

Vermont
Energy Investment
Corporation

Program Design for the Equipment Lease Distribution Channel

Customer Eligibility for a Heat Pump Water Heater

- The Big Three

1. Location & Free Air Space (No closets)
2. Location & Condensate Drainage
3. Location & Height Clearance (>72")

- Other Considerations

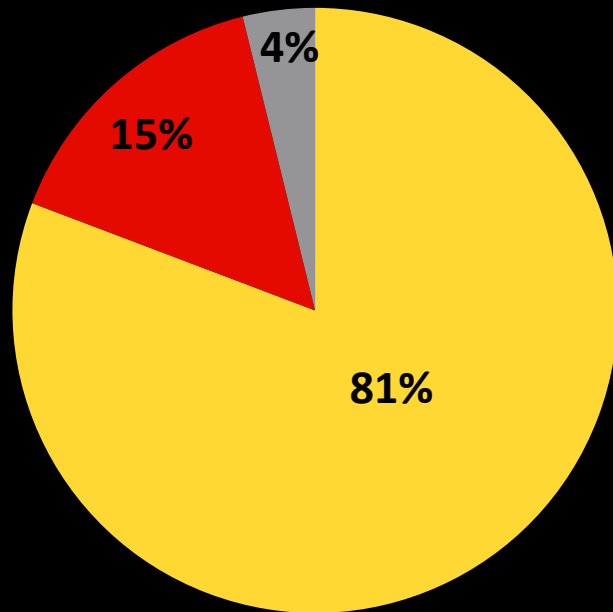
- Existing Water Heater(s): Type, Fuel & Size (Gallons)
- Existing Heating System: Type & Fuel
- Flooring to support 1,000 lbs. (Location again)
- Existence of a Mixing Valve (a code requirement)
- Building size, occupancy and appliance stock.

Customer Expectations & Satisfaction

Expectations	Very Important	Important	Somewhat Important	Not Important
1. Never leaks drain water.	81%	15%	0%	4%
2. Is as energy efficient as possible.	73%	19%	8%	0%
3. Has lower operating costs than the original.	73%	23%	4%	0%
4. Provides hot water on demand.	62%	31%	4%	4%
5. Is covered by the manufacturer's warranty.	46%	31%	23%	0%
6. Never runs out of hot water.	42%	35%	19%	4%
7. Is covered by the installers warranty.	31%	42%	23%	4%
8. Has a low installation cost.	27%	42%	31%	0%
9. Operates quietly. (No sound in the living area.)	19%	27%	35%	19%
10. Dehumidifies the space where it is located.	12%	38%	35%	15%
11. Is manufactured by a recognizable name brand.	12%	28%	40%	20%
12. Is installed without interrupting power.	8%	23%	23%	46%

