

# Working Group Series for Participating Contractors and Industry Partners

## Session #11 | March 10, 2022 8:30am-10:00am

### Agenda

- Meeting Procedures
- Welcome
- Safety Message
- Joint Management Committee (JMC) update and discussion
  - Program Manual Update – 3/1
  - Contractor Responsibilities in the Clean Heat Program
  - Common Application Action Required Issues and How to Avoid Them
  - Online Intake Tool (OIT) Improvements Status Update
  - ICF Process Cycle Times for Completed Prescriptive Projects
- Stakeholder Presentations
  - Contractor Financing (*NY-GEO*)
  - Category 4 Phased Payments (*NY-GEO*)
- Resources, support, and next steps

### Action Items/Commitments

Information in colored text throughout the document corresponds to the action items listed below.

- The JMC will follow up with NY-GEO on their milestone payment proposals

### Welcome

- Program representatives on the call today:
  - JMC Co-Chairs: Toby Hyde (Con Edison), Will Xia (NYSERDA)
  - JMC Members: Ray Cotto (Central Hudson), Steve Coulter (Con Edison), Jennifer Cross (National Grid), Nicole Williams (NYSEG, RG&E), Mark Maloney (Orange & Rockland)
  - Implementation Team (ICF): Mike L'Ecuyer, Kenn Latal
  - Working Group Support Team (Concentric Energy Advisors): Ben Davis, Pieter Zwart, Clara-Ann Joyce

### Working Group Series: Review of Typical Meeting Format

- As outlined in previous meetings, the intent of this Working Group Series is to create a forum for working meetings between participating contractors, industry partners, and other stakeholders with the NYS Clean Heat Program Administrators.
  - Emphasis is on the “working group” nature of these calls, with focus on clarifying issues, pain points, affected parties, and proposed solutions
- The JMC wants to promote dialogue and discussion with a focus on transparency and communication
  - The intent is to drive toward solution development

- Emphasis here is on open communication with the industry. The JMC does want this to be a two-way process in terms of flagging and communicating issues.
- The hope is to have stakeholder-led presentations of pre-submitted topics in addition to updates from the JMC on topics discussed in previous sessions

## Safety Message

- The JMC provided a safety message related to safe driving habits
- Be sure your headlights and clearance lights are clean and turned on while driving
- Sunglasses are helpful in reducing danger of blinding glare from low sun or sunlight reflecting off of snow, other vehicles, and/or buildings
- Cruise control is intended for use in ideal road conditions. It is best not to use it in icy or wet conditions, on winding roads, or in heavy traffic.

## Program Manual Update – 3/1

- An updated Program Manual is posted online on the NYS Clean Heat website in several locations. A redline version is also available on the [Resources page](#) under Program Development, Approvals and Process Documents.
  - The [Quality Policies & Procedures](#) and [Decommissioning Checklist](#) have been updated and posted as well
- The primary updates to the Program Manual include the previously announced incentive updates in Central Hudson, Con Edison, and Orange & Rockland service territories, including the addition of the 2b adder incentive for ASHP full load + decommissioning in Central Hudson service territory, as well as the 45-day deadline for contractors to resolve applications with errors, as announced in last month's meeting

## Contractor Responsibilities in the Clean Heat Program

- A reminder that the Clean Heat Program Manual has a lot of detail and lays out responsibilities and expectations for Participating Contractors, Joint Efficiency Providers, and NYSEERDA
- A list of contractor statuses is given in Section 6. Most contractors on this call are in Full status, but there are other statuses for when things are not going as well.
- The JMC expects projects to comply with all requirements listed in the Program Manual. Projects that do not comply with these requirements should not expect to receive incentives.
  - A particular passage regarding compliance has been highlighted in the presentation slides
- If the Manual is unclear, please reach out to your utility representative for clarification

## Common Application Action Required Issues & How to Avoid Them

- Top reasons why applications are flagged for additional Action Required are listed on the presentation slide, along with ways to mitigate these issues:
  - Missing/incorrect rebate amount listed on the Customer Acknowledgement Form
    - Let the prescriptive calculator calculate the customer portion
  - Invoice information does not match Utility Account Holder information

- Take a minute to confirm this information with the customer. If a utility bill can be shared, that is best.
- Unclear or missing photographs
  - Talk to your installation staff about providing clear photos
- Manual J design temps are not within 5 degrees of the weather station temp
  - Input the project zip code into the calculator to see the recommended design temps
- Heat pump output capacity at design temp is incorrect
  - Use the calculator to determine this capacity. If it is below the temps listed by NEEP, obtain manufacturer data.
- Missing serial numbers
  - Serial numbers for all heat pumps and HWPHs should be captured in photos and listing them on invoices is an added step that helps avoid any questions

