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Public Comment to EEAC, January 10, 2012

Regarding the needs and objectives of the Commonwealth envisioned by the Second Statewide Three-Year Energy Efficiency Investment Plans of electric distribution companies, natural gas distribution companies, and municipal aggregators for the period 2013 through 2015.

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INTRODUCTION

Cozy Home Performance is a leading home performance contractor specializing in building performance assessments, diagnostics, and thermal boundary remediation for the residential, multi-family, and commercial sectors. CHP is a proud MassSave HES program partnered HPC (Home Performance Contractor) for three Massachusetts utilities, and an IIC (Independent Installation Contractor) for one utility.

We are excited to be planning for growth serving the HES programs. It has taken a long time to get here. Achieving sustainable growth in the business of delivering comprehensive building performance services is dependent on increased MassSave HES efficiencies and a clear signal that the current momentum and recent program developments will continue into the next 3-years.

After 2-3 years of planning, four months ago the redesigned HES programs launched in earnest, bringing unparalleled opportunities for Cozy Home and other contractors to succeed by delivering energy savings in support of overall program goals.

Major recent progress of the MassSave HES programs include:

★ Improved fixed-prices for installation measures for contractors. (approx 10% increase)

★ Inclusion of Home Performance Contractor option for customers (qualified contractors can contract with Lead Vendors to provide energy assessments and installation of airsealing and insulation)

★ A path for projects to include non-MassSave measures to achieve non-program eligible deeper energy savings.

★ New and improved Lead Vendor software tools to assist in reporting and data collection.

★ The advent of the Contractor's Best Practices group as a productive forum to address contractor concerns.

A result of these positive developments and others is that it has been demonstrated that **that the MassSave HES programs can benefit from a strong centralized Lead Vendor model as well from a more market-based Independent Contractor model. Harmony is possible.**

Of course with the successes are challenges that limit independent contractors' ability to succeed in the program, take on more personnel (green jobs), and serve more customers. At Cozy Home Performance, our success in 2012 and beyond is largely dependent on increased efficiencies of the MassSave HES programs, stemming from the recent positive developments.

Today I will focus briefly on three issues: 'Technical Standards and Delivery Consistency', 'TRC' and 'DER (deep energy retrofit)'

TECHNICAL STANDARDS and DELIVERY CONSISTENCY

Currently each Utility has nuances in its interpretation and enforcement of technical standards, approved measures, prices, protocols, perspective of customer/contract relationship, approved materials, and more. The result is inconsistent program delivery.

As the program operates today, two neighbors, both MassSave HES customers, can have very different experiences of the program determined by which heating fuel they use. They may have different insulation materials approved for rebates, varying level of 'no-cost' airsealing, have different experience with roadblocks, different level of detail in reports, etc.

As a company delivering MassSave services, the inconsistency is challenging. A primary role that I have in my company is to navigate technical standards. As I consider employeeing assessment providers I have to make sure that whomever I send in the field is skilled at not only customer service, and highly proficient in building science, but has the ability to navigate the 4 programs we serve and keep up with the constant changes.

Inconsistent technical standards and inconsistent utility PA interpretation of the standards is challenging for both MassSave HES customers and partnered contractors and result in barriers to scaling and excessive administrative costs.

Recommended solutions

★ Standardize energy assessment and installation technical standards and ensure all PAs and Lead Vendors are interpreting and enforcing in the same manner.

★ Approve a common software standard, not a specific reporting tool, to drive the market by allowing more flexibility for report writing and data collection.

★ Form a technical standards advisory committee that includes experts involved in all HES MassSave delivery models.

TRC (Total Resource Cost) TEST and EVOLVING COST EFFECTIVENESS

Over the last few years, TRC and the limitations of 'cost effectiveness' has been cited countless time by Utilities, consultants, Lead Vendors, and DOER staffers, as a barrier to making transformational changes in the suite of MassSave programs. In this very room, TRC has been referred to as both "the black box" and the "elephant in the room".

I encourage the [EEAC] Council and DPU to consider making changes to the TRC cost-benefit tests in alignment with the recommendations outlined in a September 2011 report by the National Home Performance Council called Getting to Fair Cost-Effectiveness Testing (Sept. 2011) (attached here) There are two primary recommendations of this report, which is specifically focused on achieving deeper energy savings- a clear goal and challenge for MassSave HES.

