



## **HERS II and the Home Performance Industry**

While there are many valid public policy objectives supported by energy labeling or bill disclosure, Efficiency First California believes that HERS II energy labeling even with the inclusion of a Building Performance Contractor Path will not move the home performance industry forward. We support an approach that promotes an affordable and simple labeling system separate from the type of energy modeling and work scope generation process necessary for Home Performance projects.

Efficiency First California does not support the approval of the proposed Building Performance Contractor path as it appears on the Commission's September 7, 2011 Agenda. We question the timing of introducing a new certification now, considering the current struggles of the EUC program and the state of the building performance industry in California. We believe it would make much more sense to work on introducing this new certification only after the CEC has determined that HERS II is in fact the asset-rating approach with which California will be moving forward. As per the Memo sent to EUC Stakeholders on August 25, 2011, it is our understanding that the HERS II program will be in review over the coming months and Efficiency First leadership looks forward to participating in this review as a significant stakeholder in this industry. Further, the proposed alternative HERS II path has not been reviewed by Efficiency First or its leadership. Given that this rating system may have a significant impact on how Efficiency First members run their businesses, public comment or contractor involvement is a key prerequisite to moving this program forward. Approval for the California Certified Energy Rating and Testing Service (CalCERTS) to offer trainings in the Building Performance Contractor Path of HERS II is premature given the lack of contractor consultation. We would also urge the Commission to take this opportunity to examine HERS II as a whole.

### **Delay approval of CalCERTS HERS Building Performance Contractors curriculum**

The building performance contractor path, as proposed, will add significant burden to contractors, increasing training costs and requirements for auditors from BPI building analyst to include an additional BPI shell certification for every auditor, plus a HERS II certification from CalCERTS (currently the only HERS II provider in CA). We understand that this ruling will increase per auditor training by over 10 days in the classroom (5 – 6 days for delta path and 3 – 4 days for a 2<sup>nd</sup> BPI certification), and will cost many thousands of dollars per employee (class costs as well as large costs for salary, travel and lost productivity that is immured by struggling businesses).

We believe this approach undermines the ARRA investments in BPI, as well as the many California BPI affiliates who have invested in building business here in CA. The lack of training options, and virtual monopoly created by the HERS II system hurts California business and consumers.

In light of the August 25th memo on the future of HERS II, we believe that the commission should not continue investing in and rolling out a system that even the CEC staff may be re-evaluating due to national trends and market realities. Efficiency First California believes that the CEC should first evaluate HERS II as a strategy for CA, in coordination with stakeholders including the home performance contracting industry, before continuing to invest in scaling it up. The best interest of California will be served by rolling out a labeling or disclosure system that is in tune with the market, consumers, and national trends. Given the changes that many believe must occur in the HERS II system, we employ the Commission to reconsider HERS II implementation until a public conversation occurs and necessary changes are made.

## **Re-examine HERS II as a whole**

The HERS II label produces a score that does not take into account consumer behavior, and instead relies on average usage patterns and uses regional assumptions rather than modeling usage and scaling it to the customer's actual energy bills. The result is significant variance between predicted savings and actual savings for individual homeowners, which serves to undermine the credibility to the industry. Although averages may serve for statistical or academic purposes, when dealing with homeowners, giving an average is not good enough.

The Home Performance market is driven by individual consumer investments in improvement projects based on their needs, budget, and energy saving goals. Consumer choices may be based on a combination of factors including, health, comfort, and the reasonable expectation of achieving predicted savings. The HERS II system adds significant costs to contractors and consumers, forcing homeowners to invest hundreds of extra dollars in a rating from which they get little value.

In these economically uncertain times, there is an urgency to help businesses and employees in the ailing California construction industry make the transition into the green market of home performance. However, every additional requirement adds extra costs to the consumer and complexity to entering the market. These barriers are reducing the number of companies willing to transition into home performance and are making growth unfeasible for existing home performance businesses. Companies don't have the margins to shoulder additional regulatory burden. The uncertainty and potential for regulatory change with HERS II and AB758 causes companies who might otherwise be adding jobs to the economy to run their businesses leaner than ever out of fear of what new requirements might be down the road.

Nationally there is a concerted move away from costly code based asset labeling for existing buildings. The DOE has concluded a successful pilot of the Home Energy Score, a simple and inexpensive scoring tool that rates a house on a scale of 1 to 10 based on less than 50 inputs. The US Senate is currently drafting a performance based tax credit that is based on an energy model calibrated to actual energy bills. This approach was agreed to by a broad cross-section of energy efficiency advocates including ACEEE, ASE, NRDC, RESNET and Efficiency First. Due to the momentum being created by the Recovery Act, and the national attention that is now being paid to energy efficiency and building labeling, Efficiency First believes that the interests of California will be served by an effort to align our approach with these emerging national trend towards a simpler and more cost effective approach to labeling.

We would like to thank the Commission for the memo from Aug 25th entitled "HERS II / IOU Whole-House Program Coordination" that provides an assurance that HERS II will not be required as part of the Energy Upgrade California program during its current planning cycle. Given some of the challenges in gaining traction with consumers and industry, this was welcome news when you consider how little clarity there has been about the timeline and next steps for HERS II. Uncertainty about HERS II requirements has slowed industry growth and contributed to a level of confusion amongst industry and program implementers that has slowed investment and program time-lines. The sooner a clear regulatory road map is delivered to industry, the more likely we are to see both the rating and home performance industry begin to scale.

We also ask the Commission to reevaluate the relationship between building labeling and home performance contracting. We agree with the statement released by the Commission on August 25th, stating that it is necessary to evaluate potential regulatory and programmatic improvement to HERS II in light of other emerging approaches to labeling, however, regardless of changes that may occur in the future to the CEC's approach to energy labeling, we do not believe that an asset label can serve both the

public policy goal of an asset label for consumers and as a tool for contractors to deliver specific work scopes and accurate savings prediction.

The CEC is asking the market to make investments based on untenable regulatory uncertainty. The lack of clarity around HERS II is having an enormous impact in job growth and adoption by industry in CA. The BPC path to HERS II in its current form will only add to a predominant belief by CA industry that this market is not suitable for investment.

Efficiency First California urges the commission to delay the approval of CalCERTS as a provider for HERS Building Performance Contractors until further stakeholder dialogue has occurred. In light of the Memo we see no clear reason to fast track this new certification.

Efficiency First California also strongly recommends that Commission rethink its approach to this market based on the economic realities of the day, and the lessons we have learned in the market. We recognize the long term investment in this approach; however in the end HERS II will only have an impact if it is embraced by industry and consumers. Forcing this system on California will cost struggling homeowners many billions of dollars in fees, and will continue to stunt the growth of an industry that shares the Commissions' passion for energy efficiency, but has to remain profitable in order to deliver at a meaningful level.

We thank the Commission for hearing our concerns, and hope that the urgency of these comments lead to swift and decisive action.

Best,

Efficiency First California