



2016 HPwES Partner Meeting Austin, TX



Capitalizing on HPwES in a Changing Market (Panel Discussion)

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- **Let's Do It! How to integrate more of your residential program portfolio under HPwES** – *Carlos Ruiz, Residential Energy Program Supervisor, SoCal Gas*
- **HPwES Delivery in the Private Market** – *James Otterbacher, Existing Home Division Manager, Energy Services Group, NJ*
- **Cha-Ching! Innovations in Leveraging Financing with HPwES** – *Andrew Isaacs, Senior Finance Specialist and HPwES Account Manager, CSRA*
- **Mission and Money! Connecting HPwES and Low & Moderate Income Programs** – *Greg Zagorski, Legislative and Policy Associate, National Council of State Housing Agencies*
- **Connected Devices and the Internet of Things** - *James Jackson, Business Development Manager, Emerson Climate Technologies*

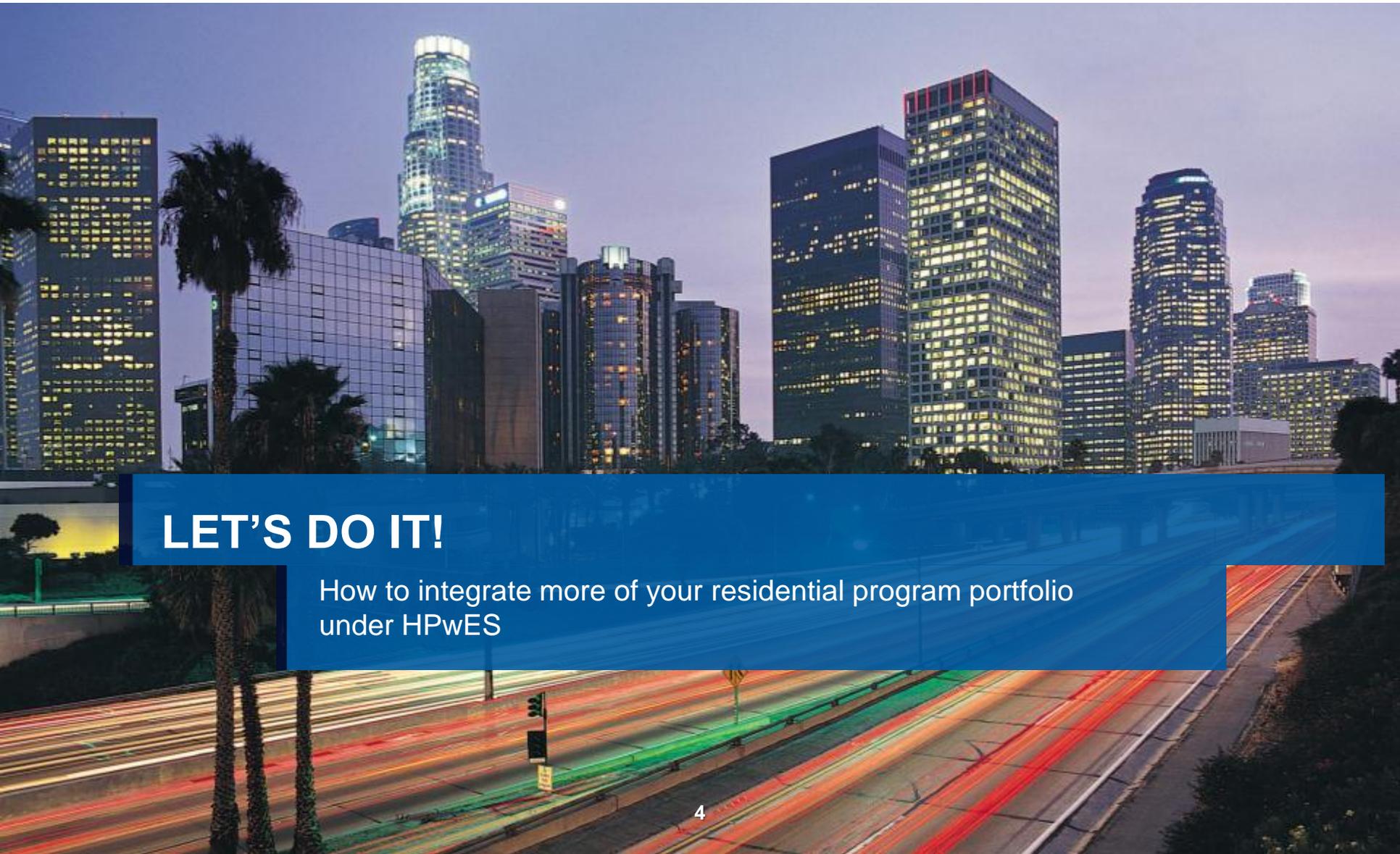


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Let's Do It! How to integrate more of your residential program portfolio under HPwES
Carlos Ruiz, Residential Energy Program Supervisor, Southern California Gas Company





LET'S DO IT!

How to integrate more of your residential program portfolio under HPwES

Who We Are

- Southern California Gas Company (SoCal Gas) has been delivering clean, safe and reliable natural gas to its customers for nearly 140 years.