Fortunately I am not an expert in TRC. Yet, I have gained an important perspective on how TRC results in program delivery through my daily experience working with MassSave customers, and delivering home performance retrofit services to very directly benefit the lives of Massachusetts rate-payers.

DPU should change how to TRC is structured in MA to allow for more comprehensive retrofit measures. **The current rate that EMV practices are evolving are being quickly overtaken by the necessity for comprehensive retrofits to become supported, not resisted, by the Mass Save HES programs.** To achieve the MA climate goals, savings targets, and to restore our economy in the EE sector, we have to open the market and streamline customer's ability to achieve projects that result in significant energy, comfort, health, and building durability benefits.

Recommended solutions

★ Use the Program Administrator Cost (PAC) test, in lieu of TRC

★ Restructure TRC: conduct the TRC at the portfolio level, not the measure level.

★ Restructure so that increased benefits can be associated with deeper energy savings measures

★ Remove customer contribution from the cost side
(please see report also included with this submittal)

If the TRC system is adjusted, a few immediate benefits to the program could result:

★ More effective measures and higher insulation levels approved under the program will be installed including closed cell spray foam, increased use of polyisocyanurate high-R foam board, more airsealing, and insulation levels higher than code-minimum (R-50 is recommended for our region by most building science professionals for attic flat insulation performance. Currently up to R-38 is deemed 'cost effective')

★ Market pricing instead of fixed-pricing would result in unparalleled market transformation. By letting the market determine the costs of energy efficiency measures, innovative contractors will thrive and customer service will be paramount in all jobs. HES software, administrative processes, and PA oversight would be simplified, resulting in reduced administrative costs to the program.

★ Required building permit fees would not be included in cost-effectiveness tests and therefore not highly regulated as they are currently. The current approach to inclusion of building permit fees in the measure fixed-prices, often significantly reduces profit margins for contractors and is not aligned with the practice of any other building trades.

★ Adjusting TRC will result in improved contractor/customer relationships that will immediately reduce lag times in HES service delivery. A more direct contractor/customer relationship results in more service provider growth opportunities and improved rate-payer MassSave customer satisfaction.

The [EEAC] Council and PAs have all heard these issues presented before by myself and other contractors in the program. It may take only a few TRC regulatory changes to address them. **Before taking the stance that the current TRC elephant is too big to budge, it is worth further exploration to understand what benefits- relating to reduced administrative costs, deeper savings measures, green job growth, and customer satisfaction- could result from tweaking the TRC in accordance to principals outlined in Getting to Fair Cost-Effectiveness Testing.**

DEEP ENERGY RETROFIT (DER), MIDDLE ENERGY RETROFIT (MER)

The potential 2013 DER 'per measure, salsa on top' (not "whole enchilada") approach is fantastic! The programs should be designed to be very accessible to rate-payers with systems that are easier for qualified service providers and potential customers to understand and partake in.

Although I am very excited about the new DER program, I am concerned that access to the 'Middle Energy Retrofit' is still not being addressed (ironically, the current Mass Save HES program actually dis-incentivizes customers from investing in MER's):

There is currently a path in MassSave HES for $500 - $7,000 work-scopes. In DER programs, customers pursue retrofits on the $50k- $200k+ scale. Yet there exists

many barriers to the $10- $35,000 retrofit. These mid-level retrofits, MER's, are the true 'Deeper' that can go 'Broader'.

Recommended solutions

★ Take advantage of the expertise in the stakeholder community to address the MER gap with clear technical standards for deeper savings project, scaled for varying levels of customer investment.

★ In addition to adjusting TRC, DER programs could fill the MER gap by making room for practical high performance retrofits that are dramatic, yet not to the 2011 DER Pilot levels. Examples of this include: exterior walls to R-20, attic flats to R-50, basement walls to R-10.

★ Structure DER programs as the stepping stone from MassSave HES, to deeper energy savings, with the primary goal to go 'Broader' in the MER project types.

CLOSING

I am excited about 2012 and am very appreciative of the hard work and commitment of the [EEAC] Council, the PAs, LdVndrs, and all the contractors up to this point. Cozy Home Performance is on a path to success, in part to your successful efforts to evolve the MassSave programs. To meet State climate goals and aggressive savings targets, we encourage you to take it the next level for 2013 and beyond.

Thank you for the opportunity to speak to you today.

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