
Subject FOCUS ON ENERGY EVALUATION

**TARGETED HOME PERFORMANCE WITH ENERGY STAR
SERVICE PROVIDER INTERVIEW RESULTS—FINAL**

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Introduction

This memo summarizes the results of interviews with Targeted Home Performance with ENERGY STAR (THP) service providers. The primary objective of the interviews was to provide concrete recommendations to help THP achieve its production goals.

Results are based on in-depth interviews conducted in June 2008 with 15 of the 19 THP service providers. Interviews were conducted in June 2008. The interview protocol is in the appendix to this memo. The interviews characterized how the providers integrate THP into their business and manage production, what major factors influence job completion, how effective THP marketing has been, and issues related to the customer contribution.

The objective of the THP program is to provide Wisconsin residents who have limited incomes and resources (set as households between 150% and 200% of the federal poverty level) the opportunity to increase the energy efficiency, affordability, safety, durability, and comfort of their homes. As of the end of Program Year 2007, THP had served less than one percent of the potentially eligible homeowner population in this income range in the state.

In response, the program is trying to ramp up to serve more of the eligible population statewide. The original goal for Program Year 2008 (July 1, 2007, through June 30, 2008) was 682 whole house jobs, which is an annual increase in participation of nearly 80 percent.



As of the end of May 2008, just prior to the provider interviews, THP was less than half way to the original goal with 295 completed projects. Consequently, the program had a new 18-month goal for units completed through December 31, 2008. In our opinion, the 18-month goal remains very ambitious at 864 jobs. A list of program goals and activity is included in the appendix to this memo.

However, at the time of this memo being finalized, THP realized the highest number of completions in December 2008 in the program history. Eighty homes were served through the program in December 2008 and nearly 300 more are in process in January 2009.

All of the interviewed service providers expressed satisfaction with the program and its administrator, Wisconsin Energy Conservation Corporation (WECC). WECC conducts marketing for THP, processes customer applications, and then refers the completed customer applications to providers ("referrals") based on the geographic location the provider serves. WECC also provides program management by tracking job completion status and providing monthly reports to providers. Providers conduct an audit of the customer's home, collect the customer contribution for ten percent of the total project costs, and complete the work including the final inspection.

Providers recognize THP is serving an important customer segment that is often missed by other assistance programs.

"It is really nice to have this program to offer to low-income households that are just over-income for weatherization."

Providers did, however, identify substantial obstacles to THP meeting increased production goals. The main primary obstacle is the customer application referrals for THP. Another primary obstacle is the program's design, which does not allow providers to ramp up to deliver the program, according to providers.

Results are presented in the following sections:

- Program Management
- Job Completion
- Marketing
- Customer Contribution
- Conclusion and Recommendations.

Program Management

Fourteen of the 15 interviewed agencies provide weatherization services for the state's low-income weatherization assistance program (WAP) as well as provide services through THP. Providers generally have one main contact that manages THP internally. This is generally also the person who performs the audit of the customer's home. Agencies integrate THP with WAP,

but then charge THP an additional fee to compensate for the WAP tools and resources they use to complete THP jobs.

All 14 interviewed WAP agencies were unanimous in stating that WAP takes priority because it is their primary source of business.

“Weatherization is our bread and butter and gets the top billing. We try to work in Targeted as soon and as fast as we can and stay on top of it.”

All but one of the WAP providers reported they carry waiting lists for WAP year-round. Therefore, the providers reported they try to integrate THP into their ongoing WAP jobs. The biggest reported obstacle in smoothly and consistently integrating THP into ongoing WAP jobs is receiving referrals of customer applications from WECC. Several WAP providers said that they would like to receive referrals for at least half of their job goals at the beginning of the program year (such as during the first month). They reported that for WAP they already have half of their jobs lined up at the beginning of the program year. The sporadic referrals, as they characterize the referral process, makes it difficult for providers to plan on THP jobs and integrate them consistently into their work processes.

Two providers reported that by the final months in their WAP contract year (May and June), they are often behind on their WAP jobs. Therefore, they often do not do any THP jobs the last two months of the program year. This is another reason they would like to receive THP referrals as early in the program year as possible¹.

Providers reported that on average THP jobs take 3–4 months to complete from the initial audit to job completion². There are various reasons that THP jobs take so long to complete. One is the customer contribution; it can take time for the customer to come up with the money after the initial audit. Providers estimated that on average the customer contribution delays project 1–2 months, but in some cases longer. Another is that sometimes there is one last repair, such as fixing a small gas leak, that keeps a job open even though the majority of the work has been completed. Providers reported that after the majority of the work is completed, it is difficult to get the customer scheduled to let them back in to do minor repairs. These often encountered delays should be built into agencies' production scheduling.