- It is the nation's largest natural gas distribution utility, serving a population of 19.8 million consumers through 5.7 million gas meters in more than 500 communities.
- The company's service territory encompasses approximately 20,000 square miles of diverse terrain throughout Central and Southern California, from Visalia to the Mexican border.
- Headquartered in Los Angeles, we are a subsidiary of Sempra Energy (NYSE:SRE), a Fortune 500 company based in San Diego.
- Our commitment to provide customers with world-class service has been the key to our longevity and success. Our motto, "Glad to be of service" reflects this spirit.

Challenges To Home Performance Program Design

- Single fuel utility, natural gas.
- Shared customer service territory
 - Pacific Gas and Electric (PG&E)
 - Southern California Edison (SCE)
 - San Diego Gas and Electric (SDG&E)
 - 12 Municipal electric service providers (LADWP, BWP)
- Develop mandated Statewide program design
- Climate zones
 - Hot and Hotter!
- Energy Savings
 - 70% electric vs 30% natural gas

Collaboration with Electric IOU's

- **Home Performance Programs**

- SoCal Gas/ Southern California Edison (1-1- 2011)
- SoCal Gas/ San Diego Gas & Electric (7-1-2014)
- SoCal Gas Pacific Gas & Electric (1-1-2015)
- SoCal Gas/ Burbank Water & Power (5-1-2012)
- SoCal Gas/ Los Angeles Dept. of Water and Power (1-2013)

- Enabled comprehensive program delivery for electric and natural gas upgrades and associated incentives to shared IOU customers.

