Energy Efficiency Market
Sustainable Business Planning

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DOE Better Buildings Neighborhood Program
Business of Energy Efficiency Workshop

Why are we here?
- jobs
- savings
- New, scalable approaches

Where have we been?
- workshops
- branding
- partnerships
- program launches

Where are we now?
- marketing outreach
- testing new approaches
- Reduce delivery costs

Where are we going?
- more retrofits, more jobs
- business models
Where are we now? vs. Where are we going?

Past workshops

Grant Period

This workshop

Pressure to Spend Quickly
Pressure to Spend Slowly
Room to Test Innovations
Need to Have a Solid Model
Better Buildings Neighborhood Program

MISSION
Grow the number of sustainable energy efficiency markets across the country

VISION
A self-sustaining market for building energy efficiency upgrades that results in economic, environmental, and energy benefits across the United States

GOALS
- *Develop sustainable energy efficiency upgrade markets*
- Upgrade more than 150,000 residential and commercial buildings to be more energy efficient
- Save consumers approximately $65 million annually on their energy bills
- Achieve 15% to 30% energy savings from energy efficiency upgrades
- Reduce the cost of energy efficiency program delivery by 20% or more
- Create or retain approximately 30,000 jobs
- Leverage more than $3 billion in additional resources
Sustainable Energy Efficiency Market

- **Self-sustaining program** operating
- **Consumers** upgrading their homes
- **Contractors** have the technical, sales, & business skills to sell home energy upgrades on their own and make a living
- **Utilities** (E or EE) are delivering whole home energy upgrade programs that meet regulatory scrutiny
- **Banks** continue to offer financing for energy upgrades
Where are YOU going?

How will the market work financially?

Where do I see my program in 3-5 years?

Who will the customers be and what will they want?

What players and partners will deliver services in a future market?

Will the program continue to exist as it is?

How can I reduce fixed and variable costs?

How can I adapt my program moving forward?

How can I transition to a new kind of organization?

How can I transition services to other market players?

Where are we going?
We are charting new territory

**Limited success to date** motivating large numbers of Americans to invest in home energy upgrades, especially if they are being asked to pay for a majority of the costs.

Trying to move from thinking like government grant recipients to private sector, sustainable businesses.
Key Business Planning Questions

- What is the long term vision?
- What services will be delivered?
- Who will run the program and how?
- What assets are needed?
- Who are the partners?
- How will it stay financially sound?
- Who are the customers?
Business Model Study

- January through July 2011
- Interview and analyzed six key actors in the market:
  - Remodelers
  - HVAC Contractors
  - Home Performance Contractors
  - Retailers
  - Utilities
  - Non-utility program administrators
- What are their business models
Thanks to the Contributors

- **Remodelers**
  - Building Science Academy
  - Case Design & Build, Inc.
  - Every Watt Matters
  - Merrick Design & Build, Inc.
  - MidSouth
  - The Levine Group
  - The Avenue Builders

- **Home Performance Contractors**
  - Conservation Services Group
  - GreenHomes America
  - Next Step Living
  - Recurve
  - WellHome/Masco

- **HVAC Contractors**
  - Bartholomew Heating and Cooling
  - Building Science Academy
  - Electric and Gas Industries Association
  - McCullough Heating and Air Conditioning
  - Sheet Metal and Air Conditioning Contractors’ National Association
  - Warm Thoughts

- **Retailers**
  - Best Buy
  - Green Depot
  - Lowe’s

- **Non-Utility Program Administrators**
  - Alameda County
  - Better Buildings for Michigan
  - Better Buildings for Rutland County
  - Conservation Services Group
  - Greater Cincinnati Energy Alliance
  - Heshong Mahone Group
  - New York State Energy Research and Development Authority (NYSERDA)
  - California Center for Sustainable Energy
  - STEP UP - University Park

- **Utility Program Administrators**
  - APS (AZ)
  - Burlington Electric
  - Dominion Electric
  - Efficiency Vermont
  - Electric Cooperatives of South Carolina, Inc.
  - Mountain Association for Community Economic Development
  - Pacific Gas & Electric
  - Redding Municipal Utility

- **Financial Institutions**
  - Advantage Capita
  - Claremont Creek
  - Paladin Capital Group
PRE-WORKSHOP QUESTIONS
Pre-Workshop Survey

How To Vote via Texting

What is your favorite color?

