

## **EEB Evaluation Recommendations Regarding the Report, NMR, “Connecticut Home Energy Solutions Stage 1 Performance Measures and Financing Focus Groups,” August 16, 2012**

The NMR report, “Connecticut Home Energy Solutions Stage 1 Performance Measures and Financing Focus Groups” was presented to the Energy Efficiency Board’s Evaluation Committee on August 16, 2012 and was filed with PURA into Docket No. 12-02-01 on August 28, 2012. United Illuminating and Connecticut Light and Power (the Companies) provided their responses to that report. They also presented information on how they intended to implement the recommendations provided. While the Companies are permitted to disagree with the study recommendations, in this case no disagreement was expressed.

This report provides the EEB Evaluation Committee’s (EEB Evaluation) recommendations on how the NMR Report should be implemented by the Companies. The report is structured to present NMR’s overall findings. These are followed by NMR’s individual finding and recommendation. After each recommendation, I provide the Companies’ responses, followed by the EEB Evaluation Committee’s recommendation.

### **I. HES Financing Focus Groups – Key Findings**

Participants reported that the primary factors influencing measure installation are upfront cost and energy savings, both immediate and long-term. They identified insulation as the measure with the highest savings potential, and in some cases, as a driver for HES participation. In hindsight, some participants felt more information about financing, rebates, and measure payback periods could have been provided; however, satisfaction with auditors was consistently high.

Participants reported that the low-interest financing offered through HES was not emphasized by auditors. Another major barrier was the skepticism of participants about indebtedness – terminology such as “payment plans” and “zero-interest” was preferable to “loans”, “financing”, or “borrowing money”. Participants who were open to the concept of financing did report that they might have installed more measures had they been made aware that these loans were offered.

Participants generally were better informed about rebates than about financing, and allowed customers access to measures they could not otherwise have installed, especially insulation. Some participants felt that rebates were not large enough to offset costs or impact purchasing decisions, and multiple attendees had difficulties with the rebate process.

### **II. Conclusions and Recommendations**

**Conclusion 1:** Based on the responses of the focus group attendees, participants are reluctant to borrow money. While referring to the process as “a payment plan” or “financing” as opposed to “a loan,” offering zero-percent interest, and approving eligibility during the audit improved opinions of borrowing money, attendees remained wary of enrolling. They split in their opinions on whether they liked the idea of on-bill financing. Rebate users seemed more amenable to

financing than non-users and expressed that they may have installed additional measures had they been better informed about the financing option.

**Recommendation 1:** The program should proceed with its efforts to offer zero-percent financing and approval of financing during the audit. Given attendees' generally more negative response to the word "loan," the program should take a cue from retail stores and adopt language such as "payment plans" or "zero-interest" or similar phrasing when describing the opportunity. Vendors should be directed to avoid the word "loan" so as not to deter customers from choosing the financing option. On-bill financing may be preferred by some participants, but not universally so. The additional uptake in use of this option may be minimal and limited to households that were already inclined to use rebates, but it is likely that these households may install more measures through the financing program than they would with rebates alone.

**CL&P Response:** The Companies will continue to offer zero-percent financing, on-bill financing, and streamlined approval, in order to maximize the frequency and magnitude of financing uptake and measure installation among program participants. In response to the Study findings, CL&P and UI (the "Companies") will train vendors about the use of preferred terminology to use in discussing financing, in line with the guidance of the Study and recommendation. In addition, marketing materials have been developed which use terminology such as "flexible payment options" while avoiding the use of the word "loan".

**UI response:** UI generally agrees with the above recommendation for future program enhancement. One barrier to offering zero percent financing across the board is the cost associated with interest subsidies and the limits of cost effectiveness. The Companies will look to adopt this recommendation going forward with future HES Program financing offerings where possible.

#### **EEB Evaluation Response**

The Companies should proceed with efforts to offer zero (or low) percent financing whenever it is cost-effective to do so.

EEB Evaluation recommends that in any future offering, the Companies should provide decisions on approval or disapproval at the time of the audit if at all possible given the information available concerning each participating customer. For the success of zero-percent financing, it is very important that the Companies avoid referring to their offerings as "loans." While customers were not enthusiastic about financing, customers showed a very negative reaction to that term and were far more positive to the alternate terms suggested.

**Conclusion 2:** Based on the responses from the attendees, it appears that the auditors give very little attention to the financing option during the kitchen-table wrap-up. Attendees noted that the auditor may have mentioned the loan but did not provide a detailed discussion of the financing option or how to apply for it; although, it is unclear why auditors conducted limited promotion of the opportunity. However, planned changes in the financing structure and approach (e.g., zero-interest, immediate approval, on-bill financing) may increase participant interest compared to earlier versions of the financing option.

**Recommendation 2:** The program should instruct contractors to discuss the financing option in more detail with all eligible participants. Auditors must be willing and able to describe the financing package accurately and enthusiastically to all eligible participants, rather than relying solely on printed program materials to promote the option. NMR will explore the issue of how vendors promote the financing option in more detail in planned vendor interviews to be conducted in 2013.

