

Judith Judson
Chairperson, MA Energy Efficiency Advisory Council
Commissioner, MA Department of Energy and Environmental Affairs
100 Cambridge Street, Suite 900
Boston, MA 02114

Re: HPC Recommendations for Mass Save Residential HES 3 Year Plan

Dear Commissioner Judson:

As a collective body of Home Performance Contractors (HPCs) that service the customers of the Mass Save Home Energy Services program, it has been and is our goal to provide the highest level of one-stop customer satisfaction and quality workmanship. Our increasing role as a one-stop, full-service provider for the Mass Save program has proven to be a most effective vehicle to delivering approximately 40% of the savings benefiting the ratepayers of Massachusetts. The platform from which we have been required to work over the past three years has presented significant challenges which reduced our number from approximately 35 HPCs to 21. In a recent EM&V study, HPCs were able to show shorter lag time between assessment and installation of insulation measures within 0-60 days of HPCs 46% to Lead Vendors (LVs) 17% and the lag time between assessment and installation of air sealing measures between 0-60 days with HPCs installing 52% to LVs 26%. In addition, HPCs were shown to provide deeper savings through contracts completed, consisting of more extensive measures for weatherization than the LVs. With the recommendations below, for inclusion in the next 3 year plan, our goal is to correct the attrition of HPC contractors within the next 3 year plan and to help provide greater savings and services to the ratepayers through the Mass Save program. We feel our savings would have been greater if not for the high attrition rate of HPC contractors. It is understood that our recommendations would require more skin in the game for the PAs to work directly with the HPCs so that we may operate truly as independent contractors and not as a subcontractor of the PAs contractor (lead vendor) and the HPCs direct competitor (lead vendor). But it is felt that there would be no more effort on the PAs part than it would be for the many other contractors that the utilities already work with in many other capacities. We should no longer be a subcontractor of the LVs, but rather a direct contractor with the PAs.

Summary of Recommendations:

- HPC Contract Directly with Program Administrators (PA)
- LV/HPC Lead Sharing
- Third Party Quality Inspections
- HPC Representative on Residential Management Committee

HPC Contract Directly with Program Administrators:

HPCs are subcontractors of contractors of the PAs. In addition, HPCs are currently forced to work as a subcontractor to their direct competition, the LVs. The PAs relationship with the HPCs should evolve into a more direct association in order for the HPC program to succeed, and this is accomplished through having HPCs contract directly with PAs.

HPCs provide the same products to customers as the LVs, and therefore should be contractually given fair opportunities to provide these products. HPCs are independent contractors who provide ratepayers full-service opportunities, allowing them to take advantage of their eligible incentives through the program. Instead of providing HPCs equal opportunity as the LVs, the current system is treating HPCs as subcontractors of the LVs. HPCs are currently under the same contractual restraints as the Independent Installation Contractors (IICs), a platform designed specifically to be a subcontractor for the LV. IICs perform complimentary services for the LV and rely on the LV for all energy auditing services and weatherization sales, which is not the case for HPCs who provide competitive services with the LV. HPCs contracting directly with the PAs is necessary in order to provide a fair and competitive market for energy services across the state. Contracting direct with the PAs would:

- Remove the impropriety of the lead vendor, our direct competitor, micro-managing HPC business.
- Separate the historical lead vendor/HPC competitive and contentious environment now present under the HPC vs. Lead Vendor system.
- HPCs would receive the administrative fee now paid to lead vendors to balance the energy assessment compensation deficit.
- It would simplify and improve many processes such as qualification of customers and the assignment of customer IDs.

LV/HPC Lead Sharing:

Currently there exists a disconnect between the HPC marketing efforts and the Mass Save website / 1-800 hotline. Outreach efforts made by HPCs bring customers into this program; HPCs inevitably and inadvertently also drive traffic to the Mass Save website and hotline as cited in a recent EEAC program study. HPCs are minimally compensated for the energy assessments that our companies perform. The compensation fee for performing the Home Energy Assessment along with installed Instant Savings Measures (ISMs) forces the HPC to operate at a deficit calculating the costs of transportation, labor, customer support, invoicing, etc. In addition to these costs, all marketing expenses are also assumed to be included in this compensation, which is required of HPCs in order to acquire customers for an assessment. HPCs currently must attempt to direct our customers away from the highly recognized brand Mass Save. Otherwise those marketing efforts end up with our customer calling the 1-800 hotline number and being serviced by the Lead Vendors. We believe the only fair solution to this inequity is lead sharing. HPC direct outreach creates interest in customers who start off as unqualified and non-proactive customers. The ability to convert these customers into weatherization savings is more difficult than the prequalified, proactive leads that come through the Mass Save website / 1-800 number. HPCs convert these more difficult leads into customers at a comparable rate to that of the LV who services only proactive leads coming to the program through the Mass Save marketing pipelines. Other benefits of lead sharing include:

