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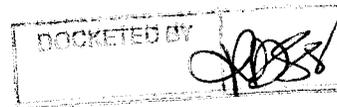
Arizona Corporation Commission
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Regarding: APS DSM Implementation Plan for 2012
Docket NO: E-01345A-11-0232 RET CONTROL



Hello Bob Stump,

My name is Mike Uniacke and I'm the owner of a contracting company called Advanced Insulation, Inc. (AI). AI's services include energy audits, heating & air conditioning, air barrier work, duct sealing, insulation and solar control. I'm writing you to share a contractor's perspective on the APS (*APS Home Performance with ENERGY STAR Checkup*), SRP, TEP & UniSource home energy audit (*assessment*) programs. As a contractor who participates in these programs on a daily basis, I'm uniquely positioned to comment on them. I'm writing you to urge the Corporation Commission to continue to support these audit programs because they are directly responsible for moving the energy improvement contracting industry forward.

I would like to begin by providing a little background on AI and myself, so you can qualify my input. I opened AI in 1997 in response to the mediocre insulation work I had uncovered while performing energy audits in the early 90's. AI has now evolved into a full service energy improvement company with offices in Glendale and Prescott. The company presently employs forty-seven people. Our mission is to become the most respected home performance contracting company in any community we serve.

AI has undergone a huge transformation during the past four and a half years. In 2007, ninety-four percent of AI's business was new construction insulation. In 2012 new construction insulation will be approximately twelve percent of our business. Without the opportunity to participate in utility programs and on low income weatherization projects through the stimulus, AI would be out of business.

I am a proponent of energy efficiency. My experience working as a merchant seaman on oil tankers in the early 80s had a profound impact on the way I view energy, energy consumption, energy regulation and the politics of energy. Back in the early 80's I had no idea how complex and intertwined these issues were; however, I did know with certainty that to be a proponent of energy efficiency was to be on the right side of the issue.

I have written half a dozen articles championing energy efficient building practices as well as articles that are critical of the building industry. In 2000 I wrote an article for Home Energy Magazine titled "Cheating - The Insulation Industry's Dirty Secret". After this article was

published, Dateline NBC asked me to work with them on an expose about cheating in the insulation industry. We actually filmed in Phoenix. The lesson I learned was that the benefits of media exposure of these complex issues is short lived.

As an adjunct faculty member teaching energy efficiency and weatherization at Yavapai Community College, I've worked hard to disseminate building science knowledge to the building community since the early 90's. Although I take a great deal of pride in the classes I teach, I have learned firsthand about the limitations of quality education alone. I observed that without the support of a substantive efficiency program available to the public, the education I was performing was having a limited real world impact. This was especially true in the existing housing market.

As a business owner I've competed in the energy efficiency arena for the past twenty-five years. I know from firsthand experience year after year how the combination of low-bid mentality and lack of knowledge coupled with an utter lack of inspections has undermined the efficiency of the majority of homes built in Arizona. Builders put their bottom line ahead of quality insulation, air tight ductwork, air barriers, solar control, etc. and the result is that the majority of homes built in Arizona during the second half of the twentieth century are in need of "major" energy improvements.

As a result of this apathy and neglect there are huge latent reserves of energy savings in our market place. According to the Insulation Contractor's Association of America's Plan to Stop Fluffing and Cheating of Loose Fill Insulation in Attics, "cheating is prevalent throughout the United States." This document states that "this pattern of fraud has persisted since day one." In our audits we rarely come across quality insulation jobs. I can assure you that these claims are not inflated.

To give you an idea of the scope of the problem, in 2001 one of the state's largest insulation contractors had to go back and re-insulate fourteen hundred brand new homes in Sun City Grand. All of these homes had major insulation problems. I personally know the home inspector who originally discovered the problem and a salesman who worked for the offending company. Both of these individuals would be willing to speak to commission staff in order to corroborate my allegations. I'm not trying to disparage the offending company; I'm simply trying to convey to you the scope of the problem.

Information on the APS web site under the Advanced AC-Tune up program states that 55% of homes have improperly charged air conditioning systems. Based on the research papers I have read, I believe this number is conservative. It is also a poor reflection on the heating and air conditioning industry. Most consumers simply don't know enough about their mechanical systems to hold their AC contractors accountable. Sadly, many AC contractors don't know enough or care enough to do the job correctly. The Advanced AC tune-up is much more sophisticated and rigorous way to charge an AC system.