Energy Upgrade California Home Upgrade Programs

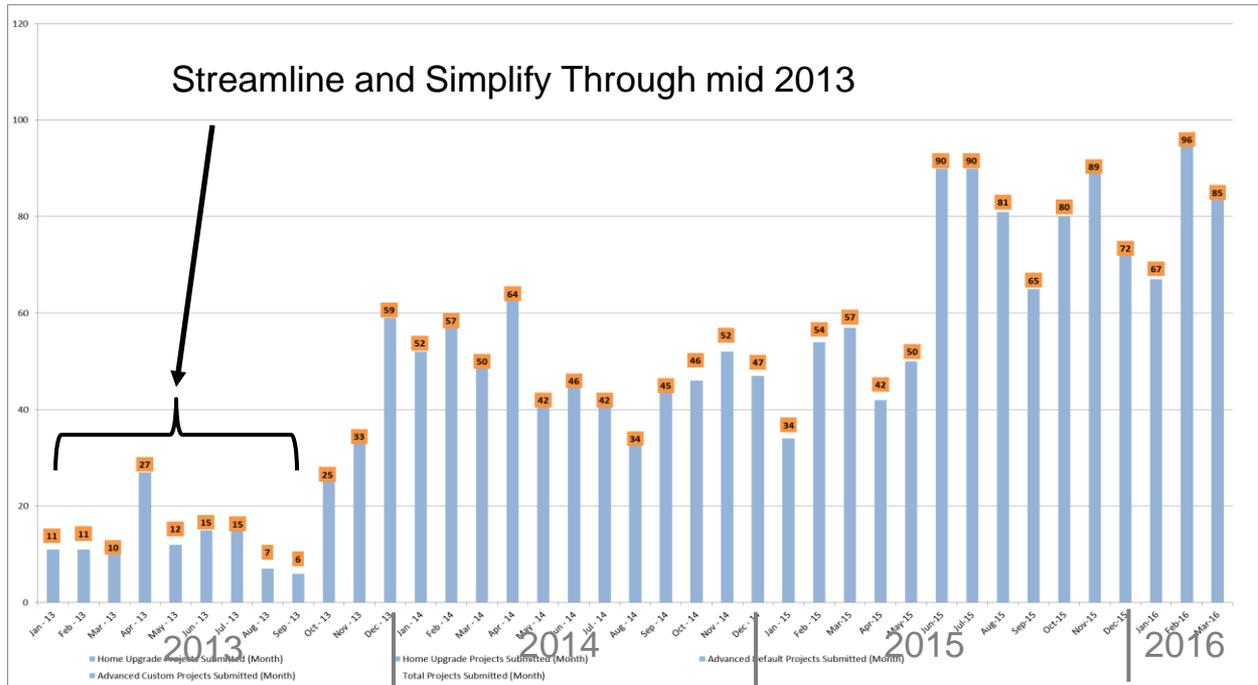
Home Upgrade

- Deemed Savings
- Point based incentives
- Requires 2 envelope and 1 system measure.
- Avg. savings: 10%
- Avg. cost: \$15,000
- Avg. incentive: \$2,300

Advanced Home Upgrade

- Energy Modeling and Calculated Savings and incentives
- 25% average savings
- Average cost: \$19,500
- Avg. incentive: \$3,500

Program Growth and Milestones



Home Upgrade and HPwES

- Residential rebates align with current Energy Star and CEE specifications and tiers
- Energy Star Homes program in Residential New Construction
- Energy Star Partner of the Year Award 2011 and 2015
- **First** utility in California to launch HPwES Partnership ,
- October 2015
- Adds greater value to Advanced Home Upgrade.
- Provides greater program recognition by customer
- HPwES Rating/Green MLS/Higher Resale Value
- Leverage HPwES co-branding marketing opportunity by participating program contractor
- \$31,973,317 revenue generated for participating contractors in 2015
- \$5,630,607 Incentives paid to customers in 2015

Future of Home Performance

- **AB802**

Enacted by Governor Jerry Brown on October 8, 2015, which directed the Commission, to authorize electrical corporations and gas corporations to provide incentives, rebates, technical assistance, and support to their customers to increase the energy efficiency of existing buildings.

- **AB793**

This bill would require the commission to require an electrical or gas corporation to develop a program to provide incentives to a residential or small or medium business customer to acquire energy management technology for use in the customer's home or place of business.

- Home Performance programs can help fulfill utility State mandates.

Program Growth Efforts

- Activity Since HPwES Kick Off
 - Signed up 30 contractors
 - Cobranded Marketing Literature
 - Distributed Marketing Materials to Contractors
 - Conducted two HPwES-specific Contractor Trainings
 - Submitted Quarterly and Annual HPwES Reports
 - Are Adding Attribution Questions to Customer Sat Survey and Contractor Surveys
 - “Did HPwES branding influence your decision to upgrade your home”

Co-Branding Efforts



Bumper Sticker



Yard Sign



Vehicle Door Magnet

Thank you!

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HPwES Delivery in the Private Market

James Otterbacher, Existing Home Division Manager, Energy Services Group



HPwES Delivery in the Private Market

J. OTTERBACHER



Introduction

Energy Services Group



- ESG was founded in 1981 following the path of the Princeton House Doctor approach.
- Operates in both the New Construction and Existing Home Markets.
- Currently operates in 5 Mid-Atlantic States.



Incorporating HPwES into our Business Model

Incorporating HPwES

- Performed over 850 HPwES Retrofit installs in 2015.
- Each retrofit included Blower Door Diagnostics, Air Barrier Alignment, and Thermal Bypasses treatment.
- Every crew leader at ESG is a certified BPI Building Analyst



Taking HPwES to the next level

Lessening the load on the Auditor



- The historic model of the Auditor position has them juggling between testing, navigating rebates, and customer handholding.
- Auditors can become easily overloaded dropping proverbial balls (customers) and not focus on their primary duties
- Meanwhile they tend to speak in technical jargon to homeowners who can become easily overwhelmed by the information being presented.

