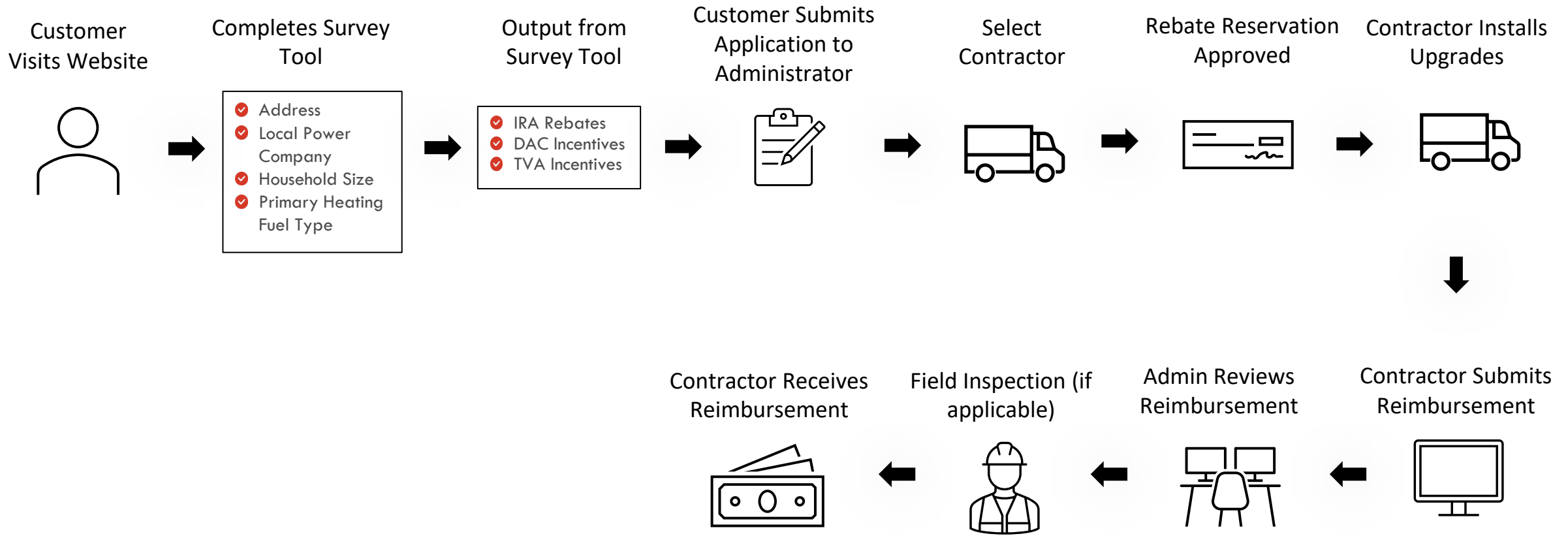


# HEAR Program – Contractor Initiated Program Participation





# HEAR Program – Customer Initiated Program Participation



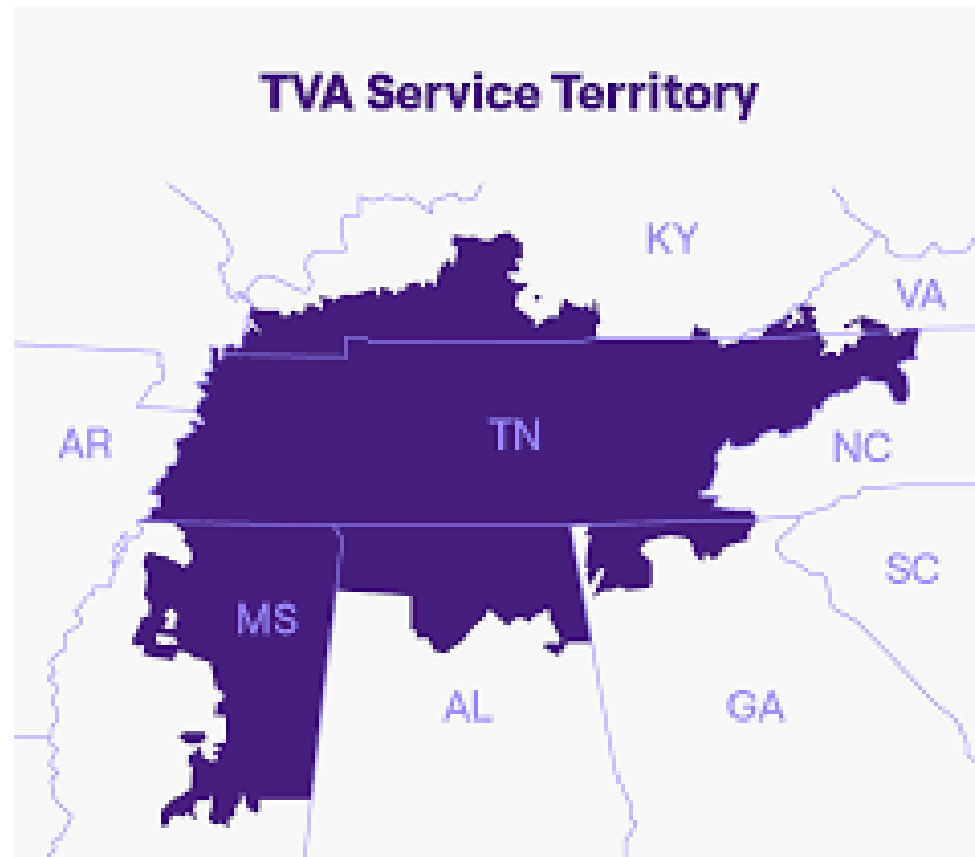
# Home Energy Rebate Programs Program Design and Implementation

# Home Energy Rebate Programs – Design and Implementation

TDEC OEP proposes to contract with the Tennessee Valley Authority (TVA) to implement the IRA Home Energy Rebate Programs

Created by Congress in 1933, TVA is the largest public power company in the U.S. TVA revenues come from the sale of electricity.

TVA provides electricity for 153 local power companies serving 10 million people in Tennessee and parts of six surrounding states.



# Home Energy Rebate Programs – Design and Implementation

This approach will benefit Tennessee households by utilizing TVA's:

- Processes for existing programs delivered through EnergyRight
  - Existing [energy efficiency rebates](#)
  - Data sharing relationships with local power companies
  - [Quality Contractor Network](#) (QCN)
  - Contract with a competitively procured third-party implementer
- TVA will cover its own program implementation costs as well as the administrative costs of its third-party implementer, resulting in less HER Program funding that will need to be set aside for administrative costs. This will increase the amount that can be put towards rebates for Tennessee households by at least \$8 million.

# Home Energy Rebate Programs – Quality Contractor Network

Members of TVA's Quality Contractor Network (QCN) are licensed, insured, and trained to meet TVA's quality guidelines