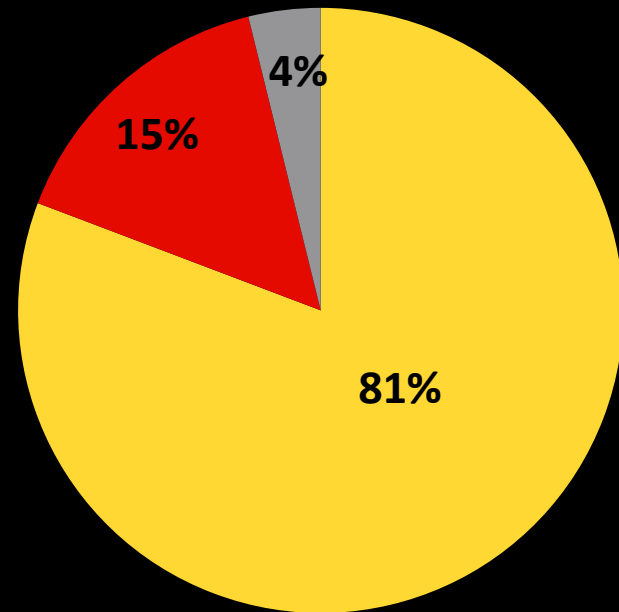
96% Customer Satisfaction

Recommend to a Friend



■ Very likely ■ Likely ■ Unlikely

Overall Satisfaction



■ Very Satisfied ■ Satisfied ■ Unsatisfied

Barriers to Utility Water Heater Lease Programs

- Risk Aversion
 - A function of education, familiarity & experience.
 - Solution: Education. Extended Warranty
- Field Service Readiness
 - What happens if it breaks? Can contractors quickly fix it?
 - Solution: Education & Training. RFP for support services.
- Corporate Priorities
 - Lease programs are typically a side business.
 - Solution: A customer focus.
- Financial
 - Some utilities do not want to “clutter” their balance sheet.
 - Solution: 3rd party leasing companies

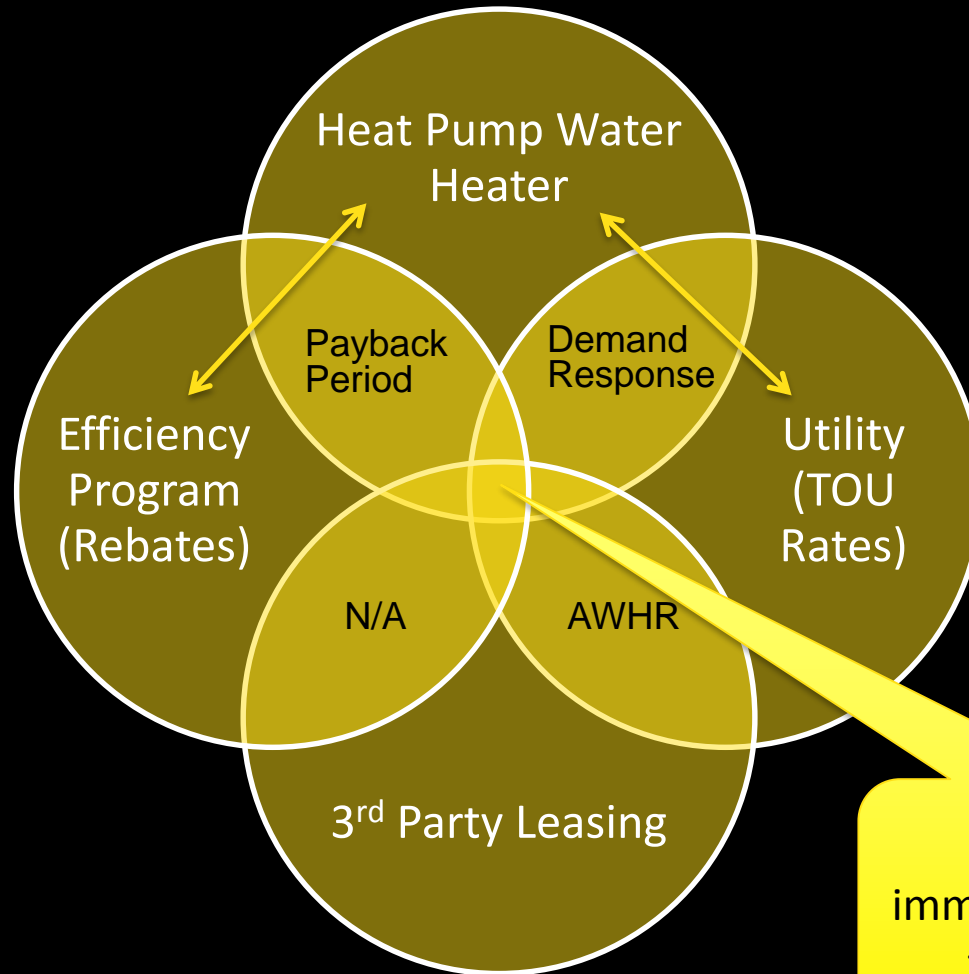
Barriers to Entry for a Lease Program

- Financial
 - Obtaining equity capital.
 - Obtaining credit and a debt rating.
- Marketing
 - Creating demand for an intangible benefit.
 - Screening qualified, eligible customers.
- Operational (Trade Allies)
 - Establish a supply chain.
 - Establish a customer and technical support operation.

