

ENERGY PILOT SUMMARY REPORT

DECEMBER 14, 2009

The purpose of creating a worker owned “community co-op,” a business that trades in part time dollars, part cash, had three original intentions:

- To create value for HEP members - a place to spend and earn time dollars
- To create an opportunity for HEP members to gain work experience and gain employment
- To donate a portion of the cash profits of this venture back to HEP as a fundraising source.

The co-op is not a program of HEP. It is independently funded and managed by its worker owners. Hour Weatherization Co-o, a Maine registered employee cooperative which operates under its own by-laws and has its own accountant and lawyer. It was created in connection to HEP through grants which fully funded and supported the consultant, Terry Daniels. Terry worked with the HEP Executive Director and HEP staff to pilot a collaboration between a private enterprise and a non-profit, Hour Exchange Portland. We based our business plan and budget on the assumption that Hour Weatherization would be contracted with PROP (People’s Regional Opportunity Program) for receipt of federal energy funding for training and contracted work. This was a solid premise because of the promise of the federal stimulus funding package, the research and support of local and state energy officials, and the critical need for home weatherization in Maine. This business plan was easily and willingly funded by a private investor. When it became apparent that the collaboration between the co-op and HEP was able to generate grant funding, we were advised by the co-op lawyer that HEP may pass grants through to the co-op as a forgivable loan conditioned on approval by the funding source. Conversely, the co-op may grant funds to HEP as a donation. Any liabilities incurred by the co-op are the responsibility of the co-op members and not Hour Exchange Portland.

The Beginning

After several meetings with PROP and their enthusiasm about Hour Weatherization, we expected to have access to PROP weatherization jobs as a key component of our business plan. This work would give us two advantages to realize the above goals. First, this would provide Hour Weatherization an established market of cash based customers. Second, the use of HEP members on these jobs would create revenues and a profit margin that would be a fundraising source for HEP. In this model, HEP members would be paid in time dollars and the cash earned by this work by the co-op would be an early source of profits atypical for a start-up business.

There were problems that undermined our ability to execute our plan with the original assumptions. First, there were delays with the stimulus funding that was PROP’s means to secure contracts with area contractors, such as Hour Weatherization Co-op. These

funds were expected in early 2009 but did not begin to create weatherization jobs until late summer 2009.

Additionally, although PROP had pre-approved and encouraged our application, the new federal regulations dictated that as a new applicant to this source of funding, our scoring criteria made us ineligible to be an “approved contractor for PROP due to lack of business experience”. PROP recommended that we work in conjunction with an existing approved contractor to build our experience rating over the year, which will position us for a contract in 2010. An additional hurdle for PROP’s working with Hour Weatherization is the Davis-Bacon Act. Davis-Bacon was created to insure that federal dollars would flow to workers employed by these funds at a “prevailing wage.” Ironically, restriction on federal funds flowing to a CAP agency (Community Action Program) would not allow for unpaid labor (HEP Green Team Members) to be paid by federally funded contracts.

However, PROP recognized Hour Weatherization’s unique relationship with the Hour Exchange and its ability to leverage community effort to weatherize homes as an additional tool for PROP to meet their mission locally. Both PROP and Hour Weatherization committed to an ongoing relationship to address the needs for weatherization of Portland residents.

The implication of these hurdles for our initial plans was dramatic. Without the contract with PROP, our work pipeline for steady employment of Green Team and Co-op Members would eliminate our ability to generate a profit share back to HEP as planned.

Consequently, we would need to turn to the HEP membership for weatherization jobs and this would require a longer timeline to establish steady work for the co-op and longer still to reach breakeven in terms of profitability.

Step One / Step Two

During the months while we waited for the federal contract to be realized, the Co-op was providing basic weatherization to some members, recruiting Green Team Members, providing skilled weatherization to other clients, gaining experience for job evaluations, researching other funding sources and establishing business alliances. We discerned that there were two different kinds of weatherization jobs and that not all these tasks were suitable or preferable for HEP members to earn hours in the Exchange. Installing insulation in attics and basements can be a dangerous and dirty job. Working with high temperatures in the attic in the summer wearing a Tyveck suit, mask and goggles is not an inspiring job for HEP members to regularly earn hours. As one Green Teamer said, red –faced from the heat and covered with the fluffy “snow” of recycled newsprint that comprises blown cellulose insulation, “You gotta pay me to do this!” In short, the higher level of skills for these jobs required an energy technician certification and a dedicated time commitment by the worker.

This appreciation of the two levels of skills separated the program into Step One (basic) and Step Two_Weatherization (advanced).

Step One Weatherization includes the simple tasks of caulking, air sealing, weatherstripping, putting plastic on windows and adding pipe insulation. Step One is ideally suited for HEP Green Team because the program is:

- Safe, low risk
- Done in a day
- Simple to do; easy to teach
- Impactful – potentially \$427 yearly savings according to Consultant Charlie Wing
- Fun

Getting continued participation on the Green Team from HEP members became easier once we started to look at weatherization work as a two step process. We continued to provide Step One weatherization to our members. Concurrently, we forged a business alliance with Earthlight Energy Solutions to hire Kennedy to work on PROP contracted sites and were pleased that one member achieved certified energy auditor credential from the state. Several other members were lined up to participate in the state energy technician training but the training was paused, and remains so today.

