May 11, 2011 - Engaging Small Business Program Participants Webinar (text version)

Below is the text version of the Webinar titled "Engaging Small Business Program Participants," originally presented on May 11, 2011. (Please note: portions of the transcript below may be incomplete where indicated with an underlined placeholder space. Please refer to the webinar presentation recording and presentation slides for additional information.)

Operator:
Good afternoon. My name is Sargon de Jesus. I am with ERG, a contractor supporting the US Department of Energy Better Building Program. Thanks for participating in today's webinar titled, Engaging Small Business Program Participants. And before we get started, I'd just like to go over a few logistical items. In a moment I'm gonna be unmuting all the participants for the duration of the webinar. So please remember to put your phones on mute so that we don't get any of your background noise.

In order to unmute you, if you haven't done so already, just please enter your two or three digit audio PIN on your telephone keypad. And you can find this audio PIN in the questions or next to the questions control panel box on the right hand of your screen. In that audio pane. And to enter it, you just need to hit pound and then those two or three digit numbers and then pound again. If you don't enter you audio PIN, we won't be able to unmute and you won't be able to ask questions, at least not orally, or contribute to the discussion over the phone.

If you'd prefer, you can also just submit questions in writing by typing them into the questions box, which is also a part of that go to webinar interface on the right hand side of your screen. And you can enter written questions at any time during the webinar.

The presentation from today's webinar, along with a video and audio recording and transcript will be posted to the Better Buildings Google site shortly. In the next week or so.

So now I'd like to hand it over to Marion Fuller of __ Berkley National Laboratory who will introduce our speaker and also moderate this discussion for today's webinar. Marion, you can take it away.

Marion Fuller:
Thanks a lot. And welcome everyone. We're really excited to have Dennis O'Conner of United Illuminating in Connecticut on the line with us today. What I'd really like to do with this session is give Dennis a chance to talk through this program so you really get a sense of what they've created there in Connecticut. He runs their small business energy advantage loan program and has since around 2000. It's an interesting program. It's one of the longest running small business programs, and one that I've heard about over the years as a successful model. It both combines the rebates and financing pieces, and I think Dennis will also be able to offer us some insights around how do you actually attract the small business customers in the first place to even consider participating in a program like this.

So after he gives us an overview of his program, you'll be able to ask questions. And I really encourage you to do that verbally if you feel comfortable. So that we can have more of a roundtable discussion on this. And then we'll have folks on the line, after Dennis presents, introduce themselves and talk a bit about the programs that you're working on. And any insight you have from what you've done so far or challenges you're facing that you'd like feedback from the group on. We'll have a more open discussion towards the end.

So at this time I'll turn it over to Dennis to walk us through how his program works in Connecticut. Dennis?

Dennis O'Conner:
Hello, everyone. Good afternoon. I've been working at UI for 38 years now. I've worked up through the ranks as a meter reader and meter installer and handling billing, customer service and also commercial collection. So all of those had acted as a background leading into the program that we started back in 2000.

So what I'll do is I'm gonna go through the background of what we've accomplished. And what I always say when giving presentations, I say, you learn by your mistakes. Well, at this point I must be a genius because we've certainly made a lot through the years. But we gained a lot of knowledge by that on what works and what doesn't work. And hopefully I can pass some of that information so that you can avoid some of the mistakes and take advantage of some of the opportunities that we've had over the years.

So if you could go to the next screen.

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The funding that we use is through the public utilities, which is the Connecticut Energy Efficiency Fund. It's a charge on the customer's bill. Three mils per kilowatt hour. And the way it's divided up in Connecticut, Connecticut Light and Power, which is our large brother little farther north, they represent about 80 percent of the state and we are the 20 percent down along the shore, greater Bridgeport, greater New Haven area. So the funding is broken up proportionately.

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Pretty much the objective, the idea behind this is that a small business customer does not have a lot of funds sitting around. They don't have the expertise around with their business. So we created back in 2000 this turnkey conservation road management service. What qualifies what is a small business? Up to 200KW. It was 150 KW up to the last year. And what that equates to in Connecticut is roughly a $150.00 a month monthly bill up to a $20,000.00 bill. And examples, a lot of retail, convenience stores, houses of worship, nonprofit, gas stations, restaurant, etcetera. Pretty much that fall under the small business.

We would do like an IGA market, supermarket, but not the big chain stores. So that usually is over the 200Kw.

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Our customer base, we're not a large utility. We have about 325,000 customers, of which 30,000 fall under commercial, industrial, municipal. Just under 17,000 are

small business. And since 2000, we've had now it's up closer to forty-five hundred small businesses or 25 percent that have participated in the program.

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The statistics there. As you can see, it's over forty-four hundred installed projects. Close to a billion lifetime kilowatt hours saved. Which equates to carbon dioxide 531,000 tons. But during that time we have paid incentives of over 11 million dollars and 0 percent finance loans of up to – over 30 million. And we have been able to keep the default rate less than 1 percent.

And I'll go into that a little bit when we go into how we qualify the customers a little further down. You can go to the next screen.

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So pretty much the offering that we give to the customers, if we just put it in a brief sense, is a no obligation energy evaluation. We try to tell them that the thing to do is regardless if you participate or not, you have nothing to lose by finding out how you use energy. It's just knowledge. So you should take advantage of that.

We make it so there are no upfront costs. Incentives this year are up to 40 percent for lighting and non-lighting measures. And usually when I give this presentation or we're talking to customers, we stress up to ___ _____. Because it can range between 20 and 40 percent. And a lot of that depends upon the run hours, type of business, the application and the type of fixtures that are being put in. And also the 0 percent on-bill financing for the qualified customers. Which really makes it all work. You can go to the next slide.

[Next Slide]
Okay. On the loans, minimum loan is $250.00. If anything less than that, they have to make a one payment. And we go up to $100,000.00 on the loans. Maximum loan term is 48 months. Qualification, which we call 60 day arrears. So today if you had your May bill, May 11, you got that and you still have your April 11 bill that's no problem. But if you still have your March 11 bill, that's a problem because after 60 days you would get a disconnect notice. They have to have the most recent six months of less than 60 day arrears. If a customer wants to participate and last month they fell into 60 days, they would have to wait five months until they qualified for the financing.

