

September 19th, 2011

Thank you for the invitation to testify on the need for Vermont to establish the equivalent of a car's MPG sticker for houses.

My name is Gaye Symington. I'm executive director of the High Meadows Fund, a fund under the umbrella of the Vermont Community Foundation, based in Middlebury Vermont. The High Meadows Fund mission is to improve environmental quality while strengthening economic vitality in Vermont. Because of the impact of heating fuels on both our economy and our carbon footprint, one of our primary areas of focus is to improve the energy efficiency of homes. We conduct our work by providing grants, convening learning sessions, commissioning research, and sharing what we learn through our grantmaking, convening and research.

You heard testimony last month from Richard Faesy and George Twigg, who both have more specific knowledge than I do about options for rating buildings to make their energy characteristics more visible than they can otherwise be. I will instead take a step back and review the compelling reasons for the state's goals for home energy efficiency and why home energy efficiency rating is an important component of meeting those goals.

Last year High Meadows commissioned three research projects that give emphasis to the economic impact of improving the energy efficiency of our buildings, and identified strategies for accelerating the pace at which we're making homes more affordable and comfortable through energy retrofits. One of those projects updated the research that was presented to the legislature in early 2007, in the report, "Affordable Heat." After my testimony you will hear from Riley Allen and Ajith Rao of the Regulatory Assistance Project who authored that report. A second research project was conducted by the Vermont Law School, examining the financing of energy efficiency improvements to homes. A third project, still underway by Efficiency Vermont, presented case studies of Vermont homes that have undergone whole house energy efficiency improvements. Three of those case studies have been completed.

These research projects are available at our website and I can make copies available if you would like.

To put this initiative in context, last year the state established a goal of improving the energy efficiency of 80,000 homes by at least 25% by 2020. For good reason:

- Individual Savings
  - This year, a typical home with oil heat will spend \$2,200 for heat plus \$1,000 for electricity.
  - It typically costs \$7,500 per home to save 25% of fuel use.
  - In this typical home the cost savings would be \$800 per year.
  
- Strengthening Vermont's Economy and Housing Infrastructure
  - In 2010, Vermonters paid over \$600 million to import fossil fuels for use in our homes, businesses, and other buildings. That is almost \$300 million more than we were paying in 2000.
  - Our annual fuel expenditures for residential and commercial heating alone have been significantly greater than the revenues brought in by the entire agricultural sector<sup>1</sup> and were almost \$85 million more in 2009 alone.

- About 80% of expenditures on home heating fuel leave the state.
  - 80% of what is spent on efficiency stays in the state, paying for local goods and services - jobs. Because they are local jobs, they have a greater multiplier effect than buying oil.
  - Vermont must protect its affordable housing base - Inefficient housing is not affordable.
  - Reliance on fuel is a major source of vulnerability for the economy. If fuel prices spike, it causes a lot of disruption.
- The People Imperative
    - We want to keep people safe, warm and dry, and able to afford their housing.
    - If a family cannot afford to heat their home, their home is not affordable
    - When fuel prices rise, Vermonters choose between fuel, health care and other necessities.
    - In the summer of 2008, Vermonters were frightened of the prospect of a winter with \$4+ heating fuel. They felt powerless to do anything about it. We shouldn't wait for prices to get back there before doing what we can now to lower our homes fuel use.
- Energy Independence and the Climate Imperative
    - Fossil fuels used in buildings also represent the second largest source of greenhouse gas emissions in Vermont (after transportation). The buildings sector in Vermont produces a much larger fraction of statewide greenhouse gas emissions (approximately 26%) than does the United States as a whole (approximately 8%)
    - Energy efficiency is the lowest cost means to achieving substantial greenhouse gas reduction.

So, there are good reasons to get the work done to achieve Vermont's goal. And, it's a fairly modest goal – only a quarter of the state's housing stock to be 25% more energy efficient in ten years.

Vermont is currently on track to fall significantly short of its goals. To reach 80,000 homes by 2020 we need increase from what is now about 2,400 retrofitted homes a year (weatherization and HPwES) to over 8,000 homes a year.

To achieve the goal, we need to move in the range of \$700 million into making homes more energy efficient. Most of that (\$460 million) needs to come from private capital, from savings and from borrowing. That means private market mechanisms need to work.

Private market mechanisms are not working now. We hear this from the law school research, from lenders, from contractors, and from the RAP research. There are too many separate steps along the path to energy efficiency. Vermonters are not clear what the benefits are for getting a home more energy efficient, the process is confusing, and the benefits are not visible.

We need a more seamless path to making homes more energy efficient and providing clear information, up front, is a key element of that path.

1. Energy efficiency labeling would enable a buyer to compare the true costs of different homes, not just the sticker price. It's like the MPG sticker on a car. It gives a rating that gives a heads-up

about the comparative costs of heating different homes, so buyers can take that information into account when buying a home, as they do when buying cars with different mileage ratings.

2. It matters that people be able to anticipate the energy use of different homes. Over the life of a 30 year mortgage, a typical Vermont household will spend \$96,000 in utility bills.
3. At the time of sale, home buyers are generally seeking long term financing. The best way to achieve a positive cash flow from energy improvements is with a long term loan. Folding the energy efficiency in with the mortgage enables that kind of longer term borrowing and immediate cash benefit to the homeowner.
4. To move the private capital required to finance a faster pace of energy efficiency, lenders need information about energy efficiency so they can take that into account when qualifying a borrower for a loan.

It's not enough to simply think that buyers can ask for heating bills. Heating bills vary with use, just as drivers' behavior affects the efficiency of a car. A rating can provide a standard that gets beyond the individual behavior. In addition, energy bills are not from one source in Vermont, especially heating bills. It's not always easy to get the full energy picture on a home when heating is delivered by different fuel dealers over the course of a year.

It's great that the MLS sheet now make room for a HERS rating. However, HERS ratings are generally only available for new homes that are built to energy standards. We need something less expensive and more generally available.

When it becomes the norm that all homes have a simple energy rating, the affect will go beyond just the homes that are on the market in any given year. It becomes part of what we expect in a home, what we look for, like the number of bathrooms. It needs to be an easily available – and visible – element of a home in order to be something Vermonters can value, and plan for.

Energy rating labels on homes, like the MPG sticker on cars, at the time of sale, will give buyers and lenders the information they need to value energy efficiency. They will make energy efficiency more visible and easily accessible. This is a critical step in moving capital into home energy efficiency.

Making 80,000 homes more energy efficient is not going to happen on its own. Vermont needs to proactively address how to drive demand for energy efficiency improvements. Establishing a rating system for homes is a critical element of that.

Thank you again for inviting me to testify. I would be glad to answer questions.

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