Rise of the Home Performance Advisor

The HPA



- Auditors focus is on collecting and analyzing data from the house.
- Think of the intended round peg actually going into the designed round hole instead being forced to fit other shapes.
- Customer interaction can be improved by utilizing another communication/educational platform to explain the myriad of programs, HPwES solutions, and ultimately helping customer become comfortable with what our industry can offer them.
- Drawing from various programs that utilized Energy Coaches we developed the HPA to be that EE Ambassador to help homeowners navigate programs and options.



Financing our way to new markets

The bridge called Financing



- Auditors have a lot to contend with while conducting an audit and explaining financing is likely not their strong suit.
- An HPA is well versed in financing options that can help homeowners make more informative decisions
- Financing opens up markets that have been under served by HPwES firms due to financial obstacles as well as socio-economic, and even demographic issues.
- No interest or low interest loans coupled with HPA's who have the ability to explain the financing options in easy to understand terms have had a drastic impact on the market.
- In 2015 70% percent of our projects were financed

Call to Action

Getting on the customers level



- The auditor cannot be expected to be all and end all customer ambassador.
- Utilize financing programs in your area and learn how they can be integrated into your business model.
- Tailor your message to your audience don't try to impress with how much knowledge you have on HPwES, that will show in your overall presentation.
- Finally, to help homeowners understand the benefits of HPwES we have to educate them on the concepts in terms that everyone can understand.





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Cha-Ching! Innovations in Leveraging Financing with HPwES

Andrew Isaacs, Senior Finance Specialist and HPwES Account Manager, CSRA



Who is Offering Energy Efficiency Financing?

Quick Show of Hands



Why Offer Financing?

- Complete more projects
- Increase conversion rates and complete more projects
- Generate greater energy savings with deeper retro-fits
- Increase energy efficiency and overall program metrics
- Leverage your funding
- Attract and grow your contractor base – find the right contractors!



Many Types of Financing Utilized in the Marketplace for EE



First Mortgage Financing

- Acquisition/refinance whole-house retrofits

Second Mortgages

Unsecured Loans (Most Popular)

- Credit Cards
- Manufacturer “36 Month” Same as Cash
- Warehouse for Energy Efficient Lending (WHEEL)
- Dealer Loans
- Revolving Loan Funds – often with credit enhancement/loan loss reserve



Other Types of Financing

- On-Bill
- PACE (Over \$1 billion PACE Financing for Residential)

Where to Start?

Conduct strategic planning - set program goals and objectives

What is important to your program?

- Scale – more completed projects
- Improving conversion rates
- Leveraging funds
- Energy Savings



Where to Start?

Define Your Target Market – Who are you marketing too?

- Targeting proactive or reactive customers?

Identify and expand your contractor base to serve your target market

- Large or small companies?
- HVAC installers
- Other



Helpful Hints and Other Thoughts

Program Design: Keep it Simple!

- Lender models and products desirable for both contractors and consumers
- Offer longer terms with fixed rates – low monthly payments
- Easy to offer at the point of sale
- Quick approvals



Helpful Hints and Other Thoughts!

Longer terms with competitive rates mean low monthly payments:

- Ability finance larger projects
- Consumers can add more energy efficient measures
- Consumers may select upgraded equipment



Contractors need to be paid in a timely fashion – know they will be paid and paid quickly

Offer financing at no cost to contractor and no financing costs to pass on to customer

Seek better executions than other unsecured financing available in the marketplace

- Contractor can save 5% to 10% over other unsecured financing available
- Long term fixed rates – no balance due to be paid by customers at the end of 24 or 36 months

Other Thoughts

- Consider offering incremental Pathways to Performance in addition to whole-house
- Seek out other partners with mutual goals and objectives
- Utility integration to leverage energy evaluations and rebates in a thoughtful way
- Add equipment manufacturers – rebates can help close sales
- Work with state and city programs and State Housing Finance Agencies
- Offer financing as a way to attract and provide value to contractors and consumers
- Offer tiered financing to help meet program objectives



Helpful Hint: Find the Right Contractors

- Contractors who already offer financing – have a better product(s)
- Recruit contractors with volume
- Contractors who need financing in their business model and get it
- Contractors targeting reactive customers
- Contractors targeting proactive customers where financing makes sense



Other Thoughts



- *How do we sign up with a lender and get started?*
- *How do we work with “your” lenders?*
- *How long does it take to get an approval and close a loan?*
- *How do consumers, the lender and my company work together?*
- *How can we offer financing along with utility and manufacture rebates and other subsidy and make it easy for the customer?*
- *How is “your” financing different or better then what we have?*

What will Contractors Ask?