Solar control is one of the most cost effective ways to reduce the cooling load in the desert and yet I've been told that it is one of the most underutilized measures in the audit program. This highlights the fact there is still a need to continue to educate consumers and home performance

contractors. It is my opinion that shade screens or window films should be required on all homes that participate in the home performance programs, if they have windows with a high solar heat gain coefficient. I believe a requirement like this in the desert makes perfect sense.

You might ask, where are the building inspectors? Unfortunately, up until very recently building officials did not even consider insulation, air barrier, solar control or duct leakage issues to be part of their domain. Almost no one, including the builder, was paying attention to these issues. Even today, building officials do not go up into attics to inspect insulation. Neither do they perform duct blaster tests to commission HVAC air distribution systems. Building inspectors do not possess the diagnostic tools, in-depth building science knowledge or motivation to correctly assess building efficiency.

I hope I have conveyed to you that the second half of the twentieth century in Arizona was a story of lost opportunity when it came to energy efficiency. I've tried to battle the trend as a writer, educator and business man and failed. I kept asking the following questions over and over. Why were the utilities failing their customers? Why wasn't the State Energy Office being more pro-active? Why were building officials missing the most basic energy efficiency details? Why were small and medium size business owners like me unable to motivate consumers to act in their self-interest and improve the efficiency of their homes? Nothing appeared to be working.

Eventually it became clear to me that I could not overcome market inertia without help. I reluctantly concluded that without utility or government involvement in the residential energy sector, I could not successfully promote comprehensive energy improvements to home owners. There were simply too many barriers to success and they still exist. This is why utilities are playing such an important role right now.

During the past several years I have observed firsthand how the utilities have literally created industry where none existed. AI has been able to partner successfully with our utilities to bring comprehensive energy conservation improvements to consumers. If the utility controls the message, consumer education and quality assurance, then these programs will have credibility with most home owners. Utilities are trusted more than most contracting businesses. They also convey the value of the efficiency proposition to a much larger audience with the kind of repetition a small to medium size business could never afford.

This partnership works because small and medium size contracting businesses can execute small energy improvement jobs in a way a utility never could. Utilities are inherently not entrepreneurial. To be successful, AI must install actual energy improvements and not just perform audits. If energy improvements are not made in a program, then energy is not saved. This is why utilities that are doing in-house audits are not nearly as successful as utilities who are working in tandem with contractors like AI.

Having a third party consulting company perform audits without performing the work, is a flawed business model and it is also an affront to companies like AI. As a businessman I have a stake in every audit we perform. To be profitable AI needs to install energy improvements

and not simply perform audits. Some individuals and companies confuse the delivery of an audit with progress. No progress is made until quality work is performed and energy is saved.

The quality assurance aspect of these audit programs are a great feature. I believe it is very important that the utilities be the gatekeepers of these programs because unethical and sloppy contractors will inevitably undermine the credibility of these programs. It is too easy for contractors to cut corners on air barrier work, duct sealing and attic insulation and get away with it. How many homeowners do you think go up into their attics and thoroughly inspect our work when we are done? The answer is close to none. Unfortunately, when it comes to work in less accessible spaces like attics and crawl spaces the contracting community has proven it needs to have its work routinely inspected. This is why third party inspections are crucial.

Take a moment and think about the marketplace for energy efficiency and all the false claims that can be found in newspapers, internet and sales people promising dramatic savings with the purchase of one product. Homeowners are bombarded with all sorts of bogus ads promising energy savings. Without the utility's active involvement, most consumers really don't stand a chance.

AI's auditors get to meet the homeowners who were misled. For example, we met an elderly couple in Sun City who invested \$3000 on a radiant barrier for their twelve hundred square foot home and they did not see any reduction in their utility bill the following summer. An R-19 blown cellulose insulation cap would have cost \$660 and performed much better in the same house. These kinds of stories make me embarrassed to be a contractor.

The market needs an objective broker when it comes to energy efficiency. Unscrupulous contractors have distorted the market and I suspect this is one of the reasons home owners look to their utility for objective information. As a contractor, I'm looking to the utility's' audit programs to bring AI credibility. These programs legitimize proven strategies to reduce energy consumption, while at the same time prevent health and safety issues. I welcome having our work inspected by a third party because, once again, it sends the right signal to homeowners.

Unprofessional contractors compromise the integrity of these programs. That is why AI expects the utilities to hold errant contractors accountable. Contractors who repeatedly do not meet program standards should not be allowed to participate. This is the rate payer's program and the work performed on their homes needs to be of the highest standards.