The next bullet is interesting. Ninety-three percent of our customers qualify for financing. So the majority do. The vast majority qualify for the financing. And of those that qualify, more than half of them once they get the proposal decide to participate. Of the other 7 percent who don't qualify because they have poor credit, only 19 or less than 20 percent decide to participate because they don't have the funds to come out of pocket for the balance. So it is critical. And if we're giving out leads to the contractors and they know that it's incentive only, they know it's gonna be a tough sell. Cause generally those customers don't end up signing. You can go to the next slide.

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On the loans, 80 percent of the participants are tenants. So it's whoever the bill is in the name of. Rarely do we have a problem with any landlord stopping them from

doing that, because obviously it means they're increasing the value of the property. So we just work with whoever the bill is in the name of. We have the capability of doing multiple on-bill loans. And in the past, before we got really into the comprehensiveness, they would try, you know test the waters and they'd do the lighting and the following year they might do the refrigeration. So they might be overlapping loans, but we have the ability really to put up a three loans on a single bill. So if there are new technology that comes out and now they want to try that, that's not a problem.

Loans are transferable. And we have some customers that they sell their business. Maybe they have a four year or three year loan and a year into it they sell their business. Part of the sales transaction is that the customer taking over will take over the loan. They will send a letter stating so. And we can just transfer it over to the new party.

The defaults, because the incentives are paid through the conservation fund, the loan money is actually from our own shareholders. And we are allowed to recover any defaults from the public funds that are used. So part of my budget is set aside for that default. And that's with the understanding that we do maintain a low, less than 1 percent, default rate. We're also allowed to earn interest on the funds that we supply for the financing. And the way we have it set up, a customer can not be shut off for nonpayment of the loan. So we have the payment routine set up that if a partial payment comes in, their first receivable paid is the loan. So if it is a partial payment, it would ____ over the utility section. And if they get a disconnect notice it would be for that. Go to the next screen.

[Next Slide]
This is just a sample bill. And on it you'll see the small business program amount down below. Off to the right they have the chart. So there is an indication that yes, they are actually saving. Which is _____. And you can go to the next slide.

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A typical job, we do a lot of beam and store supermarkets. So refrigeration is really a large part of the program. Obsolete lighting. And we really stress the fact that now the T12 technology, you know as of July of last year, they stopped the manufacturing of magnetic ballasts. And as of July of next year they will stop the manufacturing of T12s. So we try to tell them it's not – we don't even use the term that it's inefficient lighting. We call it obsolete. And no lighting controls. Obsolete refrigeration. Refrigeration that runs 24/7. That's a big thing. You know especially if we're trying to get them to buy into the idea. We tell them you don't go home at night and leave the faucets running. Why do you leave the refrigeration? So as long as there's no dairy products in there, we can turn that down and it doesn't really affect anything. They lose about 10 degrees ambient temperature with all the product that's in there. And then turn it on before the open up the next day. And then poorly maintained HVAC.

So this was actually a typical bill. It was 3,000 before we walked in the door. And after all these good things are done, they ended up with about an eighteen hundred dollar average bill after that. If you go to the next screen.

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And this is really a big thing in the refrigeration. We're now using LED, which is really great. We found from a lot of the projects we've done the customer increased their

sale because the product is displayed. The LED like draws people to it. So even in this picture you can see it almost looks like they have a new floor and they've painted the place. Well, that isn't the case. It's just the new lighting that's in there. And that lighting also draws all the heat out of the box, so the compressors are running less and the evaporator fans. So that's, you know definitely one of the big sellers that we have are the LED. But we also use LED recessed lighting, any LEDs that we use have to be either Energy Star or ___ Light _____ approved. Or __ not paying incentives on those. So that LED is the way to go. And we're hoping that down the road there will be a linear to replace the linear ____. But at this point, we are not there or they are not there in the manufacture of that. You go to the next slide.

[Next Slide]
Okay. On the documentation that goes to the customer's bill, this first page here, actually the first seven, eight years we were averaging about 45 percent participation rate of all the proposals that were given out there. And what we did it would list the material labor costs, the incentive and then the net cost. And that net cost, if it was in this particular example, a 1.2 year payback, the system that we used would automatically bump up the loan an extra month. Make it slightly cash positive. So in the red it shows that the customer is paying $552.00 a month, 0 percent loan. But what they're saving per month is 577. So it's a slightly cash positive.

Well, in the last few years as the economy has struggled, we wanted to maintain or even increase the amount of participation. So the strategy can be shown in the next screen. If you can go to the next screen.

[Next Slide]
Okay. It shows the loan extension. So in that same scenario, we've taken that same $577.00 a month estimated savings, but we've extended the loan to 24 months to bring it down to 368. So now the customer is showing a cash positive transaction. Excuse me ______. I'm fighting little allergies here so excuse me.

So that, just that change in the loan, that strategy in the last three years, has moved it from 45 percent up to about a 54 percent participation rate. It made quite a difference. So it's a valuable tool for our contractors. They're going out to the customer and giving a no obligation energy audit. And no out of pocket costs. And if they're paying $2,000.00, they get finished doing all this good stuff and now they're only paying nineteen hundred and they have all new efficient equipment. So it's really helped us to maintain and actually increase participation. Excuse me. If you can go to the next screen.

[Next Slide]
Now this screen we can go over a little bit. I'm gonna just take –

[External Conversations]

We got a little background noise here.

Marion Fuller:
- sound on the line. If there's someone who can mute. If you're on the phone, if you can mute your phone that would be great. Most of the lines are gonna be unmuted so you can ask questions.