Why should we offer “your” financing?

Why should we offer financing?

How can financing help me close more deals?

What will it cost us to offer “your” financing?

What types of financing products are available?

How do we work with your program?

For more information contact:

Andrew Isaacs, CSRA

andrew.isaacs@csra.com

859-314-7022

Please plan to attend:

Home Performance Financing Update & Options to Help Close More Jobs

Thursday, April 07, 2016 , 8:30 AM - 10:00 AM

Moderator: Steve V. Dunn – Project Manager, U.S. Department of Energy



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Mission and Money! Connecting HPwES and Low & Moderate Income Programs

Greg Zagorski, Legislative and Policy Associate, National Council of State Housing Agencies



Reaching Underserved Populations- Partnership Opportunities Between HPwES Participants and State HFAs

Capitalizing on HPwES in a Changing Market



Greg Zagorski
Legislative and Policy Associate
National Council of State Housing Agencies

The National Council of State Housing Agencies (NCSHA)

- NCSHA is a nonprofit, nonpartisan organization created by the nation's State Housing Finance Agencies (HFAs)
- Represents the HFAs for all 50 states, DC, Puerto Rico, the U.S. Virgin Islands, and New York City.
- The principal advocate in Washington for both Housing Bonds and the Housing Credit and the principal state advocate for HOME.

State Housing Finance Agencies (HFAs)

- State-chartered authorities established to help meet the affordable housing needs of the residents of their states.
- Most HFAs are semi-autonomous entities that operate under a Board of Directors appointed by the state.
- HFAs administer a wide range of affordable housing and community development programs, including:
 - Tax-exempt Housing Bonds (mortgage revenue and multifamily)
 - The Low-Income Housing Tax Credit
 - The HOME Investment Partnerships (HOME) program.

HFA Affordable Homeownership Programs

- 53 state HFAs operate single-family loan programs that fund affordable home loans for low- and moderate-income borrowers.
- Many HFAs also offer borrowers down payment assistance in the form of secondary loans and/or grants.
- A large majority of HFAs do not directly originate mortgage loans, but rather purchase loans from lending partners that originate loans that meet HFA program guidelines.
- In addition to homeownership loans, a substantial number of HFAs also finance home improvement/rehabilitation loans for low-and moderate-income consumers.

HFAs' Strong Track Record

- In 2014, HFAs provided over 72,000 low-and moderate-income borrowers with an affordable home loan.
- Around 60% of these borrowers also received down-payment assistance.
- The average median income for borrowers who received their loan through an HFA single-family housing bond was 10% below the national average.
- HFA program support for lending to minority borrowers generally exceeds the market as a whole.
- Before the downturn, HFAs financed ~100k mortgages a year.

Advantages to Working with HFAs

- HFAs have first-hand experience serving traditionally underserved borrowers.
- In-depth knowledge of their state's housing market.
- Prudent, yet flexible underwriting standards that meet the needs of low- and moderate-income borrowers.
- Effectively utilize housing counseling, high-touch servicing, and other techniques proven to reduce delinquencies.
- Studies have shown that HFA loans perform better than other loans to low- and moderate-income consumers.

HFAs' Energy Efficiency Activities

- Two HFAs (Kentucky and Alaska) are HPwES sponsors and 2 others (Minnesota and North Carolina) currently support HPwES activities in their states.
- 26 HFAs currently administer energy efficiency programs and 24 HFAs administer weatherization programs.
- Some HFAs administer other federal and/or state energy efficiency programs.
- Many HFAs also support home improvement lending programs that can be used to support energy efficiency upgrades.

KY Home Performance-Kentucky Housing Corp.



- Goal: to establish a sustainable model for supporting energy efficiency lending statewide.
- Currently offers two energy efficiency loan products:

Individual Installation

- Fixed rate at 7.99% for 60 months
- Maximum loan \$20,000
- Average loan for this product is \$10,000

Whole-house, Geothermal, Solar

- Fixed rate at 3.99% for 84 months
- Maximum loan \$20,000
- Lower rate incentivizes larger energy efficiency jobs

KY Home Performance-Kentucky Housing Corp.



