



Better Buildings Neighborhood Program Peer  
Exchange Calls on Program Sustainability:  
*Unique Fee-for-Service Revenues*

Call Slides and Discussion Summary

April 11, 2013

- Welcome and Introductions
  - What are some unique fee-for-service revenues your program is implementing or considering?
- Program Experience
  - Chris Jones, Greater Cincinnati Energy Alliance
- Discussion Topics:
  - How can you determine the feasibility and financial potential of unique fee-for-service revenues?
  - How do you know how much to charge?
  - What is the likely timing for different types of fee-for-service revenues?
  - What policy or other foundation needs to be established?
- Future Program Sustainability Calls



Greater Cincinnati  
**Energy  
Alliance**

# **BBNP Webinar**

## **“Unique Fee for Services”**

April 11, 2013

# About Us



- ❑ Non-profit 501c3 organization
- ❑ Private Public partnership
- ❑ Energy Efficiency/Renewable Energy Services
  - Education/Outreach
  - Project Management
  - Financing
- ❑ Market Focus
  - Residential
  - Non-profit/Commercial



# REVENUE OPTIONS



- “Low Creativity” Options
- “Unique” Options



# “Low creativity” Revenue Options

- Call center for contractors (flat fee)
- Consulting services for contractors(% or flat fee)
- Project management system including bidding system (% and/or flat fee depending on structure)
- E-commerce for EE products (% of sales)
- Contracted administration services to utilities
- Contracted administration services to municipalities
- Product manufacturer rebates (flat fee)
- Sales leads (flat fee)



# “Unique” Revenue Options

- Verified EE “sale” to utilities
- EE “sale” to PJM capacity markets
- Carbon monetization to the open market
- IAQ-related services “sold” to hospitals/universities
- Indirect Revenue: restructure the cost-effectiveness process to allow for non-utilities programs to benefit
- Indirect Revenue: “Greening The MLS”

- *Question:* How much are contractors willing to pay for leads?
  - In the \$200-400 range. For GCEA, charging for leads created pressure to ensure that all the leads passed on are of top quality. It's advisable to engage your contractors and ask them what they think about your ideas so that all partners feel that their voices are heard.
- *Question:* How much does E-Commerce cost, and how easy is it to install?
  - GCEA has not engaged an E-Commerce vendor. However, as an example, an E-Commerce entity would have a link on your website, then when a customer comes to them through your website, you would get a percentage of that sale.
- *Question:* Can you provide more information on cost effectiveness tests?
  - There are 4 or 5 different tests that can be used. In Ohio, the Total Resource Cost (TRC) test is what is used. This test evaluates cost versus benefits. TRC does not include societal and environmental benefits.

- *Question:* Can you provide more information on the PJM sale (i.e., into utility forward capacity markets)?
  - A fairly large volume of energy efficiency must be created. If GCEA were to sell energy efficiency through the PJM market, it would have to be a subcontracted entity to a utility. PJM is basically a region of energy efficiency markets that have come together.
- *Question:* What are the pros and cons of separating the audit lead from major upgrade work?
  - The model that GCEA uses is the home performance contracting model. From the beginning of program, the homeowner has the option to have the audit performed through an independent home assessor. Based on GCEA's experience and feedback from homeowners, customers would like the option to have a third party assessor. By separating the lead from the project, programs can have a smaller upfront lead fee and a project completion fee.

- *Question:* Is there more information on the indoor air quality model, and any best practice models?
  - Universities and hospitals are trying to do research on the level of indoor air quality necessary to reduce asthma rates. In the energy efficiency field, it is difficult for contractors to diagnose indoor air quality issues better than the home energy assessor. This is a parallel path to what the energy assessors are doing. A grant could help provide the training and education to provide the skill set to diagnose and correct indoor air quality issues.
- *Comment:* Leads can be generated by partnering with a children's hospital by following through when a family is having respiratory issues, and conducting retrofit work in that home.
  - It is also wise to ask homeowners where retrofits are done if they are having respiratory issues. However, contractors are reluctant to ask questions that they may not be able to resolve.

- *Question:* Do you know of spreadsheet tools to test out different fee structure scenarios? This was discussed by LEAP during the January Peer Exchange call.
  - Yes, there are pro forma spreadsheets that can tell a business how many jobs they have to do to break even.
- *Question:* Do you have a formula for putting a value on this service and communicate that to people who want to pay for it?
  - The value is whatever someone is willing to pay. A business then calculates how many leads at that price they must sell, factoring in the cost of lead generation and marketing. Sales leads won't generate enough revenue to sustain an organization. But, some are more significant than others.

- *Comment:* Diversity, i.e. not depending on any one source or revenue, is a good thing for ensuring the longevity of a program.
- *Question:* How do you handle quality control using the concierge approach?
  - GCEA has a tiered approach. GCEA does a desk review of projects that come through, a certain percentage of on-site QA inspections, then an energy advisor to resolve questions.
- *Question:* How many contractors are needed to drive down the costs through bidding?
  - Three to four per measure.

- *Question:* How long has it taken to go from concept to deployment for GCEA's fees?
  - To use the Greening the MLS initiative as an example, the decision was made to begin planning 12 months ago. Six months ago, GCEA began to write the plan in earnest. There are several factors that are out of a program's control before deploying.
- *Question:* Our program is researching the best way to earn revenue on upsells to major home improvements. We maintain the database, do the scheduling, and provide the leads. Is this similar to what GCEA does?
  - Yes, but GCEA does not do the scheduling. GCEA knows that homeowners want the option to have a third party perform the audit, whether that is GCEA or a true third party auditor. In GCEA's process, when a homeowner decides to move forward with a retrofit, GCEA reaches out to the bidding system to get prices low enough so that the program can attach a fee to the total project cost while still providing a good cost to the homeowner and the contractors.

- *Question:* Do you envision that the homeowner will have to sign new legal contracts with the contractor who executes the work?
  - GCEA executes the proposal and not the contract. The goal is to gain approval from the homeowner to proceed with the upgrade. GCEA then hands that work off to a home performance contractor, who will contract out that work, and will not perform the work themselves.
- *Question:* Do you charge a fee to homeowners to cover third party services?
  - GCEA has not. Homeowners would not value the service enough to want to pay a line item fee. Through the program management system, GCEA provides that value to the homeowner without directly charging them a fee.
- *Question:* Have you looked at seismic retrofits in earthquake zones using FEMA dollars?
  - No, but GCEA is looking out for opportunities like that.

- *Question:* In a large metropolitan area with many contractors, do you consider limiting participation to limit administrative costs and ensure quality?
  - GCEA does not have too many contractors.
- *Question:* Are on-bill financing conversations advancing with any standard non-municipal utilities?
  - In GCEA's market, on-bill financing is not a viable option.

- Crowd funding webinar: “By the People, for the People” (April 23, 2013), Green for All
  - Information and Registration: <http://greenforall.org/programs/business-engagement-strategies/crowdfunding-101/>
- “Exploring Opportunities for Energy Efficiency as a Revenue Stream in the Forward Capacity Markets” (Nov. 15, 2012)
  - Recorded BBNP Webinar and Resources: <https://www1.eere.energy.gov/buildings/betterbuildings/neighborhoods/webcasts.html>

*Program Sustainability calls will be on Thursdays from 12:30-2:00 PM on the dates below*

- Business Model: Programs Operating as a Prime Contractor
- Providing Specific Services to Utilities

Please chat in other suggested call topics, or email them to [peerexchange@rossstrategic.com](mailto:peerexchange@rossstrategic.com)