Finally, some of the providers expressed that the THP approval process slows down the completion of jobs. These providers reported they have to get approval from WECC at different steps along the way. This approval process was described by providers as “cumbersome.” WECC reports that the proposal review is a necessary part of the evaluation of project costs and most proposals are accepted within two days of submission to WECC.

¹ WECC reported that agencies' fiscal year scheduling issues were not noted in the completion schedules agencies submitted to them.

² This is somewhat longer, but fairly similar to the time that it takes agencies to complete WAP jobs. It was reported that a typical WAP jobs takes approximately 2–3 months to complete.

All service providers were complimentary of WECC and their administration of THP. They report that WECC's THP staff are responsive.

"WECC is doing a wonderful job."

Providers reported that the monthly progress reports from WECC are helpful in keeping THP goals at the forefront of their thinking. A recommendation given to improve the usefulness of the job status reports is to break out the jobs in progress. A job is reported as "in progress" once the customer application is referred to the provider by WECC. It was discussed that several of the jobs in progress are jobs that will not be completed for some reason. Reported reasons varied, but included the house being in too bad of shape to receive services, the customer having moved, or the customer not being able to come up with the customer contribution. Providers reported that the number of referrals that do not go forward range from five percent to as much as thirty percent. By separating these out, providers reported they can better focus on the jobs that can go forward.

WECC discussed that the primary purpose of the monthly progress report is for agencies to notify the program if the job is stagnant, deferred, or should be denied. This will then allow WECC to remove referrals from the list and add new referrals. The THP program manager realizes that not all referrals become completions.

Job Completion

All of the providers said they will be able to meet their 18-month goals if they receive sufficient THP referrals. The number one reason providers reported they have not completed more jobs is a lack of referrals³. THP's significant ramp-up in job completions realized in the last quarter of 2008 indicate that many of the issues relating to job completion discussed below have been at least somewhat successfully addressed.

"WECC tells us to commit to more, but they can't send us enough applications for those we said [we] would do already."

"We told WECC we would do XX jobs and brought on crew and tools expecting XX jobs and we haven't gotten enough referrals so now we are in a bind keeping people employed."

As of July 1, 2007, WECC's reporting shows that at least 10 agencies had 40 percent of their job completion numbers in referrals. WECC's reporting shows that statewide referrals were at 37 percent of jobs.

Several providers, especially rural providers, reported that the program not serving LP and oil customers has greatly reduced their potential customers, hurting referrals. (WECC records

³ The WECC program manager reports that program providers were asked to provide two things at the start of the current contract: (1) the total number of jobs they could complete and (2) a schedule of the number of jobs they could complete per month. The schedule was requested in order to keep the flow of referrals at an appropriate level.

provided in the appendix indicate that 80 applications to-date have been denied because the customer was an oil/propane customer.) These providers estimated that from a third to a half of their eligible customers heat their homes using propane/oil and are therefore ineligible for the program⁴. Providers said they also lose a percentage of their eligible population base because they are customers of a municipal or cooperative energy supplier.

Only three of the 15 interviewed providers report that having insufficient staffing or resources is the main constraint for them not meeting their current THP goals. Several providers reported they have good contractor networks established now so are able to do THP jobs from a staffing point of view. Providers also reported that staffing is less of a constraint because they had added additional crews for WAP. Two WAP agencies said they will have decreased WAP funding in the 2008–2009 program year and therefore will need to do more THP jobs in order to keep their crews busy.

At the same time, WAP agencies reported that THP's program design will lead to staffing constraints if the program would like to raise goals higher. All of the providers said they would be happy to double their production in 2009 and plan to continue to participate. The THP program manager reports that agencies will be able to select their own production goals for 2009 as they did for the current contract period.

However, several providers reported that they cannot ramp up production under the current program design where they are compensated on a per job basis. Providers said they would like a contract for a certain number of jobs just like WAP or to be compensated for the capital required to ramp up.

"We need a budget we can count on to plan to do production. It's one thing to squeeze in 10–20 jobs, but there's a threshold where to do more would be sticking our necks out without a budget."

Some providers said the current program compensation is not advantageous to agencies. They said while there is an administrative fee that makes jobs profitable if they go smoothly, the profit is often eaten up by complications on a few jobs⁵.

The WECC program manager reported that the program offered to compensate agencies up front for jobs in order to gear up for the program. This program year only one agency took advantage of that offering.