Dennis O'Conner:
Okay. Here I'll go over these. And then really after this I just have the contact information. But I broke it down. First I'll talk about the credit part. And really back in 2000 we had to start, you know setting criteria for who did qualify. And obviously the simple thing is let's give money to people that are in the habit of paying it back. So we didn't go to outside credit evaluation. We just used inside our company the payment habits of our customer. Because we knew we were going to add the line item to their bill. And while I think ______ in the last seven, the first seven years, we've always had on-bill financing hear through our program and our counterpart in Connecticut. Connecticut Light and Power. They had a sundry bill or a individual bill that went out. So the customer would receive their normal utility bill and then they would receive their bill for the small business loan.

Now we've always maintained below 1 percent. And they were at less than 2 percent. Just slightly less. Which is still good, but it is double the amount. And they have been ordered in the last three years, they finally have the on-bill, and now it's come down below 1 percent. So it really makes a difference. And back in the 90s I did commercial collections for that decade. I'm much happier now giving money away than trying to get it. But what we found if the customer's in the habit of paying their bill, they're gonna pay their utility bill and put other things aside because they want to keep the power on. So if you have a sundry bill or a separate bill, they'll throw that aside and pay your utility. So I think it's critical that on-bill financing, you know to what you're loaning out you want to receive back.

As far as that goes, we did set the 60 day arrears as the cap. Nothing 60 days or greater in arrears. We do have a few customers that are borderline, close to that 60 days. And what we have done is we've set a partnership with our commercial collection to kind of hand hold the customers to make sure that, you know they pay their bill on a regular basis. So some of them that are struggling, those are the ones we want to help. But then again, the ones that always have disconnect notices and seldom pay, they are incentive only. You know they would have to go to an outside source or ___ financing.

Next, on the vendor side, each year what we've done, and I know a lot of utilities kind of open it up to unlimited number of vendors out there that do the work. We've kind of set our standards based on the budget for the year and the goals. We've done roughly about 400 projects each year. And it's gone up and down a little bit. It might be 380. Actually this year we had 380 cause we have a little bit less money. And next year we're even gonna have less, because the state is going to, because of the state deficit, they're gonna be taking roughly a third of the money. So we will probably go down in the amount of vendors. But this year I have a little over 2 million in incentives. And roughly 4 million in financing funds for a total of $6,000.00 that's available. We probably do about 380 projects. Hopefully more than that. And I have a vendor base this year of 14 companies to accomplish that.

What we do is we send out a request for proposal the last quarter of each year for the next year. And when they sign up for it, they're allowed to either apply as a tier one, the higher tier or a tier two. And tier one is the higher companies. And with more crews that are available, more salespeople. And their goals would be higher. Where each of them a minimum of a million kilowatt hours to produce during the year. And the smaller tier two would give us roughly 400,000 kilowatt hours a year.

So this year we had four tier ones and the ten tier twos. And hopefully that will get us where we're gonna go.

We've set criteria for the number of vendor solicited leads each month. They get the lion's share of those. And then we supplement them with either calls through our wise use phone number, our website, our call center or events that we do during the year, presentations at business organizations, etcetera, business expos. So we supplement that.

Now what we do as far as the pricing for them, we set a cap price. But we allow them, if they want to give it away they can give it away. You know going lower on the price to sell it. But we do set a cap price for them. And during the evaluation, one of the criteria, ten criteria, one is vendor solicited leads. Another one is projects installed. One is kilowatt hours ___ ___ saved. We also have a price per kilowatt hour. So as they come in with a price per kilowatt hour, I have a cap of 35 cents for every kilowatt hour saved. Excuse me. Total cost.

So if I have a few vendors that are coming in and they're doing it at 22, 23 cents a kilowatt hour, well, if I get leads through our call center, we're gonna get the best bang for our buck so we're going to give that to the vendors that are bringing it in at the best price. And this, we'll throw a little competition in there and also they want to keep the stream of work coming through. So they're not gonna try to kill ya on these prices. Somebody that just sits at the cap all the time, they're out doing all their vendor solicited leads, but they're not getting that many extra leads from us.

So they've kind of, over the years, kind of see the way it works and they kind of control their appetite for what they're pricing out there. So quarterly evaluate the vendors. And we have like a metrics. They all use our software. You become a participating vendor, we have a license for you to get into our software, which is the measuring tool for any of the energy savings for any of the measures we're doing. That is all part of the state PSD, which is the program savings documentation. And that's standards that the engineers come up with state wide and third party for evaluating any of the measures that are used in the program and in all the programs actually, the method for calculating the savings. We tend to be conservative on the savings. In talking to the vendors and training them upfront, we have access on all the customers and our customer base to look at the 36 month history. So we can see how they use habits during different time periods during the day. ___ on peak or off, which is ten in the morning till six in the evening. Shoulder, which is six in the evening to 11 at night. Or seven in the morning to ten in the morning. Early, early morning, early evening. And then off peak, which is Saturday and Sunday and overnight, 11 to 7 in the morning. So it breaks it down. And you can really look on how customers' habits are for savings.

Well, what we've found out that over the ten years and the forty-five hundred projects, it's a pretty good rule of thumb that we are going to save a customer anywhere between 20 and 40 percent on a customer's bill. Forty percent being getting more comprehensive where you have lighting, refrigeration, HVAC. And if it's strictly lighting, it'll be more in the 20 percent range. ___ ___ portion of the bill. And as an example of that, if you had something like a carpet store where displaying carpet, the lighting might be anywhere to 50 to 60 percent of the customer's overall usage. However in that same, the lighting for a convenience store, the lighting might only represent 30 percent of the customer's overall bill. Because they have refrigeration, compressors, etcetera.

So we try to be conservative. Because one thing I've always said, we never get a call from a customer complaining that they're saving more than we told them. But it's always the opposite. So we want to be conservative about that. So my or our instruction to a contractor if they have a lead or if we're giving them a lead through the system, the first thing they do even before they go out to do an evaluation or the energy audit is to open up the 36 month history. And you get a pretty good indication right off if the customer is bill $3,000.00 a month. And depending on the type of business it is, you're probably going to be, you know saving them in the area of 600 to max 900, depending on the type.