- Approximately 200 Tennessee contractors are members of the QCN
- TVA-certified inspectors are available to inspect contractor's work to ensure a job well done
- Access the publicly available QCN list at:  
<https://energyright.com/residential/quality-contractor-network/>



# Home Energy Rebate Programs – Quality Contractor Network

Projects rebated through the IRA Home Energy Rebate Programs will be completed by TVA's QCN exclusively

- Contractors will perform the work and will be reimbursed by TVA
- Where 100% of project costs are covered by rebates, this results in no out-of-pocket expenses for the participant
- Where rebates do not cover 100% of project costs, households will be responsible for paying contractors the balance due
- Any interested contractor may join the QCN if they have been in business at least one year and are licensed and insured. For more information visit: <https://energyright.com/residential/quality-contractor-network/join/>

# Home Energy Rebate Programs-Funding Disbursement Strategy

- TDEC OEP performed a data-based analysis of funding needs and priorities in Tennessee at the county level to create a strategy for equitable funding disbursements for Home Energy Rebate Programs.
- This analysis has informed specific county rebate set-asides that will ensure an equitable distribution of funds across the state.
- Separate assessments were performed for the single-family and multifamily rebate markets. This is due to the relatively small portion of funds required for multifamily spend as well as the availability of sufficient low-income multifamily building stock in each county.