**CL&P Response:** The Companies have conducted training throughout 2011 and 2012 emphasizing the features of the financing program, and its capacity to drive customer uptake of further improvements. The Companies believe that program stability during 2012 and the introduction of zero percent financing positively influenced auditor promotion of financing resulting in increased customer participation.

**UI response:** UI supports this recommendation and continues to emphasize its importance to the HES vendor community. UI will continue to seek ways to educate/train auditors in communicating financing options to HES participants.

#### **EEB Evaluation Response**

It is very likely that the introduction on zero-interest financing increased customer participation to some extent. However implementation of performance measures lags the increases desired. EEB Evaluation agrees with UI and recommends that the Companies focus on increasing vendor training to further promote implementation of performance measures. The focus group participants responded to current conditions and NMR concluded, based on those responses, that participants needed additional information from the vendors.

**Conclusion 3:** All attendees were aware that they could have used rebates to install insulation, heating, and other HP measures through the HES program. However, the focus group discussion made clear that many attendees had only a cursory understanding of the rebate amounts, structure, and processes. In fact, some attendees were surprised to learn in the discussion about the depth of rebates for measures they had been recommended. In short, the focus group results suggest that participants have a fairly low level of understanding of the rebate process.

**Recommendation 3a:** To increase rebate participation, the auditors must make certain that they are explaining the rebate process thoroughly and emphasizing the depth of measures, particularly of insulation which in many cases can cover up to 50% of the entire cost of installing the measures.

**CL&P response:** CL&P responded to all parts of this recommendation together. That response follows recommendation 3d.

**UI response:** UI agrees with this recommendation and supports the need for increased rebate participation. UI will continue to educate/train HES technicians in appropriate techniques to communicate rebate opportunities to HES program participants.

**EEB Evaluation Response**

The EEB Evaluation Committee agrees that increased training is necessary, and emphasizes that training must include specific information on how to assist customers to understand the savings opportunities the rebates provide, the cost savings use of the rebate offers and how to complete rebate forms.

**Recommendation 3b:** NMR concurs with the recommendation of an attendee who suggested that the program conduct follow-up communication with participants after the audit to discuss the opportunities. While NMR believes that a follow-up call should not replace discussion of rebates and financing during the kitchen-table wrap-up, a call could provide the participant an opportunity to ask questions about rebates and financing and clarify information provided in the audit report. Such follow-up may serve to increase use of rebates and financing to install HP measures.

**CL&P response:** Found below

**UI response:** UI agrees that appropriate follow-up with customers is intricate to the success of customers adopting follow on measures and utilizing financing for such upgrades. UI has recently begun outreach to customers who have not installed follow on measures. UI agrees that an engaged/interactive HES technician and program participant kitchen-table wrap-up should not be substituted with phone calls or emails but should complement the kitchen table wrap up interaction.

**EEB Evaluation Response**

EEB Evaluation agrees that follow-up is integral to success and supports UI's current efforts.

**Recommendation 3c:** Attendees also suggested that participants receive an incentive of some sort for recommending other customers to the program. It is the evaluation team's understanding that the program already provides this or a similar incentive, but NMR recommends stressing its availability more to participants. Likewise, auditors should make certain to promote the non-energy benefits of recommended HP measures such as increased home comfort and the high-tech and convenience features of some advanced HP equipment that participants may not immediately associate with energy efficient measures.

**UI response:** Through the HES marketing guidelines UI supports and approves HES contractors the available to offer participant for referring customers to the HES program. Over 50% of the program leads are generated through "word of mouth". UI will continue to support the ability for HES vendors to offer incentives to participants for customer referrals.

**EEB Evaluation Response**

EEB Evaluation supports UI's commitment to expanding the reach of the program by promoting word of mouth initiatives. Moving beyond allowing vendors to incent and towards encouraging vendors to provide this incentive could provide significant impetus to gain additional participants.

EEB Evaluation also recommends that promotion of non-energy benefits be encouraged. Beyond the examples cited in the instant study, customer concern about the environment may also be motivating.

**Recommendation 3d:** NMR also believes the program should consider adopting other attendees' suggestions to provide certificates verifying improvements that homeowners could then present when selling the home.

**UI response:** UI in conjunction with DEEP and PURA are determining ways in which labeling or certification can be achieved. This recommendation ties into the state's 80% weatherization goal where UI will need to be able to confirm that a home has met the 80% goal.

**EEB Evaluation Response**

EEB Evaluation agrees that building labeling can be an effective tool to increase customer motivation to weatherize and to seek assistance to do so.

**CL&P Response:** The Companies will consider these suggestions to further enhance add-on measure uptake; the Companies will especially work to educate vendors so they can make clear that the rebates provide significant opportunities for customers including non-energy benefits, and will explore the opportunity for a follow-up call that may generate increased uptake of add-on measures. Many vendors already offer referral incentives to customers and work with outside organizations to increase participation in HES. The Companies will continue to encourage this method of customer outreach with vendors. Currently the Companies are evaluating various home scoring options for use in the program. As part of this evaluation, the Companies will be exploring the feasibility of linking home scoring options to the Public Act No. 11-80 Weatherization Goal.

**EEB Evaluation Response**

Please see responses to 3a through 3d provided above.