⁴ The funds that support the program are collected from investor-owned utility customers. Therefore, propane/oil customers would not pay into the program except possibly on the electric side. It is very difficult for a whole-house program such as THP to be cost-effective by only addressing electric measures without considering the home's heating system and shell.

⁵ THP reports this as an internal problem to the providers. The providers have the ability to revise their proposals if a job has unforeseen difficulties. Because THP has a limited budget, WECC needs to know if a job is going to go way above the average cost so that they are sure those funds are obligated.

In the 2008–2009 program year, WAP is changing to prioritizing high-energy users. Providers are uncertain how this will affect their workload. While they will be doing fewer jobs, they may take more time.

Marketing

As discussed earlier, the number one issue preventing higher job completion according to providers is lack of customer referrals. WECC does all marketing for THP through venues such as mailings and press releases. Some interviewed providers were aware of WECC marketing activities in their area and were very satisfied. Other providers were not aware of WECC marketing activities. A list of THP marketing activities is included in the appendix to this memo.

“WECC has done a great job on marketing doing mass mailings, TVs, paper in our coverage area.”

In general, providers are baffled by the lack of interest in THP, especially given the long waiting lists for WAP. In fact, some providers said they refer WAP customers to THP because they won't get served through WAP given the current waiting lists. However, it is important to note that THP does not serve WAP eligible customers.

When asked for specific ideas of where WECC should focus their marketing activities in their territories, providers had relatively few ideas and acknowledged that it is hard to reach this population. However, several suggestions emerged throughout the interviews and are discussed below.

A few providers felt they are in a better position to do outreach for THP than WECC. They said this is because the eligible population is a specific market and that mass marketing is not the best way to reach this segment. But providers said they are not given outreach funds for THP and therefore they can not do any outreach for it because their other program budgets are so limited.

The THP program manager reports that WECC asked for proposals from agencies that wanted to do their own outreach, but did not receive any. In addition, the THP program manager said that a “finder fee” could be revisited for those providers wishing to qualify their own applicants.

“We don't get paid to do outreach for Targeted so when we spend an hour with someone who doesn't qualify for WAP to get them qualified for THP, staff don't have anywhere to charge their time. It's not fair to charge it to WAP. We want to help THP but that outreach support is missing.”

“WECC needs to either do a better job or let us do it. I would rather we do outreach because we are in a better position to do it locally.”

Other providers disagreed and asserted that they have seen mass marketing work for limited income households. One provider said that a couple of years ago they did an article in the local newspaper for WAP and received 1,200 calls.

Some providers discussed a combination of providers and WECC marketing the program. For example, providers said that the energy assistance office identifies the majority of WAP

applicants, but that WAP agencies can identify up to 20 percent of applicants through their own outreach efforts. Another suggestion was greater coordination with the energy assistance offices to identify households between 150% and 200% of federal poverty level. It was also suggested that THP coordinate with energy assistance and WAP by WECC attending the annual low-income conference and using mailing lists of “over-income” households identified through energy assistance providers.

Another idea voiced by other providers is to have mixed processing of applications. WECC would still do the majority of marketing and processing of customer applications to hand-off referrals to agencies. However, if the provider has a household they are working with that they have identified as over-income for WAP, they would process those applications themselves. The rationale behind this approach is that they may be losing customers who are not comfortable being handed off to WECC.

It is important to note that several other agencies voiced they are too small to do any outreach and application processing and need to continue to rely wholly on WECC.

Customer Contribution

THP requires customers to pay ten percent of the total project costs. Providers do not find that handling the customer contribution is overly burdensome administratively. They report they handle landlord contributions for WAP and so are experienced with contributions.

No providers offer financing to customers of the customer contribution. One provider said they tried to offer payment plans, but they were not getting paid so now they collect the contribution up-front. Several providers said it would be helpful if WECC could offer customers financing of their contribution.

Customers in We Energies’ territory do not have to pay the customer contribution for natural gas measures because We Energies covers it. These providers report that We Energies jobs go much quicker, showing that the customer contribution is in fact a delaying factor in job completions as discussed earlier. A couple of other providers said they work to get the customer contribution from other sources such as HUD or the United Way.

“Last year, we had 30 percent that would have dropped out because of the co-pay, but we were able to get other funds to cover it.”

While some of the providers said the customer contribution was not a major obstacle for them and estimated they only lose ten percent of referrals because of the contribution, other providers said it was a major obstacle for them.

“The most difficult thing is the contribution. The customers are pretty poor and it is not a priority for them to do these improvements with the extra cash.”

What is not reflected in the percentage of referrals not going forward because of the contribution is the percentage of the eligible population that is not interested in the program or is not going forward with an application because of the customer contribution. Since the customer contribution is one of the main difference between THP and WAP, the customer contribution may be one of the main reasons THP does not have a waiting list similar to WAP.