- Lead sharing will reduce the backlog of customers waiting for an assessment by the lead vendor, which may be months rather than weeks when serviced by an HPC.
- Stabilize and expand the HPC community by reducing the rapid turnover of HPCs due to low profitability from undercompensated marketing and administrative expenses
- Allow HPC to invest more in marketing in order to bring more ratepayers to the Mass Save Program

- **Note: LVs have no investment in their marketing cost or lead procurement – it is all supplied to them by the PA. This is not an equitable or fair and balanced playing field.**

Recommended Solutions:

- Pilot program for developing HPC contractors earning less than \$9,500,000 per year to receive 25 leads per HEA specialist per week
- Hire a Third-Party marketing/telecommunications company to receive all Mass Save HEA inquiries from the website and 1-800 hotline, to distribute the leads evenly between HPCs and Lead Vendors by the number of Energy Specialists in each company: one lead per energy specialist on a rotating distribution schedule
- That HPCs are allowed to equally participate in subcontracting to the IIC pool, receive an administrative fee as the LV does so as to issue weatherization work at par value to the IICs with the IICs being responsible for their own merit-based scores as with the LV and not the HPC being responsible for the IIC score

Third Party Inspections:

The Lead Vendor should not perform quality control inspections on HPC companies. The LV is the direct competitor of the HPC for Home Energy Assessments. It has been imprudent and a conflict of interest for them to have performed Quality Control for HPCs to date. A comparable situation would be to have Ford Motor Company perform the quality control inspections for General Motors or vice versa. Third party inspectors like CRI or other impartial companies should be conducting the inspections for HPCs, not the Lead Vendors who are providing the same product in the same market. With third party inspection there would be no further administrative cost – the PAs would pay the third party inspection company directly rather than paying the lead vendor to complete this for them. It would allow the level of transparency and checks and balances, which one would expect in the Mass Save program.

HPC Representative on Residential Management Committee:

HPCs are represented on the BPWG less than in previous years even though the percentage of customers served by HPCs has increased dramatically. We sit in a room with contractors who are decision-makers in their own company and representatives from the PAs, who are not decision-makers for the PAs. These PA representatives must go back and present what contractors say to the Residential Management Committee. Oftentimes, not fully understanding the subtleties of running an independent business, our point of view is not accurately expressed and does not allow for a useful dialog between the decision-makers of the PAs and the contracting community. The BPWG alone does not allow the decision-makers on both sides of the table to share ideas. Therefore, to obtain more responsive and effective improvement of the Mass Save program, it is necessary that contractors be directly represented on the RMC.

Conclusion:

At present there is little or no equitable treatment of HPCs compared to lead vendors. The proposed recommendations will provide HPCs a more secure platform to operate our businesses.

Standard industry contracting processes and subcontracting relationships are constrained in the current system. HPCs must not be recognized as subcontractors of the lead vendors, but as independent contractors that are currently providing services on the same plane as lead vendors. The program has come a long way in the development of the HPC model, the next 3 year plan can further establish this reliable vehicle for savings and create a more uniformed platform for free market and energy efficiency across the state. We request an opportunity to meet immediately with DOER, the Program Administrators, the EEAC consultants and our Council representative to design an equitable HPC program for inclusion in the next three year plan as outlined by the Council's Draft 2015-2016 Energy Efficiency Plan Draft Resolution for EEAC , page 11, Section B(c) "one-stop customer experience" and (f):

A description of efforts to ensure equitable treatment of Home Performance Contractors (HPCs) compared to lead vendors, including 3rd party quality control inspections and regular opportunities to engage and present to the Residential Management Committee (RMC).

Past efforts to bring these issues to light on the BPWG level have been unfruitful, with responses that these issues belong with the EEAC and the RMC, and not the BPWG.

Sincerely,

Members of the HPC Community