And that helps to eliminate problems where the contractors are sending a proposal that there's 70 or 80 percent that they're saving. It's just not gonna happen. So there are little guidelines that kind of help them, even before they walk in the door of a facility of what they should be seeing.

That, I think is __ _____ vendors. Okay. And they generally have – we supply them with all the brochures. As far as any of the type of leads that we get for them, we do some direct mailing. Early in the year, first three or four years, we did a lot of direct mailing by just sending out brochures that had a reply card on them. And we were found that we weren't getting a good bang for our buck there. They also tried, I believe it's called bang tail on the back of the electric bill, the tear off there. That was dismal.

But in the last two years what we've found most effective if we had like a personal letter going out there where it says, you know, we'll be doing energy audits in your area during the next five or six weeks. And tell them a little bit about it. And, you know if you could like to, you know join in with your fellow business people in your neighborhood, we'll be working in the area. And that has been giving us about 3 ½ percent. Which is not bad. It's more than doubled just sending the brochures out there. I think brochures have a tendency to become junk mail like you get at home.

Marion Fuller:
Are those letters coming from the utility?

Dennis O'Connor:
I'm sorry?

Marion Fuller:
Are the letters that you send to the small business customers, are they coming from the utility? Is it –

Dennis O'Conner:
Yeah, we'll just create a letter. And then what we do from our, excuse me just a second. I apologize. I'm taking medication for this allergies but it doesn't seem to be helping that much. Our software that we use, it is the entire database. And then it has customers choose to participate in any of the programs, residential or commercial, it's brought down to a subset into our tool that calculates energy savings. And it's all based on existing equipment, wattage, amps, etcetera, hours of operation and then what the proposed upgrades are.

In there we can, like the criteria we just pulled for a direct mailing that we just sent out, I want all the customers up to 200 KW that have not participated in any program before that have credit of up to 55 days. So they're below the 60 days. So we can kind of put in there. We can run it by town, etcetera. And it brings out a mail merge. And then what we do is we will put that letter that we designed. We send it out there. And we may even call some of our customers that have participated to use their name in the letter. You know Tony's Auto down the street in your neighborhood is participated. And we'll be out there again, and maybe you want to contact them. See how their experience was with the program. You know etcetera. And we've found that that's good.

We like to think, and we tell the vendors, when you go out there, we give you a lead and it's like 1,000 Park Avenue, think of that as a target area. If you're going there, and we're going out to post inspect and we see businesses right across the street with ____ technology, well, that's part of your target area. So you should bet next door, across the street, etcetera. And that seems – and it's smart for them also, because it's less driving around. ______ just working in one area.

Marion Fuller:
Do you find that contractors are pretty aggressive about reaching out to folks? Versus _____ ______ handed to them from you guys?

Dennis O'Conner:
Yeah, well, remember, 80 percent of all their work is vendor solicited leads. We will only give them leads if they're productive in getting their own. So, you know the ones that are sitting out there, they're not getting anything from us. And if they're sitting out there, then they're not gonna be part of the program. So important is I think to have a limited amount of vendors, ones that you need. You know figure out what they can do and how many you need to get the job done.

So right no we have actually 13. One just – they came on board early this year. And they were working on the residential programs. And they wanted their hand in small business. And they just had sent me a letter saying that they'd like to withdraw. That they really can't keep up with what's needed on the commercial side.

Now on the residential side, I'm gonna go throw quick information on that. There's wise use, which is our Connecticut number, 800 number all over the state. And customers calling into the call center. So there's so many calls coming in, we have to do close to 7,000 just in our territory on the residential where they do a home energy, the _____ blower test where you reverse air flow and see where there's leaks. They seal it. Etcetera.

So pretty much the residential reps are contractors who used to just getting called and here's another ten to do .here's another 20 to do. Where on our side they have to go out and actively solicit leads in the field. So –

Marion Fuller:
- just pause here – let's just pause here for one moment. Is there anyone on the line who'd like to ask any questions at this point? Most of you are unmuted. You can also type in questions.

Okay. Well, then if you can continue on.

Dennis O'Connor:
Okay. If I'm in a room I can tell if they're falling asleep. It's hard to tell here so.

Marion Fuller:
I know. I know.

Dennis O'Connor:
If you move to the next standards, again, the software that we give out, it already has a standard measure set in there for the type of lamps and fixtures, etcetera. So pretty much they gather information, they inventory, the equipment. And they put in the hours of operation, etcetera and it calculates everything out, produces all the documentation.

Again, the billing, I'll just touch shortly on that. We bill everything. It is transferable. And on-bill, I think, is, you know if you're even considering a program like this, the on-bill means the difference in getting paid back. It's just convenient for the customer. They have a couple signatures to sign. It's not like, you know you're buying a house. And I think the small business customer, it's not like a big business where they have energy people on site. You know they're busy making a pizza or making sandwiches, etcetera. And it's something just to get their attention. So you got to kind of get in there and get them to listen. Make it short and sweet. The idea of what you're trying to accomplish there.

We always stress the fact that they pay into the fund. And what we're really trying to do is give their own money back to them. That's the idea of it.

The energy savings. Again, the energy savings, we try to be conservative on all of these. Our program savings document from the state really is very conservative. Even on lighting controls. We're allowed to put down 40 percent energy savings. Well, there might be cases where we're gonna shut these things off 80 percent of the time. Regardless, 30 percent is what we show. So if a customer gets more savings from that, good for them. But all we're doing is we're gonna be conservative about this. And it's held pretty well. And it's a safer way to go about it also what you're proposing to a customer.

And then the last thing with the customer, our customer base is very diverse. Multilingual, multicultural. Over the years in the inner city Bridgeport, New Haven, New Haven is a college town. Yale University is our largest customer in our territory. But in both of the large cities, in the distressed areas, we have worked with Empower New Haven in New Haven area. And they are an organization that goes out and works with the customers, helps train them in technologies and skills. Helps them get loans, etcetera. So they're very recognizable. So what we do is partnered up with them. And they became the liaison with us. And we were able to move into the inner cities and really get a lot of people to participate that didn't before.