I also view utilities that don't deliver results as an equal threat to these programs. Utilities that simply go through the motions with these programs present a real risk. I suspect there are simple ratios between the amounts of money spent to manage and promote these programs to kWh and therms saved that are obvious indicator of performance. Underperforming utilities must suffer a consequence for not achieving straight forward goals.

The bar should also be set higher for the HVAC rebate programs. We need to have the HVAC rebates tied to duct sealing and performance testing, not simply equipment efficiency. High efficiency equipment must be connected to a properly sized and sealed air distribution systems

in order to achieve high system efficiency. AI's auditors have recently performed audits on homes with AC equipment with very high SEER ratings, which was connected to extremely leaky ductwork. This makes no sense.

Home performance contracting is a nascent industry and it needs the support of utilities, rebates and the Commission. I consider this an unfortunate reality. I also believe that sometime in the not too distant future this will change and we will not need to rely on rebates to get home owners to invest in comprehensive energy improvements. Arizona will eventually have Home Energy Rating Systems and Energy Efficient Mortgage programs take root which will influence consumers' purchasing habits at the point of sale. Until then we need the utility's involvement and the rebate programs to grow this industry.

A growing industry creates jobs. I'm presently running ads and I expect to bring on additional people throughout the course of 2012. The amount of work that needs to be done on Arizona's housing is staggering. It is important to note that AI is not taking work from other companies. We are performing energy improvement jobs that wouldn't be done without these audit programs. Thus AI creating new jobs in an industry that is in its infancy.

My sentiments were echoed this past week in a televised interview with Bill Clinton. The former President was promoting his new book, Back to Work: Why We Need Smart Government for a strong Economy. The former President states that efficiency programs are the strategy most likely to spark a fast-growing economy. He is also an advocate in building healthy relationships between business, government and publicly controlled corporations. I know that what the former President is advocating works because it is working for AI in Arizona. Myself, my business, the people who work at AI, the rate payers who have participated in these programs, the community and the environment are all winners as a result of these audit programs.

And finally, a few words about the utilities. These words come from a business owner who has held the utilities in contempt for close to a quarter century. I am both surprised and a little humbled to admit that I have come to respect and count on these utility programs. The level of support and training AI has received from the utilities this past year has been very impressive.

I also want to inform the Commission that it is my perception that the residential energy efficiency team at APS deserves a great deal of credit. In my view, they have been the leaders in the existing home sector. The program manager's level of commitment and passion to their programs has been outstanding. I believe a concrete example of this leadership is the Performance Based Rebate program projected to come on line next summer. I'm very excited about this program because we might be able to motivate more consumers to genuinely think about how much they would like to reduce their energy consumption.

The APS team has set the bar for other utilities to follow and I hope they will be encouraged to continue to do so. The senior managers who empower the residential efficiency team are also deserving of the credit as well. I will add that I have dealt with very committed individuals at TEP and SRP, but at present the drive and commitment to make these programs a success is mostly centered at APS.

I also have observed a high level of cooperation and collaboration between the utilities. It is crucial that the utilities work together and, much to my surprise, they are doing so. We don't need competing programs with competing messages. Too many programs and messages will simply confuse consumers. The fact that they are working to put out one message and not three or four competing messages needs to be encouraged and reinforced.

For all the reasons I have stated, I'm a strong proponent of energy efficiency as a resource in utility and regulatory decision making. As a small business owner who wants to do quality energy conservation work, I do not want to see the Energy Efficiency - Electricity and Gas goals undermined by mediocre contractors, poorly run utility programs or a shift in politics. These programs are logical and beneficial.

I'm adamant about protecting these programs because they work. They create jobs, improve the country's energy security and protect the environment. They also save energy and improve the comfort of rate payers. I've attached a letter to demonstrate some of the valuable feedback I've recently received. I receive letters and anecdotes like this on a weekly basis.

If you want to make an informed decision about these programs, I encourage you or your staffers to have your home audited. If you don't want to have your home audited, I want to extend an invitation to observe one of our audits. I'm confident that you will be impressed. These audit programs are a great value for rate payers.

Finally, if there is interest, I'm willing to make myself available to meet with anyone from the Commission to discuss these programs in further depth. I would be honored to participate in a Commission hearing regarding these programs if the Commission thought I could make a contribution. I believe in these programs and I want to support them in any meaningful way I can.

Thank you for investing the time to read this letter. I have spent most of my adult career working in this arena, so I obviously have thought long and hard about these issues. I genuinely hope that my comments and observations are of real value to the AZ Corporation Commission.

Sincerely,
Mike Uniacke

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