



Residential Contractor Qualifications and Accountability—Discussion Draft

BACKGROUND

Michigan SAVES is designed as a contractor-driven program. As the primary marketing vehicle and point of contact with customers, contractors (energy auditors and installation contractors) will be critical to the success of the program. Michigan SAVES is preparing to begin implementation of a statewide residential financing program in the summer of 2010.

The purpose of this document is to outline the proposed roles, qualifications, and oversight of contractors offering the Michigan SAVES residential financing product. The information presented in this document is not yet finalized and is being presented to: (1) solicit input by stakeholders on the proposed qualification standards; and (2) help identify how to align Michigan SAVES with other programs, including those offered by utilities and other providers as well as the proposed Home Star program pending before Congress.

MICHIGAN SAVES LOAN PRODUCT

Participating financial institutions will offer an unsecured, personal loan product for amounts between \$1,000 and \$12,500.¹ The loans will finance energy-saving home improvements that are eligible for Michigan SAVES in owner-occupied, single-family, primary residences. Customers can choose from one of the following options to identify qualifying energy-saving improvements:

- **À la carte eligible measures:** Homeowner finances energy-efficiency measures from list of qualifying measures developed by Michigan SAVES (energy efficiency checklist is completed by contractor but no full audit is required).
- **Audit-based full response:** Homeowner finances energy-efficiency measures recommended by a comprehensive energy audit performed by a certified individual.²

(See Overview and Residential Program Design for details, including a flow chart depicting how customers enter the program, work with contractors, and obtain financing.)

¹ Michigan SAVES plans to develop a residential loan program for larger, secured loans as well as products for small commercial loans and other sectors in the future.

² Michigan SAVES will provide financing for any Home Performance with Energy Star (HPwES) or equivalent program and, in such cases, would use the program sponsor's applicable standards for audits, contractor qualification, quality assurance, etc.

CONTRACTOR ROLES

The primary marketing vehicle and initial point of contact for the customer will be a network of contractors and other energy professionals qualified by Michigan SAVES. Contractors will perform the following roles:

- Provide marketing and outreach to customers
- Recommend energy-saving measures to customers and verify that the measures qualify for Michigan SAVES financing (also provide information about applicable rebates, tax credits, etc.)
- As applicable, conduct comprehensive home energy audits, including diagnostic testing and modeling³
- Install energy-saving measures (insulation, air sealing, furnaces, windows, etc.) in accordance with required local and state codes, as applicable
- Assist the customer with the loan application and, as applicable, securing the loan, including the proper handling and processing of the required (confidential) customer documentation
- Documenting the installed measures and the replaced equipment (for evaluation/verification by Michigan SAVES)

CONTRACTOR QUALIFICATIONS

Minimum Standards

To offer Michigan SAVES financing, **all contractors** will need to meet minimum standards:

- Attend orientation session on Michigan Saves financing (loan process, criteria, etc.)
- Provide proof of current business license(s)
- Provide proof of insurance
- Be licensed in applicable trade(s) as shown in the table below

Skilled trade	License	Special designations
Boiler Installation	Boiler Installer	None
Construction	Residential Builder's, Maintenance and Alterations Contractor (required for installation of replacement windows, etc.)	None
Electrical	Electrical Contractor or Master Electrician	None
HVAC	Mechanical Contractor	1 – Hydronic heating, cooling, and process piping 2 – HVAC equipment 3 – Ductwork 4 – Refrigeration
Insulation	Residential Builder's, Maintenance and Alterations Contractor	None
Plumbing	Plumbing Contractor or Master Plumber	None

³ See footnote 2 regarding HPwES.

In addition, **energy auditors**, including those overseeing the installation of measures under the full response program, will be required to have either of the following third-party certifications:

- Certified Building Analyst by Building Performance Institute
- RESNET Level III Auditor

Recommended Training and Certifications (not required)

The following training and certifications are encouraged, but not currently required.

Skilled trade	Certification	Specialties
Construction	Lead Safe	None
HVAC	North American Technical Excellence (NATE)	Air Conditioning, Air Distribution, Heat Pumps, Gas/Oil Furnaces, Hydronics Gas/Oil, Senior HVAC Efficiency Analyst

Related Questions for Discussion:

1. Are these standards appropriate?
 - a. Should additional screening criteria be required, such as favorable Better Business Bureau check, credit checks, insurance minimums, review of sales materials, customer references, and/or minimum years in business?
 - b. Should all contractors without BPI or RESNET certification be required to attend training on the basic principles of building science (e.g., Home Performance 101 used by AFC First in Pennsylvania or equivalent)? Make this optional? Phase it in?
 - c. Should these requirements be modified to align with other current or proposed programs in Michigan and nationally? If so, how?
2. How should contractors demonstrate that the qualifications have been met (i.e., who reviews information and what documentation is required)? Can this screening function be aligned with other programs or initiatives in the state (e.g., single form, consistent standards, where applicable)?

QUALITY ASSURANCE AND ACCOUNTABILITY

Contractors offering Michigan SAVES financing must provide high-quality work. Oversight of contractors will include file checks, as well as random field inspections of a percentage of jobs. In addition, Michigan SAVES must report on the impacts of the program, including data on equipment installed and the associated energy savings.

Related Questions for Discussion:

1. Who should perform the quality assurance/quality control (QA/QC) role (e.g., utilities, third party, Michigan SAVES)?
2. To what standards (e.g., what is the scope of QA/QC reviews under the à la carte and full response approaches and what are the remedies for unsatisfactory performance by contractors)?

3. How can these quality assurance activities be aligned with utility and other initiatives?
4. How can this quality assurance role be funded?
5. Are there specific QA/QC elements that are essential to begin program implementation?