# Home Energy Rebate Programs-Funding Disbursement Strategy

- DOE requires that all HER funding must be spent by September 2031. Therefore, initial county rebate set-asides will be effective for a minimum of three years. The rate of spend will be assessed throughout these years. The State will reserve the right to adjust initial rebate set-asides by county and move excess funds into a statewide pool at a later date, ensuring that no funding is left unspent by the end of the program duration.
- Final dollar amounts for county rebate set-asides are not yet available. TDEC OEP will share these county rebate set-asides prior to program launch, via a public-facing dashboard that will track funding availability and spend throughout the duration of the HER programs.



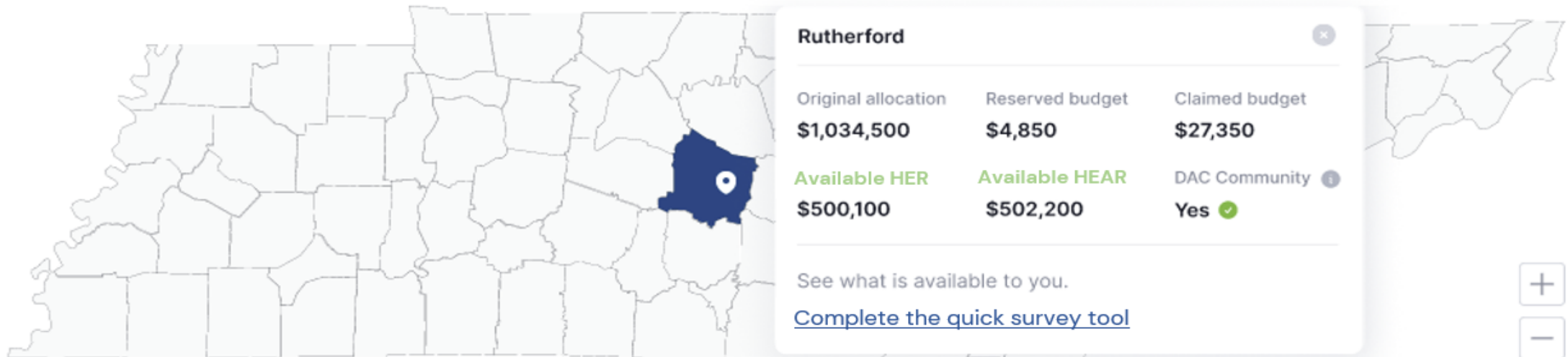
# Public-Facing Dashboard

## Select your county and find out IRA fund availability ⓘ

For more precise data, please input your address.



📍 201 McCall Street Rutherford, TN, USA



Last update - Jan 22

powered by TVA EnergyRight

# Home Energy Rebate Programs-Single Family Funding Methodology

Single-family data analysis included the following information **for each of the 95 counties** in Tennessee:

- **Total number of households** (DOE Low-Income Energy Affordability Data [LEAD] Tool)
- **Total population** (White House Climate and Economic Justice Screening [CEJST] Tool)
- **Number of households with 80% AMI or lower** (LEAD)
- **Percentage of population in Disadvantaged Communities (DACs)** (CEJST)

Both the AMI and DAC criteria are explicitly emphasized by DOE in Home Energy Rebate Programs design guidance and requirements. By using these two primary criteria, TDEC OEP can equitably distribute county-level set-asides while still honoring the state's diversity in county size, location, and population.

# Home Energy Rebate Programs-Single Family Funding Methodology, continued

To calculate each county's HER and HEAR single-family funding distribution, TDEC OEP followed a two-step process:

- 1. Provide a \$100,000 base amount to any county with a population with 50% or more in DACs.**
  - This baseline amount is intended to ensure that counties with fewer households, which are generally the more rural counties in the state, still receive a fair distribution of single-family funding through both the HER and HEAR Programs.
  - Per the Appalachian Regional Commission's (ARC) Fiscal Year 2024 county-level economic status designations, each of Tennessee's 8 "distressed" counties and 27 "at-risk" counties qualify for this base amount. **In total, 58 counties will receive the \$100,000 base amount, most of them being rural.**
- 2. After subtracting county base amounts from TN's single-family HER and HEAR Program set-asides, the remaining funding for both programs is disbursed to each county by equally weighing:**
  - Each county's % of households at or below 80% AMI as a percent of the state total, and
  - Each county's % of the population that is located in a DAC, as a percent of the state total

# Home Energy Rebate Programs-Multifamily Funding Methodology

Given the amount of Home Energy Rebates funding available for low-income, multifamily audiences, TDEC OEP chose to prioritize funding for counties with the largest share of eligible multifamily units.

