

## Enterline, Shawn

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**From:** Ludy Biddle <lbiddle@nwwvt.org>  
**Sent:** Thursday, September 22, 2016 10:31 AM  
**To:** Enterline, Shawn  
**Cc:** Melanie Paskevich; Thaddeus Omand  
**Subject:** HEAT Squad application

Shawn, you asked for more detail on our plans and trajectory to turn the HEAT Squad into a self-sustaining social enterprise.

As I mentioned in our presentation, the HEAT Squad was developed, on the shoulders of our existing housing programs, in 2010 when we received a grant from DOE to try to “change the market place” for energy efficiency. With their generous support we had grant funds to pay staff to provide outreach, education, construction management and affordable loans to draw people into the program and through the process of making their homes more efficient.

With minor exceptions we did not use our grant funds to add incentive money to the existing EVT incentives; rather we have operated on the premise that quality consistent follow through customer service was the needed ingredient to changing the pattern of uptake into efficiency programs. We have seen significant signs of success: 60% of our customers since we started, are households with incomes below 120% AMI. We also know, however, that pleasing as it is that they are saving on energy costs, they are still not saving as much as they could, for lack of funds to go all out, so we are now ready, with your help, to ‘prove’ that additional incentives to reach the sweet spot, the optimum energy efficiency measures for their homes and their household budgets will go a long way to energy savings and to a form of social justice – strong words but - a situation where a little extra help makes a very large difference to households struggling with the high costs of energy.

But I digress, so back to sustainability:

Once the grant funds had run their course, since 2014, we have been on our own to pay the costs of staffing to provide that quality consistent patient customer service. The CEED program stepped in and made it feasible for us to continue in 2014 and to expand into five counties. And then... since 2015 we were really on our own. Melanie and the team had begun in 2014 to re-design the business model so we earn fees from heretofore free services but that the fees not burden the people we are trying to un-burden. Her model, as you know has a small fee from the customer, \$150 for the audit, and other fees paid by EVT and by the contractors in exchange for work they DO NOT have to perform, marketing and conducting audits.

As I said the other day, we have spread sheets and budget analytics that would paper the Statehouse but the short version is that the HEAT Squad becomes self-supporting when we reach a certain volume of business. For example, one scenario would be 1,200 audits a year with a 35% conversion rate resulting in about 400 completed projects. This would require five auditors on staff. We currently have two and our request to the CEED program will bring us up to at least three, possibly four if our outreach efforts in the new territory prove fruitful (and if it's a cold winter with high fuel prices to bring people to their senses!) It's all about volume.

And IF the CEED program should have additional funds available at any time for any reason.... we could deploy those funds, applying the same proportions – grant dollars would be used in the same way as described in our application to produce the same proportion of results for GMP.

Our goal of 400 single family, non WAP completed projects a year is modest indeed. According to our State Energy Plan, we should be doing 10,000 projects a year! but we haven't hit that tipping point yet. There were fewer than 1,000 projects completed last year throughout the state and HEAT Squad customers accounted for about a third of all the projects completed. CEED funds will see us to a significant growth spurt in our efforts to take this program to scale. CEED funds will sustain the quality of the HEAT Squad service until we increase our volume of business to support our operating budgets through fees rather than dependence of grants. Depending on support for growth of the program, we could be self-sustaining in a year or two.

I hope this is helpful. I know Thad, our CFO, would be thrilled to go over spread sheets with you if you are interested in more detail on our sustainability progress.

We so appreciate your interest and all that you and your company do for Vermont and energy conservation.

Ludy

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