

Thank you members of the EEAC. My name is Martijn Fleuren and I am the President and COO of HomeWorks Energy, a Home Performance Contractor in the Residential Mass Save Program. I've come here today along with my HPC and IIC colleagues in the program to discuss what we see as vital upgrades to the Residential program in the next 3 years.

To start with I strongly agree with the aforementioned need for seats on the Residential Management Committee, as well as the overall success and growth the program has shown. The last three years have shown how good of an investment this program can be in terms of financial gains, job growth, and environmental benefits. However, the program can do so much better, with a few key changes.

First and foremost, not enough MA residents are taking advantage of the program. We need to find ways to increase the percentage of rate payers that get Home Energy Assessments and perform insulation work. One of these would be to include more help for program-related marketing to reach and educate consumers. HPCs generally do more focused and small-scale marketing such as local events, canvassing, and direct mail that reaches different subsets of the market than the traditional TV, radio, and print advertising done at a program level. All of these channels are necessary to engage the full market, but HPCs do not receive any financial help in bringing customers into the program.

The costs of acquiring a new customer is prohibitively high, roughly \$100 per HEA in many cases. This means that there is only \$75 left to pay for the labor and equipment required to perform an HEA, not to mention the overhead required to manage employees, scheduling, and the arduous approval, data management, and invoicing process. This is not a sustainable model, as HPCs are generally operating at a loss on a per-customer basis before any insulation work is performed. Furthermore, this means that HPCs that provide work for IICs need to take significant cuts of the work to make a profit, which further decreases the already thin margins that IICs operate under. These kinds of economics prohibit growth and innovation within the program. We propose instituting an equitable marketing subsidy for every HEA customer acquired by an HPC in order to free up that capital to invest in new marketing initiatives, growing HEA and insulation install capacity, and investing in quality.

The next need would be to increase the percentage of HEA customers who perform insulation work. In order to help increase conversion rates and contract sizes, we propose removing the incentive cap, as this has mostly lead to customers breaking up jobs across multiple years instead of performing all the work at once, which is not ideal from either a building science or a financial standpoint. It also doubles the administrative burden as a single customer must be handled multiple times through the system. Removing the cap would allow salespeople to offer everybody 75% off their work, regardless of how much work their home requires, greatly increasing the immediate energy savings and amount of insulation the program installs. A variation on this idea would be to incorporate a variable insulation incentive rate based on home square footage.

We would also propose increased safety remediation incentives for Knob and Tube removal, Failed Combustion Safety Test remediation, and vermiculite and

asbestos abatement, as these are the most common roadblocks that prevent interested customers from moving forwards with work.

In general, HPCs have shown better conversion rates than Lead Vendors through our focus on hiring and training skilled Home Energy Specialists to become better educators to our customers, and building out robust customer service infrastructures to handle consumer questions and doubts. However, we also need to pay our employees at rates that reflect their superior performance, which cuts deeply into the revenue we receive from HEAs and insulation sales. We believe additional investment in this part of the program is warranted and financially sound. By subsidizing important marketing initiatives and ameliorating some of the barriers to conversion, we believe that the program HPCs can greatly increase the reach and financial success of the program as a whole, as well as spur job and industry growth rates far greater than we have seen so far.

Now, this increase in demand for the program benefits must be met with an increase in the program's insulation install capacity, currently a major issue across the residential Home Energy Services industry. As with the HPC marketing issue I mentioned earlier, the economics of the program currently do not sufficiently support organic growth for install capacity to keep up with demand. This is a big problem, because the insulation install side of the program has huge potential for job creation. Insulation installers are not able to reliably make enough profit from the work we do to pay for new vehicles, equipment, human resources, and training, required to put on a new insulation crew, as well as make the necessary investments in quality control. The install side of the business has been the biggest contributor to the job growth in the industry, and we need to make sure that this can continue by raising insulation prices so that we can pay our employees living wages, invest in expanding our workforce, and improve install quality.

2 years ago I joined HomeWorks Energy as COO. The entire company had only 8 employees, including 2 Home Energy Specialists and 1 Insulation Crew. Today we have 38 full time employees. That is 30 more long-term jobs created over 2 years by just 1 small company. If you include the positions our work has created for the IICs we partner with, program vendors, and other related businesses, that number climbs to over 50. This is phenomenal job growth for an industry like this. However, all of this was only possible with significant outside capital from personal relations. None of this would have been possible relying on organic growth, and that is the problem. The economic conditions within the HPC and IIC program do not provide sufficient capital to invest in growth, and at this rate, we will have trouble growing capacity sufficiently while maintaining quality.

If we want this program to be as great as it can be, to truly provide the energy savings, financial benefits, level of service, job growth, and quality of life we know it can, then we need to fix the Home Energy Assessment and Insulation Install economics of the program to keep us at the top of the nation, and drive industry growth for the next 3 years. Thank you very much for your time.