## **To do this, TDEC OEP selected the following recommended datasets:**

- Publicly owned, DOE Weatherization Assistance Program [WAP] eligible units
- TN Privately Owned, U.S. Department of Housing and Urban Development (HUD) - Assisted Multifamily Properties
- TN Privately Owned, Low-Income Housing Tax Credit (LIHTC) Eligible Multifamily Properties (shared via THDA)

TDEC OEP reviewed these datasets and confirmed that there were minimal duplicate properties listed across each.

# Home Energy Rebate Programs-Multifamily Funding Methodology, continued

To identify counties with the most low-income multifamily units, TDEC OEP followed a two-step process:

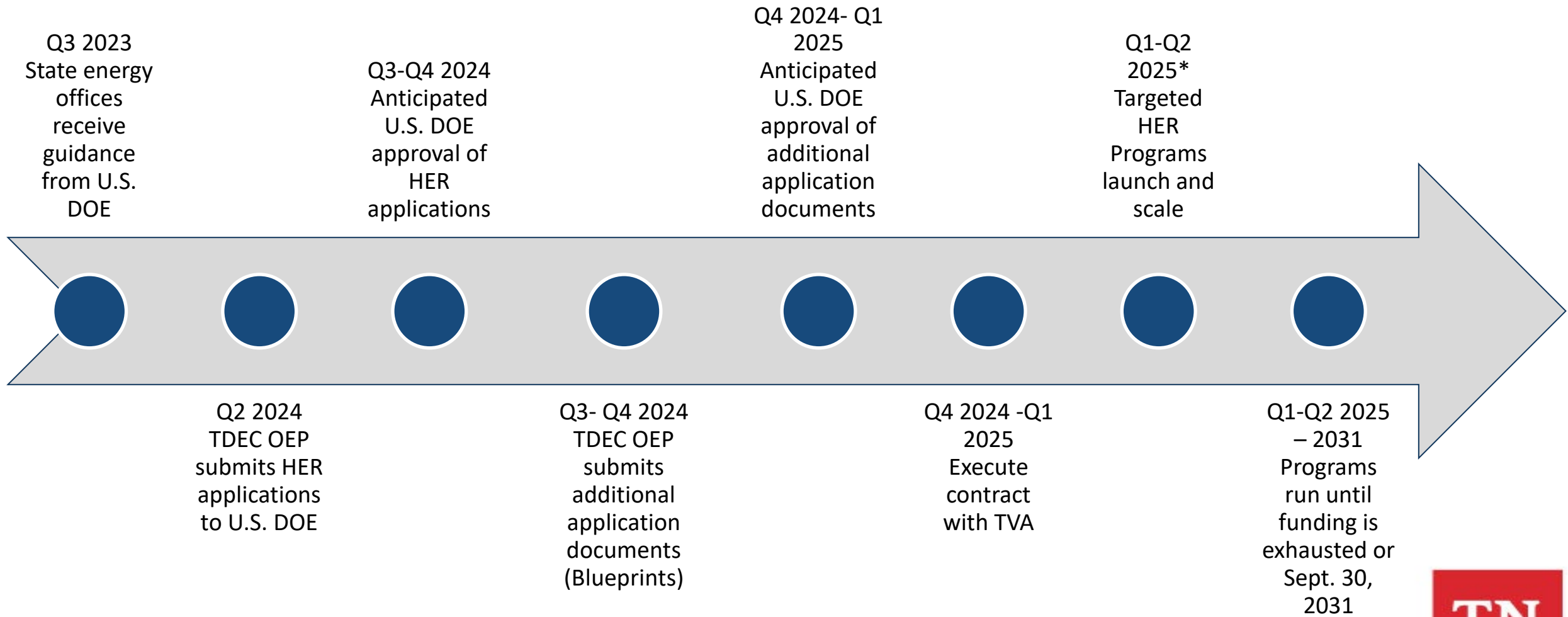
1. For each of the three datasets, a list of the **top 10 counties** with the highest number of listed units was created.
2. The counties that **consistently appeared** across all or most of the three top 10 lists were identified. **These 11 counties represent the areas with the most significant concentration of low-income multifamily housing in the state.**