Barriers to Efficiency Program Participation

- Vendor & Equipment Neutrality
 - “We can’t favor (pick winners) one lease company (or manufacturer) over another.”
 - Solution: Offerings (and RFPs) that are vendor neutral.
- “Reverse” Fuel Switching & Load Building
 - “We can’t promote it if it doesn’t reduce electric use.”
 - Solution A: Funding for “thermal” efficiency is also a barrier.
 - Solution B: Policy that support fuel neutral metric.
- Measure Lifetime
 - The term of the lease must meet minimum installation times or the measure will not meet cost effectiveness tests.

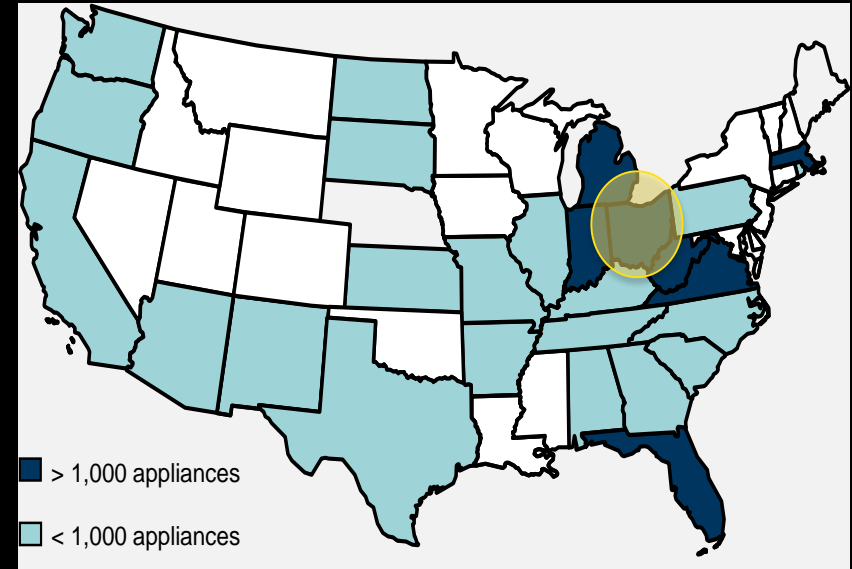
The 3rd Party Leasing Concept



Leasing offers an immediate dollar savings for the customer.

Non Utility Leasing & AWHR

- Equipment
 - GE Geospring 50
- Ownership
 - AWHR owns the equipment.
- Service
 - Full Installation & 24/7 service
 - Repair or replacement is included.
- Cost
 - \$10-30/mo.
 - 24 month term, then monthly.
 - \$150 early termination fee.



AWHR FAQs

- How happens if the property is sold?
 - The lease is transferrable.
 - The equipment is removed if the lease is not transferred.
- How are permit requirements handled?
 - AWHR handles all permit requirements during installation.
- How are the month payments made?
 - Standard monthly bill, credit card, online, ACH, ect.

The Efficiency Program Customer Choices

1. Ownership

- \$250 rebate

2. Lease

- Apply the same \$250 and reduce the lease by \$20-30/yr.
- *This equates to about one free lease payment per year.*

• Advantages of the Lease

- Customer:
 - 24/7 service. \$0 up front cost. Immediate dollar savings.
- Efficiency \$mart
 - Professional installation and higher market penetration.
- Utility
 - An energy efficient (and controllable) load & satisfied customers.

Program Design Elements

- Joint marketing and promotion.
- Vendor Neutral
 - Must be available to other leasing companies.
- Equipment Neutral
 - The qualified product list includes multiple manufacturers
- Lease Term = Minimum Measure Life

Customer Economics: The 20/20 Value Proposition

Purchase / Own	Value
Installed Cost	\$1,500
Rebate	\$250
Out of Pocket	\$1,250

Payback Period	3 years
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“Pay \$1,250 now & wait 3 years to get your \$ back.”

Rent / Lease	Value
Installed Cost	\$1,500
Equipment Life Yrs	10
\$/Month	\$20

Net Savings per Year	\$200
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“Pay \$20/month now plus save another \$20/month.”

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