

Texas HERO – Resolution of Support for RESNET

Date: May 21, 2008

To: Steve Baden and RESNET

CC: David Lee, Sam Rashkin and the Environmental Protection Agency

From: Texas HERO Board of Directors

Background:

For many good reasons, the EPA has embarked on a process of opening up the ENERGY STAR oversight and verification process to organizations outside of RESNET.

Texas HERO response: Be it resolved that:

The Board of Directors of Texas HERO hereby expressly throw all our support and the support of our membership behind RESNET and the existing RESNET ENERGY STAR Oversight Process.

Rationale:

1. On balance, we believe that an additional oversight organization(s) would fragment the rating industry's collective effort, disrupt organizational development and alter established revenue streams.
2. Adding additional oversight organizations would weaken RESNET and adversely impact the entire industry. Resources are scarce. Margins are thin. Costs are increasing. Customer demands are growing and the demands on quality delivery of energy advice, modeling, and inspection, testing and reporting are growing. There is much to do and we are a small industry. Dividing the oversight function at this time will distract from forward movement and force all parties to fight over the available revenue and prevent us from putting our full effort on integrating the position of Energy Rating and ENERGY STAR in the emerging efforts for Green Building, energy improvement of existing homes and the potential opportunity of carbon trading.
3. If a new organization did succeed on a national basis, much of that growth is likely at the expense of the RESNET rather than by organic growth of the industry. The end result would provide fewer benefits.
4. Our statement of support is not a question or concern about organizations that might apply to provide Oversight of ENERGY STAR. Our concern is the split of scarce resources when we believe that the rating industry (and our clients) would better benefit from remaining united.
5. Contributions of Regionally Based Programs:
 - a. At Texas HERO, we have a vision for the role of Energy, Energy Raters and ENERGY STAR in the ongoing efforts of our State. Texas HERO has the opportunity to expand our influence and our market in Texas. There are legislative mandates which open doors for energy rating and ENERGY STAR. There are opportunities to grow the business in all types of buildings and for both new and existing. If RESNET did not exist, we could replace those services.
 - b. Because of our size and limited resource base, we can achieve much more if we remain in alignment with the EPA and with RESNET and build (not recreate) on the foundation that both organizations provide.

- c. In addition, keeping our “oversight” revenue in Texas might be counter-productive in the long term. There would clearly be some benefits to the “regional focus”. Yet, removing our revenue from RESNET might so crimp the organization that the entire industry might miss on effectively aligning for carbon credits, as just one example.
- d. The strength of regionally based organizations is their local flavor and perspective on the key regional issues. While regional organization could develop a national perspective, Texas HERO at least, would have to alter its mission and develop a business strategy that would be financially viable.
- e. There is likely a role for regional organizations like Texas HERO in field quality assurance. Field performance can be objectively confirmed. At present, it seems like a disinterested third party – RESNET in our industry’s current case – is better suited to do the quality assurance review of providers.

5. What moves the industry forward?

- a. Remain unified (“a house divided cannot stand”)
- b. Focus on achieving the most important objectives (i.e. grow opportunities in existing homes and buildings market, support the growth of Green Building with ENERGY STAR and third party verification at the core)
- c. Reduce barriers to success for our stakeholders
- d. Identify and resolve the issues that frustrate our stakeholders
- e. Protect our time (we are a small numbers organization)
- f. Create successful business models that can be emulated and duplicated
- g. Reduce the impact of change on stakeholders
- h. Provide stability to our industry
- i. Build on our current platform of tools and processes

The energy-rating world is burgeoning with opportunity. At the same time, we also stand on a precipice and could easily slip into irrelevance. There is a symbiotic relationship between the ENERGY STAR for New Homes program, the Rating community and Home Builders. We must continue to develop alignment between our collective goals and objectives and seek the success in areas that make business and public policy sense.

Our mutual customer – the home building industry is in disarray. They are feverishly looking for ways to reduce cost. Energy Rating and Energy Star are (mostly) voluntary expenses. If we make our lives too difficult, our problems will continue to spill over to their world and the value of our voluntary services will decline. In a year where they are writing off (literally) billions in operating losses and land assets, they will pull no punches if our work is not central to their ongoing success/survival.

There are sufficient disruptions in today’s marketplace without strategically choosing to add new ones. We are a small group with the collective potential to have an outsized impact on the energy and emissions issues facing our world. We must protect our scarce resources and build upon the foundation that is in place. This is a consensus driven process. That is both good and bad. I am appreciative of the opportunity to contribute and hope to impact the conversation and the direction so that EPA will continue its good work in tandem with RESNET towards the achievement of our worthy endeavors.

Sincerely presented this 21 day of May, 2008 by the Texas HERO Board of Directors.