Currently we're working with the Spanish American Merchants Association. And my presentation to them early last year, actually early third quarter last year, is that over forty-four hundred jobs have been done. I don't think we have 25 that are Hispanic business owners. And I went to them, the head of Spanish American Merchant Association and said, we've been out trying to work with you before. And all your customers are falling through the cracks. And this is your money too. And my message to them, as to any other presentation I do is I say, "We care about you, but I can't care more about you than you care about yourself."

So what they've done this year, they got a grant from the state. We got members that work in the administration for the Spanish American Merchants Association. We had training to train them. And now we're starting to see things more where they're out selling the idea or the offerings of the program. We've done about 21 audits so far this year. Which is great. And we're hoping to see that even double before the end of this year.

The other thing is we've contacted, to a limited success, some of the community colleges around to see the students that they have there. So the idea behind this is if tomorrow one of my contractors gives me a call and he says, "Boy, I went into this Vietnamese restaurant and there is just fantastic opportunities for this customer." Of course, you've got to remember they're contractors, so it's also great opportunities for themselves for a project. But they can't communicate. So I can call one of the community colleges and say, "Do you have a Vietnamese student who is, you know either in marketing or in engineering that we could use an interpreter?" So we've had limited success with that. But those are the type of things you got to continually try to do to get all the customer base involved.

So with that being said, I think I covered most of it. I'm trying to think. I know that the 36 month history, which I mentioned before, is just a great tool that we have in our software. If we can look at how they're using energy now, we can change their habits and change their equipment. And so that's a tool for us.

And part of the savings that we have, the demand savings, the peak demand, we are allowed to sell back ____ for capacity market. So that's one of the things that's in it for us besides keeping our customers in business. We want them to use energy, but we want them to use it wisely. So they ________.

I don't know what else to say now.

Marion Fuller:
That's great. Thank you, Dennis.

[Next Slide]
So if you could go to the next slide so folks can have Dennis's contact information that would be great.

Dennis O'Connor:
Yes. And there it is.

Marion Fuller:
Yeah. So this presentation has been really important, Dennis. I think some of the things I just want to highlight or like remind folks of, one is this alternative credit enhancement and the idea of using bill history to qualify small business customers for loans where they might not qualify for a bank loan under more formal circumstances. But because you have that bill history, you can really see, you know have they paid their bill, are they likely to pay it in the future? And I think that's really important.

Other takeaways, in terms of getting the customer's attention. That personal letter you mentioned, especially a letter that mentioned someone in their neighborhood, a local business that they know and they could go talk to and ask about their experience, that seems to be really important.

And then I also like the idea of having vendors that you select that you do give leave to but that also have to go out and find their own leads to kind of add to the volume and the kind of energy in the program.

So I'd like to see if anyone on the line has a question. You can type it in or you can also ask it directly. Before we go around the room and just let folks talk about the programs that they have in the planning or in the implantation phase. Does anyone have a question? There's a lot here.

Okay. Well, I think I'll just start then going around the room so to speak with the folks who are on the call. And I've love for each person just to say where you're from and kind of what your interest is in small business. Do you have a program that's up and running? Are you planning on launching a program? And if there are any either insights you have that you'd like to share with the group or kind of questions and issues you're being challenged by that you'd like to get some feedback on, this would be the time to do that.

So let's start at the bottom of the list that I see on my screen, which is with Sally Talburg from Michigan. Sally, are you there?

Sally Talburg:
I am. Hi. So in Michigan, Michigan ____ has a program, a small pilot program in the city of Detroit that provides commercial loans between 10- and 150,000 dollars and with kind of extended term. And Michigan _____, you know works a community _____ financial institution to, you know do all the underwriting and everything. And we provide a loss reserve to that lender for that program. So we've had like one loan come through. And are, you know really now turning our attention to designing a program that would be available state wide. So just really interested in, you know other programs. ___ _____, you know United Illuminating Company, as well as other programs as kind of models. One of the things that we're grappling with is kind of the interest rate and how low we really need to make it to be attractive to different business segments. So. That's all.

Marion Fuller:
Yeah. That's a really good question. Dennis, do you have a sense – I mean I've seen other programs that don't, they don't seem to think they need to go down to 0 percent financing to attract people. Have you tried a higher interest rate with your program and seen what's happened? Or did you start at 0 percent? What are your thoughts around that?

Dennis O'Connor:
Well, we've had the 0 percent right along. What we did have is a third party resource for loans. Of course, those were the people that didn't qualify. And it was a 4.9. And even with projects that we had that were fairly good paybacks, they opted not to participate. So as far as working with percentages that really is the only experience that we have at those point. We've always just brought it down to 0 percent for the customer.

Any thoughts that I have on it would be, you know for us it's a tough sell here. You know even at the 0 percent we still have, you know 45 percent of the customers that don't go with it. And I think it's just part of, you know makes it more attractive.

Marion Fuller:
Mm hmm. Yep. So for folks who are on the line, if you could type in your audio PIN, that's the number that's on the right hand side of your screen just below the dial in number. And it's just star and then your audio PIN and then star. And that will allow us to mute and unmute you so you can speak.

So let's go to another person who's on the line, Ronald Cato. I wonder if you would just share what you have – where you're from and where you are in the program process if you have a program that's going or about to launch. Are you there, Ronald? Ronald, we can't hear you if you're talking, so try one more time. Hmm. Okay. So I'm gonna go now to the next person on my list who I think has audio and that's Michelle Caulfield. Michelle, are you there? I believe you're from Seattle. I'd love to just hear an update of what you guys are planning here and if there are any questions you have related to the presentation so far.

Michelle Caulfield:
Can you hear me?

Marion Fuller:
Yeah, Michelle.

Michelle Caulfield:
Hello? Oh, hi. I actually came into the call late, so I didn't hear the whole presentation. But I'll essentially tell you sort of where we are in the process. I'm from Seattle, Washington, so we're working on the Community Power Works Program here in Seattle. We are focusing on small businesses, primarily restaurants and small grocers. We're in the design and development phase. So we are essentially mapping out our approach to reaching these businesses. And some of that involves, one, engaging multilingual, multiethnic staff who specialize in business outreach to go out and reach businesses kind of door to door, as well as through referrals. Like folks that they've already worked with on other resource conservation activities.