## OIT Improvements

- ICF gave a brief recap of Online Intake Tool (OIT) sprint items completed previously, as listed on the presentation slide
- Additional items continue into 2022. The next sprint is due to be completed on May 1.
  - Adding total project aging to the OIT proved to be less straightforward than anticipated and has been pushed out to the May 1 sprint, as reported last month
  - 3 of 6 items for the May 1 sprint have been addressed early, with 2 having been rolled out already
  - 2 items (cloning measures and measure list) proved very challenging to do and it was determined that the level of effort required would get in the way of implementing other requests, particularly unifying the OIT into one statewide platform
    - The decision has been made to address these items once there is a unified platform. This has allowed ICF to start the statewide unification efforts 2 months early, instead of waiting for the completion of the May 1 sprint.
- Smarter existing equipment type entries based on fuel type and a widened column for project numbers are implemented now
  - Total project aging will be incorporated into several reports rather than appearing on the dashboard. This will be in place by the end of next week.
- Including equipment model and serial number and cloning measures will be part of the OIT unification that is slated for rollout just before the next Program Manual update on September 1

## ICF Process Cycle Times for Completed Prescriptive Projects

- As in previous months, process cycle times have been reported in two batches – those that required attention and those that did not
  - Efforts continue in pushing through the large amount of projects in Con Edison territory that had only minor nonconformances
- ICF is still hiring up and using temp services to have the appropriate staff to work through all of these projects

- The blue line in the graphs (showing projects for all utilities that did not require attention) has been edging down since December

## Stakeholder Presentations

### Contractor Financing (NY-GEO)

- NY-GEO is interested in improving some of the issues that the industry is having with contractor cash flow in the current process. Contractors and their partners, especially in GSHP, act as financiers for incentive payments
  - The current average process time that was just reviewed is trending down, but it still puts a strain on how small and medium contractors handle their cash flows
  - GSHP contractors operate in the range of 120-150 days until a project is complete – that is a long time to act as a bank
  - The better the cash flow is, the easier it is for contractors to invest in things like installer training, workforce development, and improving relationships with distributors and vendors
- The proposal here is a blend of what the old NYSEDA program looked like and a way to incentivize improvement on the contractor update, while getting money coming into the process earlier. The idea is to qualify contractors who have demonstrated high-quality installations and compliance with Clean Heat program protocols to receive incentives up front, upon submission of a signed contract and pre-approval application.
  - This is suggested for full load, fossil fuel displacement projects only
  - A signed contract giving all the relevant information would be required. Contractors would complete the existing application up to the point where actual installed project data is needed, such as installation photos, serial numbers, etc.
  - The desire is to move what happens at the end of the project up to the front, like a pre-approval process
- Everyone in the process is affected by slow cash flow – if some things can be moved up, that should help. In the 120-150 day timeline for these projects, a contractor can submit something under one set of guidelines only to have those guidelines change by the time they are ready to complete the process.
- Contractors will have to do quality front-end work to be eligible to receive the up-front payment. The signed contract will show that there is an active customer – this is not a handout. This would be for projects where the customer has been engaged beyond the design process and the contractor is ordering equipment and material and is scheduling drilling.
  - This would be an opportunity to reward contractors that are really doing things well. Some contractors are better at paperwork than others – this would incentivize contractors to do a really good job on the front end.

### Category 4 Phased Payments (NY-GEO)

- A second presenter from NY-GEO spoke about a topic that was originally presented in the October meeting and has not yet received follow-up
- The timing of Category 4 and 4a installations requires the installer to cover costs without payment until the installation is complete, which can take a long time for these GSHP projects and can create cash flow difficulties

- There are significant costs that are incurred on some of these commercial projects, with sometimes months and years of development
- The proposal is to institute a schedule of phased payments, paying out a certain percentage of the incentive when the project hits certain milestones
- **Response:**
  - The JMC recognizes that the cash flow issues brought up here are a particular pain point. The JMC has been making efforts, as mentioned, to reduce processing times and get incentives paid out as quickly as feasible. ICF has been offering the School of Clean Heat webinars to keep contractors apprised of best practices for filling out successful applications.
  - What the JMC does have available at this time to ease payment flow is the option for selecting the customer or a third-party financier to receive the incentive payment form, which can be designated on the customer acknowledgement form, so that the contractor does not have to shoulder the payment
  - Bridge financiers are also available – particularly one called NEIF (National Energy Improvement Fund). More information on NEIF can be shared with those who are interested.
  - On the second topic in particular, the JMC understands that this proposal was brought up in the past. The Program is certainly willing to explore this idea further to see how it could be implemented.
- NY-GEO: Many contractors are aware of the third-party financing options available. From a customer perspective, the more dollars a potential customer has to pay out of pocket, even in the short term, the more this is a barrier to having them sign on to the project.
  - For larger projects, it gets harder and harder, and can be the difference between a yes and a no
- JMC: The JMC has committed to making program updates on a twice-annual cadence. The next round of updates will be announced on June 1 for release on September 1. Any changes would be made along that timeline.
  - The JMC will follow up with NY-GEO on their milestone payment proposals