- Red: 72612 (50%)
- Blue: 72613 (17%)
- Green: 72581 (33%)

To vote: Text a CODE to ####

Message: KEYWORD
Partnering

Who is the most common partner?

A  Utilities
B  Home Performance Contractors
C  HVAC Contractors
D  Renovators/Remodelers
E  Trade Associations
F  Real Estate
G  Retail
Partnering
Results: Current Partners

Who Are Your Partners?

<table>
<thead>
<tr>
<th></th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility Energy Efficiency Programs</td>
<td>91%</td>
</tr>
<tr>
<td>Home Performance Contractors</td>
<td>84%</td>
</tr>
<tr>
<td>HVAC Contractors</td>
<td>66%</td>
</tr>
<tr>
<td>Other</td>
<td>50%</td>
</tr>
<tr>
<td>Renovators/Remodelers</td>
<td>50%</td>
</tr>
<tr>
<td>Trade Associations</td>
<td>31%</td>
</tr>
<tr>
<td>Realtors</td>
<td>22%</td>
</tr>
<tr>
<td>Retailers</td>
<td>16%</td>
</tr>
<tr>
<td>Foundations</td>
<td>13%</td>
</tr>
</tbody>
</table>
Results: Future Partners

What Organizations Would You Consider Critical Partners in the Future?

- Real Estate Professionals: 44%
- Foundations: 34%
- Trade Associations: 34%
- Retailers: 31%
- Remodelers: 28%
- HVAC Contractors: 25%
- Home Performance Contractors: 13%
- Utility Energy Efficiency Programs: 19%
- Other: 13%
Future Revenue

What are the most commonly identified future revenue sources?

A. Sales to Homeowners
B. Software Licensing Fees
C. Confirmed Grant Funds
D. Contracting Fees
E. Prospective Grant Funds
Future Revenue
Results: Future Revenue

What Are Your Most Likely Future Revenue Sources?

- Prospective Grant Funds: 72%
- Contracting Fees: 53%
- Sales to Contractors: 44%
- Confirmed Grant Funds: 25%
- Sales to Home Owners: 22%
- Sales to Financial Institutions: 19%
- Software Licensing Fees: 19%
- 13%
## Results: Services Offered

<table>
<thead>
<tr>
<th>Driving Demand</th>
<th>Financing</th>
<th>Data and Evaluation</th>
<th>Workforce Development</th>
</tr>
</thead>
</table>
| • Direct Consumer Outreach (100%)  
  • Mass Marketing (91%)  
  • Social Media Marketing (78%)  
  • Web Advertising & Search (81%) | • Loan Loss Reserve (69%)  
  • Revolving Loan Fund (50%) | • Quality Assurance (90%) | • Contractor Pre-Qualification (91%) |

### Service Delivery / Program Management

- Program Administration Software (72%)
- Customer Relations Management Software (66%)
- Contractor Management Software (59%)
## Business Plans

What percent of programs have a business plan?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>~10%</td>
</tr>
<tr>
<td>B</td>
<td>~20%</td>
</tr>
<tr>
<td>C</td>
<td>~40%</td>
</tr>
<tr>
<td>D</td>
<td>~60%</td>
</tr>
</tbody>
</table>
Results: Business Plans

Does Your Program Have a Business Plan?

<table>
<thead>
<tr>
<th>% of Respondents</th>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>81%</td>
<td>19%</td>
</tr>
</tbody>
</table>

- 81% of respondents have a business plan.
- 19% of respondents do not have a business plan.
Results: Operations

How Do You Plan to Set Up Your Operations for the Post-Grant Period?

- Continue Sustainable Operations: 44%
- Other: 34%
- Transfer Program Functions: 13%
- Stop Functioning: 9%