

*Residential New Construction
Exemplary Program*

Texas ENERGY STAR® Homes Programs
CenterPoint Energy
Oncor

PROGRAM OVERVIEW

The ENERGY STAR® Homes Programs offered by CenterPoint Energy, (formerly Reliant Energy HL&P), and Oncor (formerly TXU) are based on one of nine program designs approved by the Public Utility Commission of Texas (PUCT) to satisfy energy efficiency requirements of Senate Bill 7, the statute that restructured and deregulated electric utilities in Texas.

These programs seek to achieve peak demand reduction and energy savings through increased sales of ENERGY STAR labeled homes. These programs aim to use the ENERGY STAR name to improve the market of new home construction within the utilities' service areas. In addition, these programs seek to transform the new construction market by including consumer awareness of and demand for ENERGY STAR homes while increasing the building industry's willingness and ability to construct ENERGY STAR labeled homes.

The Texas ENERGY STAR Homes Programs are designed to encourage residential builders to raise their building criteria to a *home energy rating system (HERS)* value of 86 (HERS is a 100 point scale with 100 being the maximum achieved for the most energy efficient home) or better. Builders are encouraged to leverage the ENERGY STAR label to the fullest extent. New HERS *raters* are recruited and trained to increase the supply of these building professionals, who play a critical role in these programs. The programs also provide training to builders and their sales staff, realtors, and the lending community. The programs reach consumers through advertising and consumer seminars designed to educate them about the benefits and quality differences of an ENERGY STAR home.

The programs provide financial incentives directly to homebuilders to promote ENERGY STAR homes. This has proven much more effective than paying incentives to the HERS raters, which had been done by the programs in 2001.

The programs also have used an integrated advertising campaign, which received significant co-funding from builders (over 50% of total costs).

The programs cover many facets of the new construction market and perform a variety of activities to achieve its objectives, including:

- Recruitment of builders and HERS raters
- Training to raters, builders and their sales staff, consumers, lenders, realtors, and trade allies (HVAC contractors, window contractors, etc.).
- Establishment of processes for certifying and documenting homes built to ENERGY STAR requirements.

- Establishment of independent inspection protocols to ensure that the raters are providing a high quality and consistent level of support to builders.
- Monitoring and feedback to program staff from monthly team meetings and an advisory board. This feedback is used to monitor program success and make necessary program adjustments.

PROGRAM PERFORMANCE

The 2002 programs will build over 10,000 ENERGY STAR® homes in Texas. These homes will achieve 12 MW of peak demand savings at an average cost of less than \$600 per kilowatt. CenterPoint Energy estimates that each ENERGY STAR® home constructed in compliance with program requirements can save an average of 1.68 kW of peak demand and 2,283 kWh in annual energy.

The programs have grown from 6 builders in 2001 who built approximately 1450 ENERGY STAR® homes to over 40 builders who built over 10,000 homes in 2002. These results were achieved with a relatively modest incentive amount paid to builders (an average of less than \$250/home). The buy-in and partnership with builders has been a key to the programs success, who have contributed over \$700,000 to an advertising partnership with the programs.

We give specific results for each of these two programs below in the *Program at a Glance* sections.

LESSONS LEARNED

An early lesson learned is that the incentive payment should be paid directly to the home builder, not the home energy rater, to increase participation in the program. The infrastructure of home energy raters in Texas is weak, which resulted in lower than expected participation among builders in the program in 2001. Relying on builders to gain program participants not only greatly boosted participation levels, but the builders also have proven to be more reliable and prompt in the required program reporting than the home energy raters.

The programs have taken time to become established and gain crucial program support by builders and other key market participants. It takes time to build the network of program participants and, in turn, transform the new home construction market. One key marketing lesson is that it is critical to target consumer interests and identify their key information sources. The utilities and their program marketer, ICF Consulting, found that builders are more motivated by advertising and promotion than by the dollar incentives offered by the program. A basic premise of the program is that the value of the ENERGY STAR brand is greater than the incentive paid to the builders. Builders were sold on this premise, so much so that builders provided over 50% of the total costs of the integrated advertising campaign. This level of financial support became an anchor for additional “buy-in” from other builders, resulting in even greater participation among builders. Since builders were financially invested in the program through its advertising, building requirements and training, they were very motivated to support the ENERGY STAR brand in all aspects of the new construction market.

PROGRAM AT A GLANCE

Program Name: The CenterPoint Energy ENERGY STAR Program

Targeted Customer Segment: Residential new home construction

Program Start Date: Fall 2000

Program Participants

2000 (2 builders): 350 homes

2001 (5 builders): 1,409 homes

2002 (20 builders): 5,200 homes

2003 (26 builders): 8,200 homes (projected)

Approximate Eligible Population: The Houston market for new homes exceeded 33,000 new homes in 2002.

Participation Rate: Cumulative total number of homes certified in CenterPoint Energy's Program is over 15,000 new homes.

Annual Energy Savings Achieved

2000 (350 homes): 805,000 kWh

2001 (1,409 homes): 3,240,700 kWh

2002 (5,200 homes): 11,960,000 kWh

Cumulative total kWh saved: approximately 16,005,700

Peak Demand (Summer) Savings Achieved

2000 (350 homes): 588 kW

2001 (1,409 homes): 2,367 kW

2002 (5,200 homes): 8,736 kW

Cumulative total kW saved: approximately 11,691

Other Measures of Program Results to Date:

Annual Market Share of Sales Achieved

2000: 1.25%

2001: 5%

2002: 18.5%

2003: 29% (projected).

These percentages are based on an average of 28,000 new homes being constructed in the Houston area.

Budget

Year	Utility Costs
2001	\$1.9 million
2002	\$2.3 million
2003 (projected)	\$2.2 million

Funding Source: From the rate base as approved by the PUC as a result of Senate Bill 7, or deregulation

Best Person to Contact for Information about the Program

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PROGRAM AT A GLANCE

Program Name: Oncor ENERGY STAR Homes Program

Targeted Customer Segment: New home construction

Program Start Date: Summer 2001

Program Participants

2001 (24 builders): 44 homes
 2002 (31 Builders): 6,800 homes
 2003 (53 Builders): 11,100 homes (projected)

Approximate Eligible Population: 45,000 homes are projected to be built in the Dallas/Fort Worth area in 2002.

Participation Rate: The 6,800 ENERGY STAR homes built in 2002 represents approximately 15% of all newly constructed homes in the Dallas/Fort Worth area.

Annual Energy Savings Achieved

2002 (6,800 homes): 25,798,000 kWh

Peak Demand (Summer) Savings Achieved

2002 (6,800 homes): 8,400 kW

Other Measures of Program Results to Date:

Annual Market Share of Sales Achieved
 2001: less than 1%
 2002: 15% of all newly constructed homes in the Dallas/Fort Worth area.
 2003: 25% (projected)
 These percentages are based on an average of 45,000 new homes being constructed in the Dallas/Fort Worth area.

Budget

Year	Utility Costs
2001	\$600,000
2002	\$3.2 million
2003 (projected)	\$5.5 million

Funding Source: From the rate base as approved by the PUC as a result of Senate Bill 7, or deregulation

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