**Verbal Question – NY-GEO**

- I would like to emphasize this point and this proposal. In light of information presented earlier about the different issues arising with applications and projects, this proposal would allow you to set up a category of contractors that are high-performance.
  - It makes it really hard for the industry to attract new participants into the program when contractors are able to do fossil installations without running into these kinds of backlog and cash flow issues.
  - Offering finance is something, but finance also comes with a higher cost, and we are constantly being pushed to lower costs both by the marketplace and by policy circles.
  - It would be appreciated if the JMC would look seriously at these proposals and get back to NY-GEO constructively.
- **Response:**
  - The JMC will do that, and echoes your sentiment on providing positive reinforcement for contractors who produce quality work and quality applications.

**Verbal Question – NP Environmental**

- I feel disappointed at the response from the JMC on these proposals. NY-GEO spent significant time putting these proposals together, when they should be spending their time looking at how to grow the market. They should not be having to worry about how to get paid by an incentive program.
  - There are many challenges in the industry right now getting the right talent and skill it takes to successfully install these projects. If you look at the industry, good contractors are essential to meeting the state’s goals. Why not put out a reward for those who want to do an excellent job in the program?
  - I encourage consideration of this proposal to be put at the top of the priority list to help the industry grow
- **Response:** The JMC thanks you for your comments, and will see what can be done to act on these proposals.

**Verbal Question – ZBF Geothermal**

- The contractor’s margin is typically 20% on a project. At least downstate, some incentives are 20-40% of the cost of installation, which makes up more and more of the missing money.
  - I have a project now that has a roughly \$4 million incentive. The phasing of the incentive payment is about 2 years from now, but much of the cost is incurred up front. I understand that we can finance it, but the interest on this kind of commercial debt can end up eating up to \$1 million of the incentive. It can’t be all the developer that finances it, nor can it be all the contractor that finances it. I wanted to share some of this background detail.
- **Response:** Thank you – we appreciate you adding that bit of detail to the request.

**Verbal Question – Mitsubishi Electric**

- I sympathize with the speed of payment – I know the JMC has been making efforts to accommodate these requests, including designating a third-party payee like NEIF to shoulder the incentive payment.
- I do have to say that it is difficult to be discussing the possibility of up-front payments for GSHP only 9 days after significant cutting of Category 1 and 2 ASHP rebates with no change to Category 4 GSHP incentives. I understand that there are projects with much larger scopes - \$4 million incentives, for example – but that really warrants a different program structure and perhaps contractual arrangements with the utilities.
  - From prior work in utility program administration, I know that the utilities will be very averse to any risks with projects before they are delivering energy savings. The JMC will be in a really tight spot and would require assurances to do any kind of up-front payment.

**Verbal Question – Dandelion Energy**

- I would like to echo and reinforce what some of the other geothermal installers have said. There are major expenses involved with ground loop in particular, and the time it takes to get to the actual installation of the heat pump just makes the projects that much more complicated. To be spending money that whole time is a lot.

- I would like to emphasize the flexibility and willingness of the GSHP contractors to talk through and work with the utilities. We can ensure assurances that rebates could be returned if something goes wrong. We will need a lot more players in the industry than already involved.
- I would like to hear from the JMC about when you might be able to come back to NY-GEO with some more information on the proposals presented today and what would give you pause about designing a program like this.
- **Response:** Thank you for your comments. The JMC will need to take this back and see what can feasibly be done before committing to a timeline.

**Verbal Question – VanHee Mechanical**

- I wanted to clarify that we are not requesting this proposal to be GSHP-specific. Regardless of technology, anyone who can do full load displacement and who can fill out the applications diligently could be eligible for the up-front payment.
- **Response:** One previous comment was describing a new construction timeline where ground loops were going in before construction, whereas the last comment was targeted at retrofit. It is important to recognize the different economics for different project structures.

**Resources, Support, and Next Steps**

- The next PC&IP meeting will be on Thursday, April 14<sup>th</sup> (8:30-10:00am)
  - All program-related inquiries can be submitted to [nyscleanheat@ceadvisors.com](mailto:nyscleanheat@ceadvisors.com)
  - All project-specific inquiries can be submitted to [nyscleanheat@icf.com](mailto:nyscleanheat@icf.com) or 844-212-7823
- For project inquiries, the first step should be to contact your account manager at ICF. If the account manager does not respond within three days, please contact [nyscleanheat@icf.com](mailto:nyscleanheat@icf.com) or reach out to the utility’s Program Manager. Contact information is listed in the presentation slides.
- Materials from the meeting will be distributed via email. Links to helpful Program resource pages are included in the presentation slides as well.

The JMC thanks all attendees for their participation and engagement.