



**Testimony to the  
United States House of Representatives  
Energy and Commerce Committee  
Subcommittee on Commerce, Manufacturing, and Trade**

**Hearing on  
“Our Nation of Builders: Home Economics”**

**2123 Rayburn House Office Building  
Washington, DC**

**June 4, 2013, 10:00 AM**

**Statement of  
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Thank you, Mr. Chairman and distinguished members of this subcommittee, for this opportunity to offer my perspective on the role of home energy retrofit contracting in home economics and energy policy. My name is Brian Bovio and I am the Vice President of my family's business, Bovio Heating Plumbing Cooling Insulation, located in New Jersey. We are a third generation heating and cooling contracting company that has also transitioned into a whole house energy efficiency retrofit company. We now consider ourselves what is commonly called a "Home Performance Contractor", offering Heating, Air Conditioning, Plumbing, Insulation, Weatherization, and Energy Auditing Services – essentially, we work with homeowners to increase their home's energy performance, comfort, health and safety.

I come to this subcommittee both as a licensed contractor and the Chairman of the Board of Efficiency First. Efficiency First is a national business association of over 750 member companies, representing member companies in all 50 states, that unites Home Performance contractors, building product manufacturers and related businesses and organizations to forward policies that will support a sustainable and scalable home retrofit market. If it pleases the Chair I would submit a list of the Efficiency First members.

### **Efficiency First and Home Performance**

Efficiency First contractors work every day with homeowners, sitting at kitchen tables across America, helping them understand why their energy bills are so high, their daughter's bedroom is so cold, or their son's asthma acts up when the furnace or air conditioner is on. Americans understand that energy efficiency is about their home economics, but it is also about their home's comfort and their ability to safely raise their families there.

The average American family spends over \$1,800 per year on energy, which equates to over \$200 billion annually. This represents 22 percent of all US energy consumption<sup>i</sup>, 35 percent more energy than is used for passenger cars and trucks combined<sup>ii</sup>. Energy efficiency is unique in that it creates its own cash flow - less money spent on energy means more money to purchase groceries and save for college. Simply put, saving energy pays for itself.

Retrofitting inefficient homes will put energy savings back into the wallets of American families and communities. It will also create hundreds of thousands of US jobs in some of the hardest hit industries, including construction and manufacturing. These new jobs are primarily created by small businesses - jobs that cannot be outsourced, and the materials used in improving the energy efficiency of homes are more than 90% made in the USA<sup>iii</sup>.

My business and my employees know this personally.

Despite horrendous economic conditions over the past few years, Bovio Heating Plumbing Cooling Insulation has been able to grow its business thanks to our transition to a Home Performance contracting company – retrofitting for energy performance. During these unprecedented economic



times, we have more than doubled our workforce. All of these employees are working 40+ hours a week, with no short weeks, and full benefits. Revenues are up dramatically from before we started in Home Performance. And profitability has never been better for us.

Transitioning our business to a whole house energy efficiency firm from a strictly heating and air conditioning company came with substantial investments of both time and capital, but has proven to be a more than worthwhile investment. This success was made possible with the help of public dollars and incentive programs that have had bi-partisan support in New Jersey. Incentive programs have proven to be an important part of scaling this industry, and the HOMES Act will make that success national.

### **The HOMES Act**

Residential energy efficiency incentives remain smart policy that will stimulate private investment and job creation, while driving savings directly to American households.

Historically, energy efficiency incentives have largely been targeted at specific technologies and individual improvements. Rather than a piecemeal approach, a performance-based incentive links incentives to actual savings, allowing for technology and business model neutrality. Rather than attempting to maintain an exhaustive, up-to-date list of equipment specifications, offering incentives based on savings at the meter can allow the rebate to keep pace with an ever-changing industry and react to market forces. Most importantly, it creates a system that is flexible and rewards innovation.

Efficiency First thanks Congressman David McKinley (R-WV) and Peter Welch (D-VT) for their leadership on home performance and for introducing HR 2128, The Home Owner Managing Energy Savings Act. This bill provides incentives for homeowners with rebates to help cover the cost of a home energy efficiency upgrade. Homeowners begin by hiring an accredited contractor to perform the work so they know they are properly trained. Prior to the start of the project a home energy audit will be performed. The audit will allow the home owner to elect the desired energy savings for the home and scale the project according to their budget and their home's needs.

A qualified retrofit under the HOMES Act will be carried out by the contractor and the homeowner's rebate will be based on their predicted energy savings -- beginning at \$2,000 for a 20–24 percent reduction in home energy use up to \$8,000 for a 50 percent or more reduction in home energy use. Rebates may not exceed 50 percent of expenditures so the homeowner will always be paying for at least half of the upgrade. It is important that any tax dollars spent are spent responsibly, toward acquiring a public good – energy savings. And the HOMES Act does just that.