In August we met with the United Way of Greater Portland, Habitat for Humanity and PROP to create a collaborative project called “Warm ME Up”. Eleven HEP Green Teamers received training from Charlie Wing, renowned energy expert on the benefit of Step One Weatherization. He has added the component of window inserts which are inexpensive, reusable and easy to install storm windows manufactured by the Maine Prison System. This new alliance has served 40 homes to date.

In our experience with Step One Weatherization, we’ve found a high rate of satisfaction from members who received this service. We also found that as members received an education about weatherization during our site evaluations and work days they became interested in Step Two Weatherization services. The Step One Weatherization work often leads to Step Two, the cash paid projects.

Current Status Program Status

- We provided fifty-two energy evaluations to HEP member homes since February, 2009.
- We provided Step One weatherization to 30 HEP member homes since August, 2009.
- We provided 14 Step Two weatherization projects since January, 2009.
- In collaboration with Warm ME UP we have provided Step One to 40 homes in Portland area.
- We have 20 active Green Team Members
- There is a steady flow of Step One requests continuing. As of this writing, there are six homes scheduled.
- Three persons have received State Energy Certification and there are five potential candidates interested in certification once the state resumes the program.

- We have an active partnership with Earthlight Energy Solutions, a growing business that is interested in expanding to Portland. Earthlight hires our co-op members on a per diem basis and has expressed a desire to hire Green Teamers who are field trained through Hour Weatherization.

Current Funding Status

- The project was launched by a fall, 2008, \$10,000 grant from the Rudolph Steiner Fund for Complimentary Currencies to support the consultant in the creation of the Weatherization Cooperative.
- In the spring of 2009 we received a \$37,000 grant from Great Bay Foundation to pilot the job training component, hire a Program Director and Energy Technician and build partnerships with non-profit and private sector businesses.
- In the spring of 2009 we were awarded a \$25,000 grant from the Fund for Complimentary Currency for administrative support. Funding underwrote all administrative functions of the program.
- In the fall of 2009 we received a \$7500 from the Sewall Foundation to sponsor a percentage of the Program Facilitator's time to recruit HEP Green Team members from the general membership and through the orientation process.
- From its launching in fall 2008, we received both cash and inkind donations from three individuals for materials and tools for Step One.
- In the fall of 2009 we received a grant from Rines-Thompson Fund to develop and implement the Step One Weatherization Program—a separate program from the Cooperative.
- We are in constant dialogue with Maine State Housing Authority for federally sponsored materials for income eligible HEP members for ongoing Step One weatherization. Funds have been approved and materials are soon to be released.
- We are in dialogue with the United Way Warm ME Up partners about providing Step One weatherization to another 35 income eligible families. Funding for this work is being sought by the partnership.

Recommendations

The Step One Weatherization pilot is successful. It meets HEP mission, engages members in both earning and spending time dollars and addresses a pressing need in the community through the creative use of social capital. It is fundable; financial resources from state, local, individual and foundations are available and flowing for this purpose. Additionally, HEP receives administrative funding from grants for this program, thereby supporting HEP's operational budget.

Step Two (the Co-op) is a stand alone entity managed by its three owners. Funding in the amount of \$19,000 was donated to HEP through this resource, as well as bringing credibility to HEP for Step One. The Co-op requires trained, certified workers and a steady pipeline of work to achieve its goals. Step One paves the way for Co-op employment by providing field work experience and referrals to state certification. It

also provides a ladder for employment with other businesses such as Earthlight, and with PROP.

Given the change in leadership at HEP, and the ending of the consultant's contract, Hour Weatherization Co-op will suspend operations to consider its future plans. Members will meet in March to decide the operations for the year ahead. Questions for the co-op to answer at this time will be whether or not the leads from Step One will be enough work to consistently employ co-op members. Additional marketing efforts and investment may be required. During this time, leads generated by the Step One Weatherization for Step Two jobs will be referred to Earthlight Energy Solutions and could again become the source of jobs and revenues for the co-op in the future after March's meeting.

Final Thoughts

This pilot program has been through many permutations in response to the normal challenges of any startup business. Uniquely, the element of weaving social capital as labor within a flexible and dynamic business model has been both fun and challenging. It is important to note that all the funders and potential donors have encouraged the ongoing development of the co-op. Additionally, Hour Weatherization Co-op has introduced or re-introduced Hour Exchange to community leaders, donors, businesses. Many have taken a fresh look at our community currency and have a better understanding of its value and power within our community.

Step One Weatherization is now an integral part of HEP's menu and has potential to remain a revenue source that supports its administrative structure while demonstrates the mission of HEP. Members are helping each other through the earning and spending—giving and receiving—of services.

I have enjoyed working and learning from my experience here at HEP. I look forward to bringing the teachings of Hour Weatherization and Hour Exchange back to my home state for replication. I also look forward to a continued relationship with Hour Exchange Portland.

Written by,
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