Massachusetts Contractor Industry Group (MCIG)

Public Comment to the Massachusetts Energy Efficiency Advisory Council (EEAC)

Re: 2025-2027 Weatherization RFQ Process and Contractor Pricing Structure

Dear Members of the Energy Efficiency Advisory Council,

On behalf of the Massachusetts Contractor Industry Group (MCIG), we respectfully submit the following public comment regarding the recent Weatherization (Wx) Request for Quotation (RFQ) process administered by the Program Administrators (PAs). The MCIG represents over 50 Independent Insulation Contractors (IICs) and Home Performance Contractors (HPCs) currently operating in the Mass Save program. Our purpose is to articulate serious concerns with the structure, methodology, and potential long-term consequences of the proposed RFQ and associated pricing mechanisms. We urge the EEAC to review these developments with diligence and consider their implications on the energy efficiency workforce, service quality, and the Commonwealth's long-term energy goals.

I. RFQ Overview and Principal Concerns

We recognize that not all EEAC members may be intimately familiar with the specifics of the RFQ process or the factors driving widespread concern among IICs and HPCs. Accordingly, we outline below the key components of the proposed process that warrant urgent attention.

II. Weatherization Pricing and Bid Selection Methodology

Under the previous RFQ, the PAs adopted a reasonable approach by averaging competitive Wx bids from all qualified contractors (excluding outliers) to arrive at a final pricing structure. This led to a modest and inflation-conscious 4.5% increase that remained in place for two years.

In contrast, the current RFQ imposes a markedly more aggressive framework. Contractors are now required to submit region-specific Wx pricing, and only those IICs offering the lowest bids in each region will be eligible to participate in work distribution. This sole reliance on price—excluding all other critical evaluation criteria such as work quality, customer service, contractor experience, and operational capacity—is deeply concerning.

This "bid-low-or-die" structure creates a scenario where IICs are compelled to submit unsustainably low "survival pricing" in order to remain in the program. Furthermore, contractors are asked to bid on work without any clear understanding of what volume of work – if any – they will receive in return, stripping away the fundamental predictability and fairness of a traditional bidding process. With operational costs rising, this will likely result in an overall decrease in compensation for Wx services, pushing contractors to cut

corners and reduce quality. Importantly, there is no explicit requirement for the PAs to reduce the number of participating IICs, suggesting the process is not responding to contractor feedback so much as reshaping the market through exclusionary pricing.

Furthermore, contractors will not be able to operate at the pricing they submit as competitive bids, as would be expected in a standard bidding process. Rather, the PAs intend to calculate the Wx price for all contractors using only the lowest winning IIC bids, in combination with HPC bids. This methodology effectively ignores the broader range of bids that reflect operational realities, thereby institutionalizing unsustainably low pricing across the board.

This new RFQ methodology will effectively force the closure of IICs who are not selected for the work distribution pool. This is not a small policy shift—it is a structural change that threatens the viability of many established businesses and jeopardizes the continuity and quality of weatherization services in the Commonwealth. Displacing long-standing IICs—who have played a critical role in building and maintaining the success of this program—undermines the very foundation upon which it was built.

III. Elimination of Competitive Bidding for the HPC Contract Generation Fee

In prior RFQs, the PAs acknowledged the distinct role HPCs play in customer acquisition and contract generation by allowing them to submit separate bids for these services. This enabled equitable pricing that accounted for substantial costs related to sales, administration, customer service, and related non-installation activities. The outcome—a contract generation fee of $388 per completed Wx installation over $1,000—was both cost-effective and performance-based, especially when compared to Lead Vendor (LV) pathways.

Despite the increasing costs of lead generation and customer acquisition in recent years, HPCs have consistently outperformed LVs in volume and cost-efficiency. More Massachusetts residents are now served through HPCs than through the LV channel, resulting in significant cost savings for the program. Unlike the LVs or PAs, HPCs are only compensated upon the successful completion of a benefit-generating installation.

Regrettably, the new RFQ eliminates the ability for HPCs to submit separate contract generation fee bids. Instead, the PAs have chosen to peg the HPC fee to the outcomes of the Wx price bids—an unrelated metric. The current $388 fee, set over two years ago, will serve as the baseline for 2025 and will be automatically reduced by the same percentage that Wx pricing declines.

This approach fails to reflect the reality that the costs of customer acquisition, scoping, scheduling, and administrative work are independent of the labor and material costs involved in Wx installations. Reducing the contract generation fee based on installation costs represents a fundamental misunderstanding of these distinct cost drivers.

The likely result is further erosion of the only contractor channel (HPCs) that has

demonstrated scalable and cost-effective performance in delivering program benefits to Massachusetts residents. In doing so, the PAs risk increasing reliance on more expensive and less efficient marketing and outreach efforts through the LV pathway—undermining the Commonwealth's cost-effectiveness and equity goals.

IV. Summary and Broader Implications

In summary, the 2025-2027 RFQ process imposes:

- Unsustainable "survival" pricing through exclusive selection of the lowest IIC bids;
- Structural exclusion of qualified contractors based on price alone;
- Artificial suppression of Wx pricing through a flawed calculation methodology;
- Misaligned fee structures that ignore the distinct economics of customer acquisition and administrative work.

These design choices threaten not only the financial sustainability of local contractors but also the quality, accessibility, and equity of services delivered to residents. They further jeopardize the program's ability to meet energy savings and climate goals in the years ahead.

Furthermore, the pricing used in the market rate program is already significantly below the market rate value for the work performed, as can be seen when comparing the current pricing to typical market rate prices in other states or even MA's own low-income program. Of the 248 measures in the MA low-income program, 208 (84%) are higher than in the market rate program operated by the very same PAs. On average, the market rate pricing offered by the program is 20% lower than the equivalent pricing in the low-income program.

MCIG strongly urges the EEAC to advocate for a reconsideration of this approach, including:

- Removal of the exclusionary pressure designed to elicit "survival pricing";
- Restoration of competitive bidding for HPC contract generation fees;
- Incorporation of quality, experience, and capacity criteria in contractor evaluation;
- Recognition of the differentiated value and cost structures between IICs, HPCs, and LVs.

We welcome the opportunity to engage further with the Council on these matters and thank you for your continued oversight and commitment to a fair and effective energy efficiency marketplace in Massachusetts.

Respectfully submitted,

Massachusetts Contractor Industry Group (MCIG)