



MEMO

To: House Committee on Appropriation
From: Scott Gardner, President
Re: Neighbor Works
Date: March 1, 2018

Cc: Senate Committee on Appropriations, Governor Phil Scott

It has been brought to my attention that Neighbor Works through its Rutland based Heat Squad Program has asked lawmakers for an appropriation of \$250,000 to expand its service territory. This legislative initiative would promote unfair competition in residential energy efficiency contracting causing direct harm to my business. Moreover, creating another publicly funded energy efficiency agency creates confusion and unnecessary duplication of efforts. The proposed appropriation does not serve State government's overall goal to reduce carbon emissions.

While the Heat Squad, in its past, may have offered unique programs to support its non-profit mission, today the organization functions primarily as an enterprise in direct marketplace competition with energy efficiency contractors. After the Heat Squad's original \$4.5 million funding from a U.S. DOE ARRA grant ran its course, the Heat Squad pivoted to a pay-to-play model. They offer energy audits and subcontract energy efficiency improvements, marketing and help with homeowner loans. Subcontractors are required to return 10% of their revenue to the Heat Squad. It should be noted, by the way, that Heat Squad's administrative costs for delivery of energy efficient improvements is higher than Efficiency Vermont's costs for the same programming.

In Chittenden County, low to middle income Vermonters already have many options when it comes to energy efficiency programs. There are already over 50 private contractors offering services at market cost. CVOEO serves the low-income weatherization marketplace. Efficiency Vermont provides marketing, financing support, customer service, quality control, as well as incentives to homeowners through their Home Performance with ENERGY STAR program and Efficiency Excellence Network. Vermont Gas offers audits, financing, and incentives for commercial, residential and multi-family housing for all buildings served by natural gas which is most of Chittenden County. Burlington Electric Department serves the Burlington area with energy programs similar to Efficiency Vermont and coordinates with Vermont Gas. In addition



to all of these public and private agencies, VSECU offers green loans at rates lower than the Heat Squad when their administration markup is considered.

If the Heat Squad appropriation request is fulfilled from the Heating and Process Fuels funds that are currently administered by Efficiency Vermont, they would be drawing from the same pool of funds currently used to provide incentives to Vermonters served by the Home Performance with ENERGY STAR program. If they are truly a program that operates outside the competitive marketplace, shouldn't their funding go through the same rigorous evaluation process as other energy efficiency programs to be measured based on the same scrutinized performance?

I respectfully request that you do not allow this initiative to pass. Please take into consideration the harm it may potentially cause to businesses like mine who employ 30-35 well trained employees full time year round. The services Neighbor Works is proposing to bring to Chittenden County are already being offered by energy efficiency agencies and contractors working in this area but without \$250,000 of the public's money. The money would be better spent channeled through any one of the existing public agencies!