# Home Energy Rebate Programs-Multifamily Funding Methodology, continued

- The top 11 counties (**Shelby, Knox, Hamilton, Sullivan, Washington, Davidson, Rutherford, Madison, Sumner, Bradley, and Montgomery**) will each receive a multifamily set-aside amount based on their total number of low-income multifamily units as a percentage of the state total.
- Under this approach, **the top 11 counties will receive approximately \$9 million in set-aside multifamily funding, leaving approximately \$4 million for a general pot that the rest of the counties can access on a first-come, first-served basis.**
- TDEC OEP will allow counties receiving a set-aside to access additional funds in the general competition pot only after they completely spend down their set-aside funds (and assuming funds in the general pot are still available at that point).

# Home Energy Rebate Programs Timeline and Next Steps

# Home Energy Rebate Programs - Timeline



\*Dependent upon DOE approval timelines





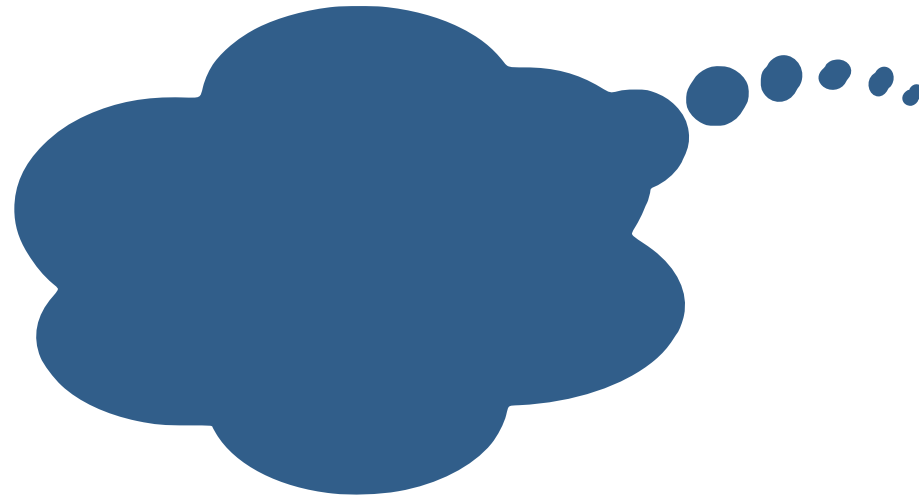
# Home Energy Rebate Programs - Next Steps

- Submit applications to DOE
- Submit additional application documents including:
  - Community Benefits Plan
  - Education and Outreach Strategy
  - Consumer Protection Plan
  - Utility Data Access Plan
  - Privacy and Security Risk Assessment Plan
  - Market Transformation Plan
- Receive DOE approval on additional documents
- Execute contract with TVA
  - This contract will comply with both federal and state procurement requirements
- Targeted program launch



# Public Comments

- If making verbal comments today, please state your name, what organization you are speaking on behalf of, and your zip code.
- Comment period will be open May 3 - 24, 2024
- To participate in the Home Energy Rebates survey visit:  
<https://www.surveymonkey.com/r/tnhomerebate>



# Home Energy Rebate Programs

Thank you for joining the IRA Home Energy Rebate Programs webinar!

For more information on TDEC OEP energy programs and initiatives, visit TDEC OEP's [website](#).

For information and updates to the IRA Home Energy Rebate Programs visit [www.tn.gov/HomeEnergyRebates](http://www.tn.gov/HomeEnergyRebates)