

Conservation Advisory Council

Notes from meeting December 15, 2004

Steve Lacey convened the meeting at 9:05 am.

Attending from the Council:

Steve Bicker, NW Natural

Carol Brown, PGE

Suzanne Dillard, ODOE

Don Jones, Jr., Pacific Power

Ken Keating, BPA

Mat Northway, EWEB

Paul Olson, Oregon Remodelers Association

Anthony Roy (for Susan Anderson), Portland Office of Sustainable Development

Attending from the Energy Trust of Oregon:

Diane Ferington

Steve Lacey

Andy Saleh

Jan Schaeffer

Greg Stiles

John Volkman

Others attending:

Alpha Energy Savings: Rob, Ken and Melody

Tom Giffin, SAIC

Lois Gordon, Ecos Consulting

Mike Guerard, CSG

Earl Johnson, SAIC

Lee Litchy, Energy Trust consultant

Debbie Menasche, Energy Trust consultant

Brady Peeks, ODOE

Lisa Rehbach, PECE

Mike Rogers, MSI Consulting (EPA representative)

Marci Sanders, NW Alliance

Phil Welker, PECE

Jennifer Williamson, Ecos Consulting

1. Introductions

Steve reviewed the agenda and asked for self introductions.

2. Home Energy Savings program rebid

Diane Ferington opened by asking for discussion of whether the program (through Home Energy Reviewers) or contractors should conduct duct testing on homes with external ducts. Roy Orbst from Alpha Energy Savings said at present, his company does duct testing on request. He sends out a tester and explains Energy Trust will pay \$50 toward the cost of the test (a "\$195" test). His phone rang off the wall after an article in the Oregonian and television coverage. About 40 customers are on a waiting list now. If Energy Trust did the test first, the contractor would need to repeat the test with their own

equipment to be able to measure accurately post-installation savings. This protocol is required by ODOE for the home to be eligible for a tax credit.

Jennifer Williamson said it was never her intent to replace the duct-sealer's test but to help market the duct-sealing program. Mike Rogers noted if the test is done by an energy auditor instead of a contractor, a lot of people drop out without obtaining contractor services. It is inconvenient for the homeowners. Paul Olson noted it is difficult to get homeowners, once they have installed insulation, to go back and make further improvements. Lois Gordon said a lot of customers don't want immediately to talk with a contractor and prefer a third party to evaluate their needs.

Diane asked the group to discuss serving the 60%-80% median income group, the possibility of packaging measures and what is a realistic cost per aMW in this market? Don Jones said Pacific Power historically spent \$3M/aMW, reflecting the rural nature of their service territory. Carol Brown asked if we are looking at direct-install implementation strategy? Diane said we would work with the CAP agencies to identify homeowners who come to them but don't qualify as low-income. She noted the CAP agencies presently don't qualify folks in this market. Steve Lacey said we would need to contract with the CAP agencies to qualify these candidates. Diane said this could be done for a fee. Steve Bicker asked what is the basis of the 80% upper limit. Steve Lacey said it is arbitrary. Mat said he would check EWEB's criteria.

Diane asked how much marketing the PMC should be directed to provide. Paul Olson said what has been done so far has been reasonably successful. He would like the Energy Trust to do more advertising to raise awareness. Generally speaking, awareness has been growing. Jennifer said 12% of the existing program's administrative costs have gone for marketing, including co-op marketing. Don Jones said it is important to engage contractors in deciding where the marketing money should go, into what markets and what media. Lee Litchy said historically utilities budget 20%-40% for marketing. There was agreement that articles are more effective than ads.