So we have been doing work with businesses ____ ___ Consulting Group, the firm I work with, has been doing business outreach around waste and water issues. So this is kind of tagging on energy to some of that work. So we're going in through established relationships. And again, I'll just say this is in a very targeted geographic neighborhood. I know that the presenter was talking state wide. We are looking at one particular neighborhood in the city of Seattle. So it's a very contained area.

We're right now in the process of designing an assessment tool, which we're sort of thinking about as a leads generating tool. And our current plan is to provide free assessments to these businesses to kind of take a comprehensive look at energy savings opportunities. Our goal is to achieve a 15 percent energy savings at each establishment. And the challenges there are that currently most of the energy upgrade work that's happened in these businesses and with a lot of businesses has just been primarily lighting. So we're needing to look beyond lighting to other energy saving measures. And the way that our current kind of thinking in terms of how the contractor community and the market works is that you have very siloed approaches to energy savings. We've got lighting specialists who don't do that much in HVAC or, you know equipment or refrigeration. So we're trying to figure out how to get those things all together.

I think some of the – so and then we're now also trying to crack the nut of like how to best engage contractors. Should we have a big contractor pool or a smaller contractor pool? How do we have contractors who know the program well and to work well in the program but also not create, you know monopolies and spur kind of competition and good pricing and things like that. So I don't really have much to share about what our successes have been yet. We're really just starting this. But, you know I think we're really leading with how to engage with staff who can make the business feel comfortable and help them through the process. And then how we as a manager on behalf of a government try to work in a free market environment and create more jobs and help these companies who want more work, but at the same time, kind of begin to partner with these companies. So I think that some of that __ may be a challenge. But we're just really starting to get involved in that.

And I'll say that the utilities that are at the table as our partners I think are gonna be really helpful in helping us navigate the contractor world because they often work closely with them. So we're gonna be relying heavily on our utilities to help us do that.

Marion Fuller:
Great. Dennis, I wonder if you have any thoughts just based on what Michelle talked about? Some of the issues she's thinking about. In terms of contractors only having – yeah, go ahead.

Dennis O'Connor:
Yeah. I think as far as the vendors that we use, the first few years we had a lot more vendors and it was a little bit more open up. And we started to say, hey, we got non performers here. And we started to define what do we actually want them to be doing or what should they be doing. So we looked at it kind of globally. Well, we want to reach, like this year I have a goal of 7.8 million kilowatt hours to save in 380 projects. So we kind of broke it down and said, "Well, how many contractors can we work with to get us there?" And so that's why we kind of have like a limited amount.

And I found that you can really expect a lot more from them if you let them know what we expect of them. And I know that sounds crazy, but now on a quarterly basis we give an evaluation. So when they get their contract at the beginning of the year, it will list on there, you know we want X amount of projects, X amount of kilowatt hours saved. And then quarterly I have an evaluation period. Get on the phone with the. We send the information over and we kind of review it. Hey, here's where you are. Here's where you should be. And I've found that it's helped us quite a bit.

Now –

Michelle Caulfield:
Now would you be able to – go ahead.

Dennis O'Connor:
____ share that, the metrics?

Michelle Caulfield:
Well, it's interesting that you're talking about that. Because we're in this process now of needing to set up kind of our qualifications or requirements for contractors. And one of the things I'm been looking at is how do we build into that, you know the benefits. So what are we asking for you to do and then what do you get in return. So

I'd love to see, if you guys have examples of that, how you've set that up and if you've included those benefits and kind of making the sell for like why should the participate.

Dennis O'Connor:
Okay. Why don't you shoot me an email on that? Because it did take a lot of time to even, what the heck do we want from them? You know to come up with that. And really when we started out, probably 85, 90 percent in the first year was lighting. And then what we did is we brought in National Resource Management, which is a refrigeration control company. And they actually trained all the lighting attractors. So now we added that to the menu. And the first 2 ½ years it was lighting, refrigeration, which is huge with restaurants. I mean –

Michelle Caulfield:
Yeah, I mean we might be ____ ______ the 15 percent just with those 2 measures.

Dennis O'Connor:
Oh, yeah. Well, the lighting, usually for a restaurant, we're up around 10 to 15 percent. And then you put in the reach in coolers and freezers, which almost all restaurants have, you know you're definitely gonna be over 20 percent. Not even a problem. That's generally we're in the 30 percent range with restaurants. So that's definitely the way to go.

But we also now have folded in HVAC, mechanical and compressors. But what we've found, you just can't, you know take an electrician and make him a plumber and, you know make him a painter and make him all this. So we've gotten strategic partnerships. What we've told them is pretty much we want a one stop shopping so they don't have ten people walking in a place. And each of our contractors when they produce the documentation from the software, it's gonna have the name of their company. And then if there's any kind of paperwork backup, they work it out on their side. So if I have ABC __ lighting, one of my contractors, and he bought H&B Mechanical, well, that's good. The paperwork's just gonna say Efficient Lighting on it. And the customer will sign one contract. But it's going to be here's all the things we're doing. A programmable thermostats. Air hose on a compressor, etcetera.

So I think with a limited amount of people that form partnerships. And the state is just going deeper and deeper into that. So comprehensiveness is just – that is definitely the way to go. Now we're talking about fuel. They have to take inventory on gas. We have just actually purchased a couple gas companies here in Connecticut because we were mandated to run the conservation programs for them too. So now we go into these restaurants, we look at all the gas equipment, the broilers, grills, griddles, etcetera. And we're folding that into the measures also.