- KHC estimates that consumers save 20 percent or more after whole-house improvements.
- Contractors benefit from marketing and sales assistance, increased leads, lower fees, and a better product for the consumer.
- KHC partners extensively with other state agencies, state and regional nonprofits, utilities, and trade associations.
- Benefits from secondary market created by WHEEL.
- KHC now participating in a pilot program to lower the costs of Energy Star manufactured homes

More information- www.kyhomeperformance.org

Home Energy Rebate- Alaska Housing Finance Corp.



- Offers homeowners a rebate of up to \$10,000 for qualified energy efficiency improvements.
- Requires pre- and post-project energy ratings to determine the extent of energy savings.
- Borrowers who can not afford the up-front costs of such repairs may be eligible for AHFC's Second Mortgage for Energy Conservation Program.
- Nearly 25,000 homeowners have received rebates since 2008, with the average household reducing their monthly bill by 30%.
- All available financing is currently reserved, but AHFC hopes to open the program up again after receiving new funding.
- More information- <https://www.ahfc.us/efficiency/energy-programs/home-energy-rebate/>

Weatherization Program- Alaska Housing Finance Corp.



- Provides no-cost weatherization upgrades to low-and moderate-income Alaskans (including renters).
- Utilizes partnerships with local government and nonprofit weatherization service providers.
- Funded by annual appropriations.
- Assisted over 5,000 Alaskans over the last two years.

More information- <https://www.ahfc.us/efficiency/energy-programs/weatherization/>

SystemVision™ Energy Guarantee- North Carolina Housing Finance Agency



- Run in Collaboration with Advanced Energy, an HPwES sponsor.
- Provides local governments and nonprofits a \$4,000 subsidy for the development of single-family homes meeting HPwES standards.
- Homes constructed under the program are expected to have monthly heating and cooling costs below \$30. Otherwise, Advanced Energy will reimburse the homeowner for the difference.
- Has supported the construction of over 4,000 energy efficient homes.
- Won EPA Energy Star Award for Excellence in 2011.

More information- <http://www.nchfa.com/Nonprofits/HPsystemvision.aspx>

Mutually Beneficial Partnerships

- Many HFAs are looking to increase their efforts to support energy efficiency and other “green” building initiatives.
- Promoting energy efficiency complements HFAs’ affordable homeownership missions.
- HFAs already have experience partnering with private sector and nonprofit entities on green and other initiatives.
- DOE has begun outreach to HFAs, including webinar and presenting at NCSHA’s Annual Conference.
- HFAs also administer programs to increase the energy efficiency of affordable multifamily housing.

Visit <https://www.ncsha.org/housing-help> to learn how you can contact your HFA.

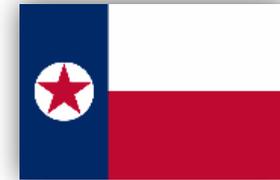
-OR-

Contact Greg Zagorski with the National Council of State Housing Agencies: gzagorski@ncsha.org, 202-624-7730.



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Connected Devices and the Internet of Things

James Jackson, Business Development Manager, Emerson Climate Technologies



Technology and Home Performance

How tech is impacting your customers

What's Happening!?!

Christmas Tree
Trash Bins
Socks
Egg Trays
Food Jar
Meat Thermometer
"Smart" Belt
Dog Fitness Tracker
Phone Case
WiFi Connected Diaper
Flower Pots
Power Tools
House Slippers
Drivemeinsane.com
Frying Pan
Toys
Livestock

Why All the Connected Devices

- People want to be informed
- In control
- Better insights in to customer behavior
- Asset management
- Additional value for the billions of smart phone and tablet users
- Security
- Customer Retention

What People are Adopting

IoT (Internet of Things)

- Temperature

Controls

- Home Monitoring
- Lighting Controls
- Entry Doors & Gates

- The “Big Data” conversation
- 30 Billion! Connected devices by 2020
- How informed homeowners will change the audit
- Understanding how and where energy is being used is only part of the story
- Connected IAQ devices could help with the discussion
- Energy Monitors are a great way to materialize energy usage and energy efficiency
- The assessment is so much more than an energy audit