Steve Lacey noted we propose to change the contract compensation structure. Rather than time and materials with cost pass-through, we propose a cost-plus-fixed-fee (or fixed percentage) mechanism with performance clauses to incent the PMC for such things as evolving the program over time, make it more efficient, lower costs per aMW and the like. Ken Keating asked what counts as cost. Steve said labor without profit and other direct costs such as printing. Lois Gordon suggested taking care when establishing performance criteria; for example, to recognize added costs of serving hard-to-serve sectors. Steve said the intent is to amend savings goals and costs to reflect annual changes in the Energy Trust action plan and budget. Paul Olson asked what problem this proposed change is intended to remedy. Steve explained he needs to align contract goals with annually set or modified goals set by the Energy Trust board and the OPUC. Currently, changing contract goals requires time-consuming contract amendments. Ken said in his experience, BPA contracting staff say cost-plus-fixed-fee should only be used when there is a solid handle on costs. When these costs are uncertain, they build additional costs into the proposal to cover the risk. Steve said this model is used successfully by NYSERDA. The "carrot" of the performance incentive motivates the contractor to improve cost per aMW. Lois and Phil Welker said there is not too much difference between Steve's proposed structure and their existing contracts. Don Jones suggested making clear whether goals are post-installation or evaluated savings.

Mike Rogers presentation on home performance with Energy Star

Mike is a representative of EPA Energy Star. He said savings can be large in existing homes by applying "home performance" with Energy Star. In an example, his own house in Burlington, VT, he increased

space by 50% while decreasing heat by 60% and kWh by 50%. It costs less than \$300/year to heat the home, and it is very comfortable. "Home Performance" does not award Energy Star home certificates. Homes are eligible for Energy Star, if the home achieves an 86 or higher home energy rating (HER). The program does represent the service as "Home Performance with Energy Star," lending the power of the Energy Star brand. The service is marketed with emphasis on comfort and durability, health and safety, and professional problem-solving – along with energy efficiency. Cost-effectiveness doesn't enter the equation when people consider home improvements.

He said the home performance approach means:

- Whole house approach (foundation to roof): determine what is best for this home and the homeowners' financial situation. Most of the focus is on shell and HVAC systems. Successful contractors are looking at lighting and appliances.
- Building-science based
 - Home energy inspection and evaluation with diagnostic testing
 - Emphasis on delivering improvements and "best practice" installation
 - Fuel-neutral
- Quality assurance
- Home Energy Rating is not required

He discussed a variety of successful business models, and advised selecting one or another:

- Home Performance Contractor provides one-stop shopping for the homeowner; provides diagnostic, evaluation, shell and HVAC improvement capacity (either in house or through subconsultants); uses evaluation/audit as a loss leader. Mike thinks this is the most successful model. He's heard of contractors claiming they close 80%-90% of the sales after doing audits. Typically, closing rate is 70%.
- Home Performance Consultant is an independent entity who evaluates the home but doesn't install measures. Homeowners enter into new contract(s) with relevant installation contractors. This consultant profits from fees charged to the homeowner. Typical consultants are home energy rates (or other auditors) expanding their offerings.

He noted important business considerations of the Home Performance Contractor model:

- Allows contractors to differentiate themselves based on added value and high quality
- Increase homeowners' trust and confidence in contractors
- High closing rates
- Expanded job scopes
- High margins

He noted the need most participants have for financing. Programs can help by arranging financing, or helping buy down financing costs.

Fred asked if participants enter the process looking for efficiency or major home improvements. Mike provided an example of a modest home that bought many improvements after first inquiring about insulation.

He noted locations where Home Performance has been implemented. New York, with four years and 6,000 jobs, has the longest track record. New York has more than 100 accredited contractor firms.

Average job size is 7,000, and conservative estimate of average house annual savings of 350 therms and 600 kWh. Wisconsin uses the “consultant” approach with contractor “allies” doing the work. They have served more than 1,700 homes averaging \$2,300 in shell value (HVAC tracked separately).

Summarizing lessons learned, Mike said the market is hungry for and will support a comprehensive whole-house approach. Contractors are key, but many need training. He suggests focusing on those with business skills. Third-party marketing helps prime the pump and establish credibility.

Diane noted that this topic will be included in the Affordable Comfort conference Feb. 23-24, 2005.

Steve said he will accept final comments on the Home Energy Savings RFP either spoken or in writing. He expects the RFP to go out in January.