So it is more for that contractor. The state also wants us to get into they call it quality installation verification where we're looking for them to have, not only a electrician's license, but do you have a CEM or do you have access to a mechanical engineer, etcetera? So we're gonna be doing more training or we'll supplement the cost of that. And that's the way we're heading. And pretty much what I – I had a conversation with one of my contractors last week where they went in and they did a great lighting proposal. They put it all together. But I'm looking at the 36 month history of the customer and I'm seeing that, hey, you're doing this great lighting proposal and you're talking about 12 percent you're saving for the customer. And I'm saying, are you really doing – you're doing an injustice to this customer because if you're – what's the other 88 percent of this customer's bill? So if I send another one of my contractors that's gonna put programmable thermostats and they're going to look at the compressors or covers on open produce or whatever. Well, they're the ones that should be going in the door. So pretty much what I tell the lighting guy, if you're go and doing the lighting, we really can't use you anymore. You have to understand that we want you to go in there and really affect the usage on this customer's bill. And it's only right for that customer. You know they're paying into the fund. And the more they use they pay more into the fund. So all this equipment is, you know adding to their usage. Well, we should address all of that.

Michelle Caulfield:
I apologize. I'll ask one more question related to this. I apologize if I don't, if I missed this. But one thing I'd like to know is how are you managing that on the ground of the businesses? Like the multiple contractors. Just trying to minimize the interruption of the business. Because it can be, these collaborations and are they all going on the same day? And I'm sorry if I missed you describing this during your presentation.

Dennis O'Connor:
Oh, no. That's okay. I have – this year what I have, I'll give you the overview real quick, is I have roughly a little over 2 million dollars incentive money, which is from the state funds, the public utility funds that the customers pay into. I got roughly 4 million in our own company money that we use for the financing. So based on that, they set the money equals an amount of incentive, which is 7.8 million kilowatt hours and roughly 380 projects. So based on that I'll say, "Well, this year based on my past history, I need roughly 14 contractors to us to accomplish this." I have four big players that give me a million kilowatt hours each. And the other 10 give me 400. Is their goals. So quarterly I break it down. And they have to give me so vendor solicited leads. Eighty percent of the leads they give are vendor solicited. And then we will supplement those.

However, the way I cap the prices for everybody, I hopefully I stay under 35 cents for every kilowatt hour saved. And then at the end of the year I have I'm over goal and I'm right at budget if you have, you know the perfect scenario. But the contractors, they're doing work. They understand that a) if they're constantly coming in at like 22, 23 cents kilowatt hour saved, they're the ones I'm going to give our leads to. The ones that we get through our call center, etcetera. Because they're getting the best bang for our buck there. And the other guys that are sitting at the cap all the time, well, they're gonna go out and have to sell their jobs at that.

So I don't care if they go up to cap or they give it away. And we've had customers that, you know hey, it's a little too high. The contractor goes back and, you know sharpens the pencil a little bit so they can sell it. That's the way we're kind of handling it. So I'm dealing with 14 contractors. Some companies or programs have an unlimited amount. But we do background checks, drug checks and everything on all these people because really, when they're out there and they walk into a place, they represent the utility. And it wouldn't take much just to, you know destroy a program.

Marion Fuller:
But Dennis, when they are multiple measures that they're doing on those sites, how do you minimize the kind of burden on the business owner to have multiple

contractors coming in? Or are most of the contractors doing all the services in a one stop shop?

Dennis O'Connor:
Well, our 14 contractors are doing all the lighting and all the refrigeration equipment. And then they will have a mechanical come in if there's an EMS system they're putting in. And I think for the most part the small business customer, if the vendors build up a good rapport, then they'll just say, "Hey, next Wednesday somebody wants to come in and take a look at your rooftop equipment, etcetera." So I don't – I think it's the rapport you have to build up. And I think once you do that you can access anything. Because they do use that 36 month history as a tool. I can't stress that enough. That if you go in and you're showing a customer how they use _______. So if you have that utility information for a customer and say, "Hey, here's how you're using it now," and especially if you can bring it down at the timeframe, you get their interest. And then from that point you say, "Listen, what I'm gonna do is probably affect 10 to 15 percent of your bill by addressing the lighting. But what I'd like to do is send one of our mechanical engineers in here and maybe those compressors or maybe that refrigeration equipment or whatever you have, process equipment, could be an area for improvement." I mean we even look at the current rate that they're on. And they might be on a general service rate and we move them to a general service time of use rate. And just by changing that they could save 5 to 10 percent on their bill. Because not everybody gets on the best rate for the type of facility they have. So that's, you know I can't stress that enough. If you're able to tell a customer how they're currently using energy, it makes it so much easier to tell them, "Hey, we'll, here's what we can do to change that.

Marion Fuller:
Mm hmm. Yep. So for folks who want to ask questions verbally, if you could just dial in your PIN, which is on the right hand box on your screen underneath the telephone number for this call. We can unmute you. And you can also type in questions. So we have two questions here, both really about the role of the utility. A number of folks on the call are not utilities. They're local government. And they're wondering is there any ideas that you have for working with utilities? We've seen some resistance across the country to many utilities to do on-bill programs. I wonder, Dennis, if you have any thoughts of this? And then maybe Sally and Michelle may also have some thoughts as you guys both are more representing the local government side and are working with the utilities.

Dennis O'Connor:
Well, as far as that goes, I know – I'll give you my experience here. Recently they have told us they want us to stress the Connecticut Energy Efficiency Fund, CEEF which they call it. So on all our documentation now we have a big logo for that. And way down in the corner is UI. And when we go to do presentations, like I did one this morning for the Realtors Association, I'm wearing a shirt now and it has a big logo CEEF over my pocket. And on the back of my shirt under my color is this little UI. So they want us to kind of back up.