**Conclusion 4:** Having a clear understanding about the payback period seems to be associated with increased measure installation. Attendees who noted that they seriously considered payback were also most likely to have installed measures. While most attendees say their auditor discussed payback and immediate savings, attendees desired more clarity regarding the amount of energy the program measures may save.

**Recommendation 4:** Given the significance of payback in rebate users' decision-making process, the program should emphasize payback through program materials and the auditor wrap-up dialogue. Moreover, every effort should be made to inform participants of likely energy savings they could expect, providing realistic ranges of savings for major measures from comparable households. The program may also want to consider future research, through a quantitative effort, to better understand what length payback period is essential in most participants' decision-making processes.

**CL&P Response:** The Companies plan on better emphasizing payback period and energy savings, in accordance with the evaluation findings that these were the most important drivers for participation. Given that upfront cost was found to be the most significant barrier for most

customers, payback period may be an easy-to-understand way to impress on customers the significant cost savings available through energy efficiency upgrades.

**UI response:** UI agrees with the recommendation above and has developed a tool (Field Service Tool) for HES contractors use at the time of the HES visit that highlights participant's payback including figuring rebates available and financing options. UI will continue to train HES vendors on the importance of providing/educating HES participants on the payback of add-on measures. In the near future UI will be new tools that will help aid in the participant communication.

**EEB Evaluation Response**

EEB Evaluation agrees with UI's approach (which may also be in current use at CL&P). We also recommend that quantitative study of payback requirements be conducted, probably through the upcoming HES impact evaluation.

**Conclusion 5:** Nearly one-half of attendees who used rebates initially had their applications denied, most frequently because the information supplied by their contractor was not accurate or adequate for receiving the rebate. Attendees also made mistakes on the forms, which some found to be confusing and time consuming.

**Recommendation 5:** The program should provide additional training to qualified HP contractors on how to supply the correct information to participants for filling out the rebates. The program may also want to provide online or other forms of assistance to help participants understand the application. The program may consider identifying ways to streamline the rebate application process.

**CL&P Response:** The Companies have taken steps to streamline the rebate application process, based on this recommendation. For example, the Companies are exploring the feasibility of moving to an on-line rebate application form which would reduce the likelihood of having incomplete rebates submitted and would provide customers quicker feedback in situations where rebate applications were not accurate or complete. The Companies already meet with contractors and trade organizations on a regular basis for the purpose of discussing program offerings including rebates. These meetings will continue with an emphasis on training contractors on the rebate process.

**UI response:** UI agrees with this recommendation and will continue to train contractors on providing customer information on add-on measures, financing and rebates. UI is also investigating ways to streamline the rebate application process including online web process.

**EEB Evaluation Response**

EEB Evaluation agrees with the Companies' approach, and recommends that vendor training expand beyond providing only information to customers. Vendors should be trained in how to assist and support customers with filling out rebate and financing forms. These processes may be considered confusing to customers as was found in this study.

**Conclusion 6:** Participants are largely pleased with their home energy assessment experiences. However, a few attendees expressed some level of dissatisfaction which could be construed as barriers to further involvement with the program. Some, for example, mentioned that their auditors did not or were unable to answer their questions.

**Recommendation 6:** The program might benefit from providing more detailed information to participants prior to the initial visit regarding the scope of program offerings. Additionally, auditors and other technicians associated with the program should be required to undergo training that clarifies the program's expectations of their professionalism as program representatives. This would include mandating that all team members be introduced to the participant and that the team leader receives explicit permission to begin the audit before any team member starts the assessment. Moreover, if auditors cannot answer questions, they should explain this to the participant and provide their own contact information and that for the program should the participant wish to follow-up about the question.

**CL&P Response:** The Companies are proud of the high level of satisfaction with the program, and will work to maintain and improve the best practices and training opportunities making this performance possible. In 2012 and the future, auditors and other technicians have been and will be trained on professionalism and supplying up-to-date contact information, and we will make sure that participants have the capability to follow up and obtain any knowledge they need to make an informed decision.

**UI response:** The above recommendation is a current requirement of the HES program. UI will continue to work with the HES contractors to train/educate them on the importance of establishing customer expectations, introduce HES technician team and obtain participant permission to conduct HES services.

#### **EEB Evaluation Response**

Agreed. Procedures such as these noted above as already required increase participant confidence in the process and results. While the Companies already follow up with participants concerning their program experiences, increased emphasis on these issues may be helpful.

### **III. EEB Evaluation Summary**

The Companies supported the conduct of this study and support the recommendations. Overall, HES customers express satisfaction with the HES program and their experiences during their home visits. There is no doubt that installations of core measures are completed and can be counted on to provide savings. However installations of performance measures have not occurred with the frequency and to the depth expected.

The recommendations outlined in the study are expected to provide additional support to customers to enable them to take further actions. We recommend that all be implemented. However even immediate implementation of all of these recommendation will not create observable change in the near term. Acceptance and installation of performance measures are very important for program success and expanded savings. The Companies and EEB should monitor uptake in installations carefully and seek additional improvements as needed. The upcoming HES impact evaluation will offer one such opportunity.