### **Energy Efficiency as a Resource**

Energy efficiency is America's greatest and most abundant energy resource. My small business taps this resource every day, providing heating, cooling and hot water in American homes at a fraction of



the energy used before I got there. Efficiency First believes that this resource can and should be tapped for America.

Advancing energy efficiency in homes is critical to the American economy and its energy security. If we tried to run today's economy without the energy-efficiency improvements of the last 40 years, we would need nearly 50 percent more energy than we use now. Energy efficiency policies and measures have produced more energy in the form of savings than the energy we get from oil, natural gas, coal, or nuclear power<sup>iv</sup>. Energy efficiency policies have also resulted in a more stable grid, as is the case in the Northeast where the ISO-NE has forecasted sufficient supply for summer 2013 because of energy efficiency measures<sup>v</sup>.

The HOMES Act addresses significant market barriers that prevent this vital resource from being utilized more effectively. Homeowners are being asked to make these investments not only because we want them to save money on their utility bills, but because this reduces costs across the energy system as a whole; helps to achieve broader goals such as energy independence; reduces pollution; and enables job creation. However, we are not properly valuing these very real public and resource benefits energy efficiency provides. Instead, we are asking homeowners to pay for the full burden and cost of these improvements, often upfront and out of pocket. With dropping energy prices in the short term, the projected monetary value of the energy savings is typically modest with much of the value of these energy savings unrealized. Rebates and other incentives can change these calculations and allow homeowners to share in the often overlooked value of their efforts, the value of the public good.<sup>vi</sup>

One of the key shifts to begin accounting for the multiple, undervalued benefits of energy efficiency, is to move towards accounting for energy efficiency as a resource -- the demand reduction equivalent of supply-side energy production. Funds used to provide rebates for homeowners are funds not needed to build power plants, ship fuel, or lay new power lines because those energy savings homeowners create through doing retrofits will make those investments unnecessary. Reducing demand on the grid through energy efficiency is akin to building power plants, only cheaper – and it's 100 percent domestic, and completely clean.

However, we know how to finance power plants. Due to the legislative, regulatory and market structures, protections, and oversight in place, power plants supply a stable and predictable amount of energy to an established and reliable market. Utilities can raise capital to make investments in projects to increasing the nation's energy supply; however, we lack the same mature capital sources and markets for energy efficiency, even though it is widely understood to be the most cost effective resource for meeting our energy needs.

### **Why Congress Must Act**

The major market structures and players we need to make the home performance industry economically sustainable over the long haul are already here, only not yet to scale. Those that claim the industry should stand up without incentives, are not acknowledging that every other energy



resource receives incentives, despite already growing to scale. Home performance is just getting there.

A growing segment of the contracting industry is actively moving toward performance-based approaches. Dedicated home performance companies have grown in markets across the country with Efficiency First membership in all states -- and we are seeing leading contractors in more traditional markets finding success moving to home performance, like my own company. Major manufacturers and contractor organizations are investing in initiatives to provide home performance training and resources to HVAC, Insulation, and other trade contractors. The concepts of home performance and the science behind it have taken root beyond early adopters. For example, many states are now adopting the 2009/2012 IECC code, which include diagnostic testing similar to that called for in the HOMES Act.

To support this transition, we have seen public investment in energy efficiency increasing dramatically in the States. This includes infrastructure for workforce training, quality assurance, and other necessary infrastructure to ensure quality service delivery. These systems are in place across the country and provide a strong foundation for future growth.

Similarly, we see investments in energy efficiency in the utility sector ramping up beyond even some of the most optimistic projections. From 2005 to 2011 utility energy efficiency programs have increased by an average growth rate of 19.3 percent per year to \$4.74 billion<sup>vii</sup>. According to research being conducted by Lawrence Berkeley National Laboratory, utility sector investment is expected to continue to rise faster than inflation.

We believe that a combination of smart national incentives driving the market toward performance, coordinated with local infrastructure, will enable a transformation in the residential energy efficiency market. This subcommittee can help set this process in motion by supporting consideration of the HOMES Act and/or ensuring the inclusion of this bill in energy or jobs legislation that moves before this committee.

I want to take the time to thank this subcommittee on behalf of the thousands of contractors who are working everyday to help homeowners invest in and improve their homes -- all while growing their small business in these uncertain economic times. These home contracting companies were hit hard during the last recession, with unemployment levels that have hovered above 20 percent. Supporting jobs in this uniquely American industry drives investment directly into communities spread across all corners of the country, while supporting American small businesses and manufacturing.

The HOMES Act is truly a unique opportunity to give homeowners another option for making deep energy efficiency improvements to their home, build wealth in American households, support small contracting businesses and its US-centric manufacturing and supply chain and create jobs, all while helping the country meet its climate and energy security goals.