Some providers discussed that because of the customer contribution, there is a selling component to THP for them. It was reported that, as a consequence, it would be helpful if they could do more major equipment replacements (e.g., furnaces, hot water heaters). These providers discussed that it is harder for customers to see the value of attic and sidewall insulation. While a whole house approach is important when installing the job, it is the major equipment that is the big selling point to customers who find the ten percent customer contribution a big investment.

“We have to sell the measures we are doing for the client. Major equipment replacements are the big draw and high on their priority list.”

Conclusion and Recommendations

THP provider interview results uphold earlier evaluation results⁶ that there is a need for THP among the eligible population. All providers felt that it is a good program serving a population that is in need of the program and that it is operating well administratively. However, if THP is to successfully achieve increased production, the interview results indicate areas for improvement in the program design. In that context, the following recommendations are offered for consideration.

The largest challenge to increased production according to the provider interviews is sufficient customer referrals. Therefore, increasing referrals should be a priority to achieve the 18-month THP goals. We also recommend considering sharing outreach dollars with agencies who are interested in doing marketing or processing of applications for THP. Previous evaluation results, referenced above, indicate that the primary way low-income customers learn of social programs is through word-of-mouth and social networking. Local agencies may be in a better position to tap into local networks. In many cases, energy assistance agencies may be in a better position to do THP outreach than WAP agencies since they do the majority of outreach for WAP.

In addition, the timing of receiving the referrals is important for some providers to manage their work flow. This topic was discussed with the THP program manager in an interview in May 2008. While she agreed that it would be ideal for providers to receive referrals at the beginning of the program year, this has been problematic from a program management perspective.

The second largest challenge to increasing production will be making sure there is capacity to deliver services to generated referrals. While the provider interviews indicated that the WAP agencies are fairly well ramped up and do not have the staffing shortfalls of prior years, they are still not in a position to meet greatly increased THP goals without planning. One way to increase provider capacity is to consider changes in the program design that make increased production more attractive to WAP agencies. For example, providers suggested that THP have

⁶ Lark Lee, Pam Rathbun, and Laura Schauer, PA Government Services, *State of Wisconsin Department of Administration, Year 1 Low-income Program Evaluation Report—Volume 1*, June 30, 2002.

contracts with them for a specified number of units⁷ or to capitalize equipment costs. The program's offering of paying agencies in advance may address these issues *if* agencies take advantage of it. Only one agency participated in this option this program year and the majority of interviewed providers were unaware of it. Therefore, WECC may need to do more active marketing and explanation of this option to providers.

Two private contractors with weatherization backgrounds are also delivering THP services. THP should continue to take advantage of private contractors who seem willing, interested in, and qualified to provide THP services to customers as WAP will continue to be the priority for WAP agencies. And WAP funding and demands will continue to fluctuate from year-to-year.

Finally, the customer contribution continues to be a barrier to participation for a percentage of the eligible population. We Energies paying of the customer contribution for gas measures has alleviated this problem somewhat as has some agencies pursuing other funding sources for the customer contribution. But in the absence of these opportunities, the program may need to once again consider ways to address the customer contribution as a barrier to these households of limited income. WECC investigated offering financing of the customer contribution three years ago. Financing may need to be re-visited. PA conducted research on the feasibility of this option, which should be consulted again⁸.

The program should also re-assess the economics of replacing older major equipment. More major equipment replacements could assist in addressing the customer contribution barrier according to providers by giving providers a more appealing package to "sell" to customers.

⁷ THP already has contracts for a specified number of units.

⁸ Laura Schauer and Kimberly Bakalars, PA Government Services, *Targeted Home Performance With ENERGY STAR®: Loan Program and Financing Options*, June 30, 2005.