2. Two-program bidder rule

Steve said we will seek board action on this at the board meeting later today. The board’s existing policy precludes any one contractor from managing more than two Energy Trust programs. He noted PECL has high qualifications in the building operations market and would be a candidate to manage the Efficient Facility Operations program that is going out to bid soon. When PECL bid on the two programs they now manage (Efficient New Homes and Efficient Home Products), the programs were wrapped into one. Later on, Energy Trust unbundled the programs for administrative reasons. We are seeking a waiver from the two-bidder rule for this contract to allow PECL to bid, an action we believe would strengthen the bidder pool. Steve reviewed choices given to the board – maintain the two-bid rule, allow waivers in certain circumstances, or drop the rule. Fred pointed out there is no predetermined outcome for the procurement, no matter the outcome of this action affecting PECL.

Steve Bicker thinks the rule should be waived or dropped. He is persuaded that Energy Trust has achieved the diversity of PMCs it sought in creating the two-bidder rule. Why should Energy Trust hamstring itself when seeking the best contractor in the future. Steve Lacey said this is staff’s position.

Suzanne Dillard said the issue reminds her of term limits on elected officials, which she thinks is short-sighted. On the other hand, as many contracts come up for renewal, it wouldn’t take much for one PMC to have a monopoly.

Steve Bicker noted the opportunity to include diversity as a criteria in awarding future contracts. Fred noted this may discourage PMCs from bidding.

Ken Keating prefers the waiver approach, to address the specific problem. He thinks the exception can be defended. Doing away with the two-bidder rule runs the risk of consequences downstream.

Carol Brown supports a waiver approach as more beneficial to the long-term interests of the Energy Trust.

Brady Peeks thinks the better term is “exception” not “waiver.”

Don Jones and Paul Olson support the waiver approach.

Ken thinks the waiver mechanism should be put in place for the future. If PECL doesn’t win this contract, you’d need the waiver to permit them to bid on future contracts.

Lee Litchy asked if PECL gets the new contract, would they be eligible for only one or both their current contracts when they are rebid? Steve said we will rebid those two contracts separately in the future.

3. New Building Efficiency Contract Extension

Steve noted this is the first time this matter has been presented to the CAC, and there will not be enough time to schedule a second discussion on it, since the board needs to act on this today. If we wait until its next meeting, in February, there would not be enough time to complete a new procurement before the NBE contract expires if the board decides not to approve the extension.

Greg Stiles noted a contributing reason for extending the contract is that staff is tied up in 2005 with other new and rebid procurements. He reviewed background:

- Contract signed July 2003
- Program launched Oct. 2003 but not fully developed until Jan. 2004
- No 2-year natural gas goal
- 9 completed projects – only 2% of 2-year goal
- 52 committed projects – 34% of 2-yr goal
- 64 proposed projects – 7% of 2-yr goal (many without savings estimates yet)
- Projects take longer to get completed than forecast
- Will not meet 2-yr goal for electric savings

He listed reasons for extending the contract:

- Avoid disrupting momentum of program
- More data needed before deciding if program design needs changes
- Rebidding PMC contract in Q2 '05 would overburden staff with 5 other procurements in the works
- SAIC is doing a solid job, with many planned improvements in '05 and a growing pipeline of committed and proposed jobs

He described the proposal:

- Extend SAIC contract by 9 months from July '05 to Mar. '06
- Contract extension will incorporate new terms, to be reviewed with CAC in January (add therms goal, revise kWh goal to reflect length of time for projects to complete, savings goals tied to cost-effectiveness, customer service standards)

Suzanne said she thinks extending the contract is reasonable given the reality of the construction project life cycle. Ken Keating thinks the extension is consistent with how we've treated other contracts. He noted the possibility of including alternate measures to aMW, such as percentage of new square footage that is treated. Carol Brown doesn't have a problem with the extension. Paul Olson supports the extension. Don Jones thinks the extension is fine. He would like to see some extension metrics that look at comprehensive, non-lighting measures.

The meeting adjourned at 11:15 am.

Steve noted the meeting in January will be in our new offices.