We appreciate the ongoing efforts of this subcommittee and look forward to continuing to support your important work.

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- <sup>i</sup> US Energy Information Administration: [Annual Energy Review 2011](#)
  - <sup>ii</sup> US Energy Information Administration: [Annual Energy Outlook 2010](#)
  - <sup>iii</sup> Home Performance Resource Center: [Manufacturing Shares of Common Energy Remodeling Products](#), 4/29/13
  - <sup>iv</sup> Alliance to Save Energy: [Energy Efficiency: America's Greatest Energy Resource](#)
  - <sup>v</sup> ISO-NE: [ISO-NE Forecasts Adequate Resources for Summer](#).
  - <sup>vi</sup> National Home Performance Council: [Bringing on the Boom and Beating the Bust](#), April 2013
  - <sup>vii</sup> Consortium for Energy Efficiency: [State of the Efficiency Program Industry: Budgets, Expenditures and Impacts, 2006, 2011](#)

## SUPPLEMENTAL TESTIMONY

The following is additional comment of Efficiency First and is offered to give Committee members some context of the environment in which many small business-contracting companies find themselves. While the below may be outside of the reach and scope of this committee's focus, it should none-the-less be informative with respect to the role a performance incentive could play in helping these small businesses grow and thrive.

### WHAT CONTRACTORS WANT

While the focus of this committee hearing is on the residential construction industry and rebates for energy efficiency, it's critically important to understand the context in which a performance rebate would be used and the marketplace in which contractors that deliver goods and services to homeowners often operate. With an understanding of the marketplace dynamics, this committee will have a better understanding of how a federal rebate program such as the HOMES Act would genuinely help the industry.

Though all well intended and very much appreciated, there is a great deal that is lacking in current local, state and federal energy efficiency retrofit programs for homes. Here is what contractors want in energy efficiency home retrofit programs:

1. A seat at the table as programs are being conceived, developed, deployed and refined
2. Program consistency & stability
3. Lean and waste free program attributes and requirements
4. Programs that are free of price setting and other anti-free market barriers
5. Programs that serve the consumer's interest and not driven by fuel types, flawed cost-effectiveness math, or artificial barriers or drivers
6. Programs that reward performance and actual savings
7. A level playing field related to contractor qualifications
8. Programs that allow multiple business models to compete
9. Programs with meaningful quality assurance to protect the consumer and investor/taxpayer

### A Seat at the Table

Programs fail when contractors are not embedded in the process from design to implementation and refinement. As a party that is directly and materially affected by programs, designers and sponsors needs to embrace a policy that ensures contractors have a seat at the table at all phases of program design, roll-out, and refinement.

One imperative that program champions and sponsors need to be anchored in, and acknowledge and understand, is that all federal, state, local and utility energy efficiency programs impacting existing

homes generally flow down and end up in the lap of Efficiency First's core members – the contractors and energy auditors. These are the individuals and companies that are charged with selling these programs in the living rooms or across the kitchen table of homeowners. These are the companies that deal with the myriad of program requirements related to energy modeling, eligible measures, completion of related forms and paperwork, and report generation back to the program sponsor or administrator. And in some cases, it's the home performance contractor that acts as a bank waiting for consumer or other rebates or other incentives to be processed and approved. Additionally, these are the companies that invest their precious resources in their own capacity with respect to training, certification, and required continuing education of their personnel so as to be eligible to participate in such programs. In short, these are the companies that experience the pain that may exist in programs and processes that are not lean, efficient, and contractor and market friendly.

### **Program Stability & Consistency and Free From Complexity & Waste**

Currently, there is a patchwork of energy efficiency programs across the country – each with different program requirements, funding cycles and levels, applicability to fuel types used in homes (gas, electric, fuel oil, propane, etc.). In part this is due to statutory and regulatory preconditions that establish the baseline for what a program looks like. Regardless of the root cause, at the state and local levels, contractors feel like they are trapped in a game of “musical chairs” as program ground rules change, often annually. Additionally, the reporting requirements in many programs creates a ripple affect where contractors are forced to collect and report layers of data that they feel never gets looked at or used. Finally, available energy modeling software is so varied and divergent with respect to how each treats individual and combination of energy efficiency improvements that the contractors lose faith in their outputs. Currently, there is no nationally applicable program for contractor to embrace – there is just fragmentation.

This fragmentation, instability and lack of consistency, and complexity in programs results in a colossal economic waste in the market as contractors have to build and constantly refine internal processes to comply with these various programs. Equally important, the current situation is a motivation destroyer and forces some contractors to capitulate and leave these local programs. One of the benefits of a federal performance based incentive would be the uniformity and consistency that it would offer contractors. Additionally, Efficiency First feels that new or existing local programs would embrace the architecture of a federal performance rebate, thus helping to mainstreaming a common set of requirements across multiple programs or offerings. Standardization breeds efficiencies and the ability to scale efforts, thus a federal performance rebate could positively affect the design of new and existing programs at the State and local levels.