Appendix

Agency activity report

ID#	Agency	Original 12 month Completion Goal	Revised 12 month Goal	6 month Extension Units	NEW 18 month Completion Goal (thru 12/31/08)	Total Completions as of 5/31/08	% of 18MCP Goal
01	ADVOCAP	30	20	10	30	7	23.3%
02	Ashland CHA	15	15	7	22	11	50.0%
03	Community Action Inc.	24	20	0	20	12	60.0%
04	CAP Services	44	25	30	55	11	20.0%
05	Central WI CAC	15	15	10	25	9	36.0%
19	City of Superior	3	3	0	3	2	66.7%
22	Coulee CAP	15	12	8	20	8	40.0%
08	Hartford CDA	37	16	10	26	7	26.9%
09	Indianhead CAA	18	18	10	28	8	28.6%
9	Indianhead CAA -Superior	0	0	10	10	0	0.0%
06	Partners	35	25	10	35	11	31.4%
16	Project Home	40	40	20	60	25	41.7%
17	Racine/Kenosha	27	27	6	33	11	33.3%
18	Southwest CAP	20	12	10	22	5	22.7%
15	Wx Services	12	12	6	18	10	55.6%
20	West CAP	33	20	12	32	9	28.1%
21	Western Dairyland	30	22	15	37	10	27.0%
23	Women's Employment	15	5	7	12	2	16.7%
23	WEP - Green Bay	0	0	8	8	0	0.0%
30	Building Services	205	145	100	245	104	42.4%
	Building Services GB	10	10	0	10	6	60.0%
33	Home Energy Options	20	20	10	30	5	16.7%
986	Misc Providers - South	9	2	5	7	0	0.0%
987	Newman Construction	25	35	36	71	22	31.0%
	Extra Budget	0	0	5	5	0	0
Totals		682	519	345	864	295	34.1%

Source: WECC report, June 2008

Application source and WECC marketing activities

In addition to the activities listed in the table below, THP made follow-up calls to all customers that received mailings for nine providers when additional applications were needed. In addition, the breadth of the press releases are not detailed in the table. THP also did joint Wx/THP newspaper ads with two program providers and did a THP-only ad with one program provider.

Application Type Information	Quantity
Denied b/c non-participating heating utility	80
Applications received from direct mailings	376
Applications received from sent info	307
Applications received from referrals	207
Applications received from website	235

Application Type Information	Quantity
Call Center/Call Log Information	
Not eligible	100
Utility does not participate	7
Brochure Mailings	
Sep-07	1560
Oct-07	45
Dec-07	1463
Jan-08	180
Feb-08	853
Mar-08	594
Apr-08	1184
May-08	1461
Postcard Mailing	
Mar-08	1644
Apr-08	1379
May-08	1150
Provider Mailings	
Oct-07	772
Mar-08	83
Apr-08	11
Phone Calls	
CAP services	
Central WI CAC	
Indianhead	
Newman Construction	
Partners	
Southwest CAP	
West CAP	
Western Dairyland	
Women's Employment Project	
Press Releases	
Sep-07	
Oct-07	
Jan-08	
May-08	

Source: WECC report, July 2008

THP Provider Interview Guide

Targeted Home Performance with ENERGY STAR (THP) Agency/Contractor Interview Guide June 2008

Introduction

Program management

1. How is the THP program integrated into your agency's weatherization work flow? Probe about:
 - Internal management – is there a lead staff person responsible for THP?
 - Communication with WECC (note: WECC sends monthly updates that contain information about your referrals, jobs in progress, and the twice monthly deadlines for reporting completed jobs. Are they reading this?)
 - Processes once they receive a referral (e.g., customer follow-up and scheduling and actual project implementation)
 - Waitlist for WAP

Job completion

1. My records indicate that your agency/organization committed to completing ___ jobs, and has completed ___ jobs to date. What are the main obstacles you are encountering in getting jobs completed? Probe specifically about staffing if not mentioned.
2. What are some things the program could do or change to help increase your number of completed jobs? Probe about what a good running number of referrals would be for their agency's workload (Note: agencies have voiced that they would like referrals at the beginning of the program year. This isn't effective from a program management point of view, but hear their thoughts of why. Every year WECC works with the agencies to streamline paperwork, but this continues to be a complaint of theirs. Expect to hear paperwork brought up.)
3. How many jobs do you think you can complete by the end of the year, December 2008? Compare to the adjusted 18-month goals on the tracking spreadsheet.

Marketing and referrals

1. Are you receiving sufficient customer referrals through the program? If not, what would you like to see done to increase your customer referrals? Probe about specific

agencies/locations which the program could send outreach materials to (e.g., program posters).

2. Do you track when customer referrals become “stale”? How do you track and monitor the status of your customer referrals?
3. How has LP/propane customers’ ineligibility affected your job referrals? Probe to characterize the extent this is an issue.

Customer contribution

1. How and when do you collect the customer contribution? Do you have a customer contribution payment plan?
2. Has the customer contribution prevented jobs from being completed? If yes, what percentage of projects do not go forward because of the incentive (note: it is hard to get numbers, try for numbers over anecdote if possible. If interviewee is unable to give percentage, probe is it a small percentage, say under 10 percent, medium, 10–30? Or large, over 30 percent of referrals)?

Wrap-up

Is there anything else about the THP program we have not discussed that it is important to note?