

Public Comment 1/19 Transcript & Additional Notes. Separate PowerPoint Slide submitted as well.

Transcript:

I am Martijn Fleuren. I represent HomeWorks Energy and the Home Performance Contractors in the residential program. Thank you to the council for the opportunity to speak today.

At the last executive committee meeting the PAs presented their proposal to provide some immediate additional compensation to HPCs to account for the loss of lightbulb income, and that a more complete solution was being developed to roll out by the end of January. While the HPCs were disappointed that the amount proposed was ultimately insignificant compared to the overall issues identified, we understand the PAs have promised to roll out additional compensation changes soon, and we hope the council will continue to monitor the situation to ensure that happens. We have continued to do our part in providing as much supporting data as possible to both the PAs and this council in the hopes that our critical concerns are genuinely considered and resolved.

The council asked to better understand the two pathways available in the residential program, namely the Lead Vendor model and the HPC model, and I understand that will be presented later in this meeting today.

There is often a misconception that the two pathways provide a better customer experience because customers can choose if they want to work with a company focused only on the Mass Save energy assessment or a company that can provide multiple services under one roof. In reality, customers end up working with whichever pathway produced the marketing material to which they responded. It's not that HPCs pick and choose which customers to serve, it's that we run our own marketing and serve all the customers we attract directly, while the program runs their own marketing and serve the customers they attract directly.

When the program was being set up it was clear that each pathway had pros and cons, but it was not clear which one would be the most effective. At first, HPCs struggled to be impactful as they were not focused on the program as their primary operations. When HPCs were more focused on other business lines than Mass Save, the pathway was ineffective. However, over time, HPCs shifted our operations away from non-program work and optimized our businesses around the Mass Save objectives, becoming the primary drivers of program success and cost-effectiveness that we are today.

It's been said that if HPCs can't be profitable in the program they should offer other services to do so, but we are able to produce the majority of energy savings because we focus primarily on delivering Mass Save services to Mass Save customers, not any other products or services. To expect us to do so ignores the entire reason for why the HPC pathway is a cost-effective success. HPCs can be a positive driver of electrification initiatives, but that doesn't mean it should therefore be acceptable to lose money on driving Wx. Any electrification goals we are able to help with should be seen as an added benefit on top of the primary solution we provide, which is Wx work.

It's also a completely different proposition to lose \$20-\$30 per assessment like we did from 2015 through 2018 to losing over \$300 per assessment like we are now. That's a tenfold increase in the losses HPCs need to make up somewhere else, and in an industry that does not have high margins, it simply isn't possible anymore.

To help put everything in perspective, we also looked at all the costs required to generate a Wx install for each program path and calculated an overall cost effectiveness of each pathway in terms of ratepayer funds spent per lifetime ton of CO2 saved.

Our data shows that the HPC path is significantly more cost effective for the program in generating savings per ratepayer dollar spent. However, it is so cost effective because it is not economically viable. The HPCs have previously shared our data on the impacts this is having, so I won't reiterate that, just to say that it is a legitimate existential threat. To date, the PAs have resisted our proposed solutions believing the cost to be too high, but even if all the changes HPCs have been asking for were implemented, the cost effectiveness of the HPC pathway would still be significantly better than the alternative. If the council agrees that the program should utilize ratepayer funding in the most cost-effective manner to generate the most CO2 and GHG emissions savings, then the required changes must be made to preserve the most cost-effective pathway available.

I want to clarify that in no way are we saying this should be done to the detriment of the LV pathway. Both pathways are important parts of the program. This data is simply showing that the HPC pathways is so cost effective that there is more than enough room financially to make the changes HPCs are asking for and still be the best use of ratepayer funds, and that the program cannot afford to lose such a strong tool in our ability to achieve our targets over the next few years.

Our main request is this: If the EEAC agrees that it is important to understand the cost effectiveness of the program and make decisions accordingly, then we would ask that they appoint a 3rd party to help collect and validate the required information in an unbiased way so that all parties can be confident in the information provided. We would suggest tasking the consultants to work with PAs, LVs, and HPCs to collect relevant information and provide the council with appropriate recommendations. However, HPCs have to be included in the conversation and data gathering, as we generally have not been in the past, and it has led to incorrect findings and recommendations.

Thank you for your time and attention, and thank you for continuing to work through this issue together.

Additional notes:

- HPCs have not been included in material conversations to date that help determine the future of the HPC pathway. We are not consulted or asked to provide data to support decision making, and are doing so of our own initiative to try to find a viable solution. While our concerns may seem new to the EEAC, we have been asking for these changes for several years through the Best Practices Working Group and other channels without any corresponding action from PAs. This is why we have had to raise the issue to the level of the EEAC, and why it is so important for the EEAC to ensure that HPCs have a seat at the table moving forwards where they can provide meaningful context to the decisions being made.
 - For example, if the PAs intend to start allocating LV customers to HPCs based on their stated needs around additional services, it is vitally important that HPCs are included in the discussions to outline what that process will look like, how the LV will determine which customers would be better supported by each pathways, etc. To date, no HPCs have been consulted in these types of situations.

- Based on our analysis of cost effectiveness, the program values a Wx install generated by the LV at over \$1,000, as that is the cost it currently pays. The HPC requested compensation changes would still amount to a total program cost of less than that amount. If the value of the work performed is clearly at least \$1,000 per Wx install, why will the program not pay the HPCs for the same value they generate?
- The presentation to the EEAC on the two pathways was well done, but has some inaccuracies.
 - The presentation suggests that customers reach out to HPCs through Mass Save channels and are then rejected for service. This does not happen. If the PAs have data to show how many customers are declined by HPCs it would be helpful.
 - The analysis indicates that HPCs sell additional services at the HEA and use those services to operate their businesses. This is incorrect, as all major HPCs focus exclusively on Mass Save offerings, and also disingenuous, as the program prevents HPCs from offering other services during the HEA. HPCs are not allowed to sell additional products or services during the assessment, we must only recommend the exact same recommendations that a LV can make. This is to protect the value of an HEA, and makes sense. However, the PAs cannot therefore claim that the HEA serves as a lead source for HPCs to sell other services when we are actively prevented from doing so.
 - The presentation states that HPCs are paid an HEA fee that is adjusted above the LV fee for marketing. It is only increased by \$25. It costs HPCs and PAs over \$200 in marketing per assessment. \$25 is an ineffective adjustment. For context, solar companies pay in the low thousand dollar range for customer acquisition, so the marketing costs achieved are very low for the industry, and should be rewarded in order to continue ensuring program growth and success. Customers are becoming harder and harder to acquire, and this situation cannot continue to be ignored.
 - HPCs essentially perform the customer acquisition, assessment, and conversion roles that a LV performs, as well as the Wx install role that an IIC performs. LVs and IICs are paid for all those roles, but HPCs are not. LVs receive a management fee to cover expenses associated with customer acquisition and assessment performance, but HPCs do not. This is an inequity that does not make sense, as HPCs perform these same duties but don't have an RFP process to get paid for them.
- HPCs are experts in performing energy assessments and weatherization work. That is why we are successful. The problem we solve for the program is growing the assessment and weatherization volumes performed. While HPCs can be a positive force behind electrification and other program goals, we are already the driving force behind weatherization and should be recognized for that success accordingly. HPCs should be able to run economically viable businesses based on this performance, and any additional success in driving other program goals should be incrementally recognized.