### **A Level Playing Field Related to Contractor Qualifications**

Nothing can do more damage to an industry than where there is a free for all with respect to who can enter and operate in a given space. If there is not a level playing field with respect to the qualifications and caliber of work done by contractors in homes, consumers and others could be harmed.

Our industry cannot afford to have a program go bad and set us back. As such, Efficiency First is supportive of programs that “do no harm” to occupants and workers and have consistency with respect to:

1. Qualified Auditors & Contractors (the right people)
2. Quality Standards & Specifications (doing the right work)
3. Qualified Software and other Tools (using the right tools), and
4. Oversight by a Credible and Robust Quality Assurance Infrastructure (verification)

### **Allow Multiple Business Models to Compete**

Consumers vary in their preference with respect to using either contractors that are vertically integrated and can offer turn-key home performance services, or a group of professionals (auditor/HERS rater, insulation contractor, and HVAC contractor) that work collaboratively as a team to offer a similar solution. Other hybrid models exist in markets where a home performance contractor acts as a general contractor and works with trade allies to do a variety of work (air sealing, insulation, HVAC, windows). Additionally, each marketplace varies with respect to the level of contractor experience and know-how related to applied building science and health and safety issues that are inherent in home and building performance work. Efficiency First supports program architectures that do not choose winners with respect to business models, but instead rely on establishing a level playing field linked to credible standards. This will allow the consumer, and by default the marketplace, to choose which model or models are the best fit for them and their needs but get the same level of quality work done in the home. Additionally, this will allow individuals and companies following the BPI, RESNET, ACCA or other models to compete openly.

### **Industry Standardization Needed**

Generally speaking, Efficiency First is supportive of standardization through all the layers of our industry because we know this reduces waste and blows away barriers to growth and profitability. Just as the Board for the Coordination of the Model Codes in the 90’s facilitated the alignment of the building codes promulgated by the four model code organizations (CABO, ICBO, SBCCI, and BOCA), resulting in a single set of model codes – which eventually lead to the formation of a single model code organization (International Code Council), our members seek the mainstreaming and standardization of key elements impacting our industry. While code adoption and enforcement still remains a State and local matter, moving to one model code allowed the elimination of much of the waste created by competing and often redundant code requirements. This then allowed home builders, various trades, product manufacturers, suppliers and distributors, design professionals and governments to shift to a generally mainstreamed set of requirements, which over time became more uniformly and consistently applied and enforced. We need the same evolution to happen in our industry and we need competing standards to be mainstreamed and harmonized into a single suite of standards that all can draw from.

Efficiency First supports the development, adoption, and consistent application of credible standards for:

1. Workers and Companies,
2. Specifications for the Physical Improvements Done in Homes and Buildings,
3. Energy Modeling, Data Collection and Reporting (HP XML), and Related Protocols, and
4. Quality Assurance Infrastructure

When credible standards are in place and utilized, the by-product is the following:

1. Avoided program costs (administrative, training, etc.), resulting from the need to re-create the wheel each time a new program needs to be designed and launched, can flow to consumer incentives or education and awareness, and possibly make programs more “cost-effective” per certain utility cost tests.
2. Contractors are better able to expand into new markets without having to learn a new language, a new set of written or unwritten rules, yet another energy modeling tool, and take on new paperwork and back-office pain.
3. Individual workers may move freely between markets.
4. Contractors have a pool of workers to choose from that generally have the same qualifications and skill sets, thus avoiding substantial hard and soft costs of re-training.
5. Contractors can pick and choose which energy modeling software’s to use, based on their needs and the interoperability of these tools with other operational tools, and have confidence that the required data transfer to the program will be pain-free and possibly instantaneous.
6. Consumers are hopefully exposed to the same general messages and value proposition regardless of market or program sponsor.

The good news is that the standardization effort has been underway in the industry and inside different groups at DOE, EPA, HUD and at the state level. Better coordination and alignment of those efforts would be productive and eliminate waste.

## **FEDERAL POLICY AS A CATALYST FOR CONSUMER ACTION ON ENERGY EFFICIENCY RETROFITS**

The members of Efficiency First believe that performance-based incentives do not need to be perpetual. Rather, they can run for a number of years to jump-start our industry and introduce a leveling element into the market. Over time, as our industry grows and other market actors begin to fill in critical gaps, these incentives can eventually be allowed to sunset. Basically, as the market matures and consumers see and understand the value of making energy efficiency improvements to their homes, the need for a catalyst begins to diminish. In the meantime, the homeowners that our members work with everyday would see the HOMES Act as a little relief for their much larger out-of-pocket investment in their most precious asset – their home.