But that being said, we were at an event, an expo, and I started explaining the information to a customer. And meanwhile, an employee from UI had his UI shirt on. And the guy stopped me in my tracks, says, "Wait a minute. I don't want to hear from you. I want to hear from them." Meaning the utility. So if there is a presence, I think all day long the small – you got to put yourself in the role of that small business customer. They are getting solicited constantly. So you're walking in the door, oh, what are they selling me now? I think the fact that a utility or a town official, if they see that, it's going to make it a little more __ legitimize it. You know that, hey, these are somebody and this must be okay. I can talk to them, etcetera. And I find that the contractors, about five or six years ago they said, "Hey, can we have IDs that say we're temporary contractors for UI?" So they see that UI on their tag and they just said, "Boy, it's just helped us get our foot in the door." Because if something goes wrong, the customer doesn't say, they want to say, "Hey, who can we turn to?" So I think if they can turn to either the town or city or to the utility, I just, as a customer, if I put myself in the role of a customer and if I have a billing complaint and my usage seems off or something's going wrong, I just I don't want to turn to a municipality for advice. Because I think the utility is the expert. And I believe that's the way you should come across. Hey, we are the people to turn to for advice on energy because that's our business. So that's I think more my personal opinion on it. I think if I got a traffic ticket that wasn't mine and I want to turn to the town but not about my electric bill. And I apologize for that. Maybe I shouldn't have thrown that out.

[Cross Talk]

Marion Fuller:
But so, Dennis, one of the things that folks and the Better Buildings Programs who are local, usually local governments, sometimes state governments, struggle with is that do the utilities often don't want to participate. And so why is United Illuminating so committed to this program? Is it just that they're getting rewarded for savings?

Dennis O'Connor:
Well, the savings. And also by doing the savings, and believe when I was doing commercial collections, I'd go out to a place. I'd go in there and they had great customer service. They had a great product. And they were just so inefficient I had to put them out of business because they just wouldn't keep up with the bills. And you could see the equipment there was leaking all this stuff. So that really prompted me when I had the opportunity to get in here, I said, "Hey, we can keep some of these people." Because you get a strip mall in a community and the main store goes out of business and before you know it the whole place is boarded up and it becomes a hang out and we lost our customers.

So I think maintaining your customers and right now, like we're running overall between our generation – well, we don't own power plants. We are a distribution company. So we have to go out to a supplier. But our total price here is running around 22 cents a kilowatt hour. And so we need to help them stay in business so we have customers. So I think that's part of it. And maybe part of it, I work with a buddy Ralph that works with me. We've been in the company, you know over 30 years. So we came from customer service and working and I supervised in the phone center. It's just I figure if you focus on the customer, you can't go wrong.

Marion Fuller:
Mm hmm. Any questions on that?

Michelle Caulfield:
I have a – this is Michelle from Seattle. Can you hear me?

Marion Fuller:
Yep, we can hear you.

Dennis O’Connor:
Yes.

Michelle Caulfield:
I just wanted to respond to the utility. Like what we’ve kind of learned in our initial conversations with utilities. So Seattle City Light is our and Puget Sound Energy are the two utility partners. And, you know part of what we have been hearing from them is this is their business and they have longstanding, you know 30 years of experience kind of working with these customers. And they want to have, you know 130 years more. So this is a really important relationship to them.

So I think, first of all, it’s kind of honoring that and making sure that they’re aware that you understand that. Cause we’re kind of new to the energy business in terms of the department of the city of Seattle that’s leading this effort who got the grant. And then our last meeting, it was really great cause one of the things we were asking them is as stakeholders have they felt engaged. And we were just kind of describing our stakeholder process and why they’re so important to the program. They sort of turned it around and said, “Tell us why we should be on board. Like tell us the benefits that you see delivering?” Cause we were asking them about like how do you see this program serving your needs. And we had this great conversation about it. And I’ll just list some of the benefits that we, as a group, came up with was why the utility was interested in this program. And one, they saw us bringing staff in the field to help handhold and walk business owners through the retrofit process. They saw the benefit of us bundling other incentives and benefits. Because each utility, like here we’ve got two different utilities who offer different incentives and they don’t always work together. And then there’s other initiatives out there trying to help with healthy produce or, you know waste management. And so we are sort of marketing ourselves as a program that could kind of bring integrated service and benefits to a business.

We’ve started talking about the new incentives that we’re bringing, like a loan product that the utility currently doesn’t have available, as well as some carbon incentive funds and some direct subsidy to try to overcome hurdles for some of these smaller businesses. We’ve talked about the research element of this. And they were really interested in, you know this is a market we haven’t had as much experience reaching out to in a very intensive way. And we’re interested in what you learn because that’s gonna help us shape our programs in the future.

Local economic development. How we can turn this into how the work with these small businesses are about stabilizing businesses that are really important to the local economy. And then just, you know an opportunity to lead, like Seattle Cit Light and Puget Sound Energy really do see themselves as leaders. And they feel like being part of this program helps set them apart from maybe other utilities across the country.

So it was really helpful to go through the benefits to the utility actually, you know and kind of provide that list. And the folks that we’ve been working with feel like that list is gonna be really important to them up the chain in making the case to other leaders in the utility. So I just wanted to kind of share just an outcome from a meeting we had last week that I think is – that could be helpful to some of the other programs.

Dennis O'Connor:
Oh, yeah. That sounds great. We have 17 towns in our community. And I can tell you, in our territory, and one of the towns is so proactive. And they're on board. And they get it. And we've tried working with a lot of the towns. And that type of relationship you're putting together there sounds great. And I think, you know if we had that with all the towns it make it easier to address some of the customers that fall through the cracks.

Marion Fuller:
Great. Thank you. Thank you, Michelle. That's super helpful. I wonder if anyone has any final thoughts or questions before we close the call? Okay. Great. Well, if folks find resources on this topic working with small businesses that are useful to you, I'd love for you guys to send those to me and I'll make sure to post them on the Better Buildings Google website so that we can start to share this information as folks develop new tools, templates, whatever you're finding helpful in developing your program. We'd love to see those so that we can put them on a shared website.

Dennis, I would like to really thank you for your time. It's great to have someone with so much experience just to share, you know over ten years of experience really doing this work on the ground. So thank you very much for participating.

Dennis O'Connor:
Oh, you're welcome. My pleasure.

Marion Fuller:
Great. And I'll close the call. Thanks everyone else for joining.

Dennis O'Connor:
Take care. Thank you everyone.

Operator:
That concludes today's conference. Everyone may disconnect at this time.

[End of Audio]