

ESA Labor Rate Exercise

LIOB Presentation

March 14, 2024





Introduction



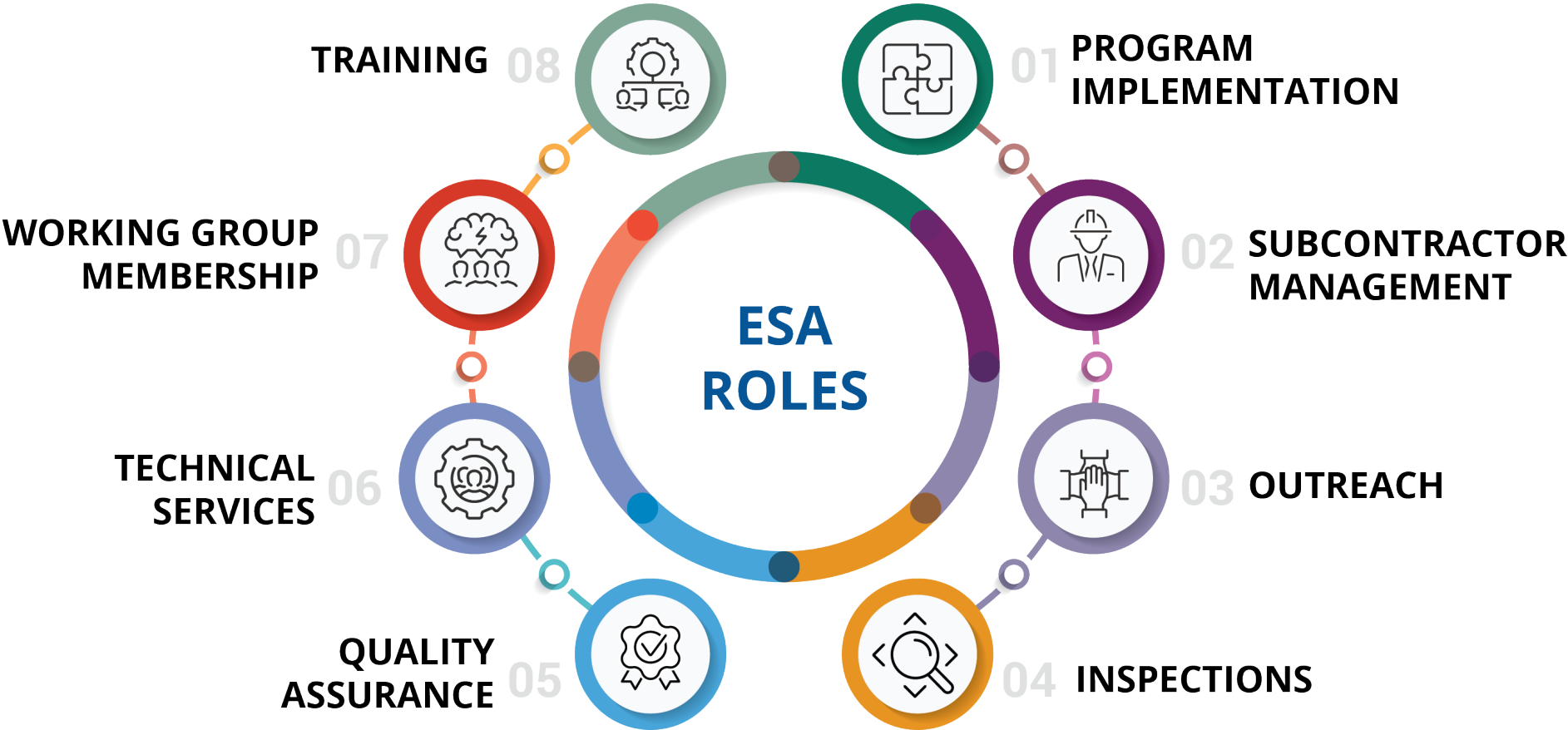
Cynthia Bruno Rafferty
Chief Executive Officer



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Corporate Controller



RHA INTRODUCTION

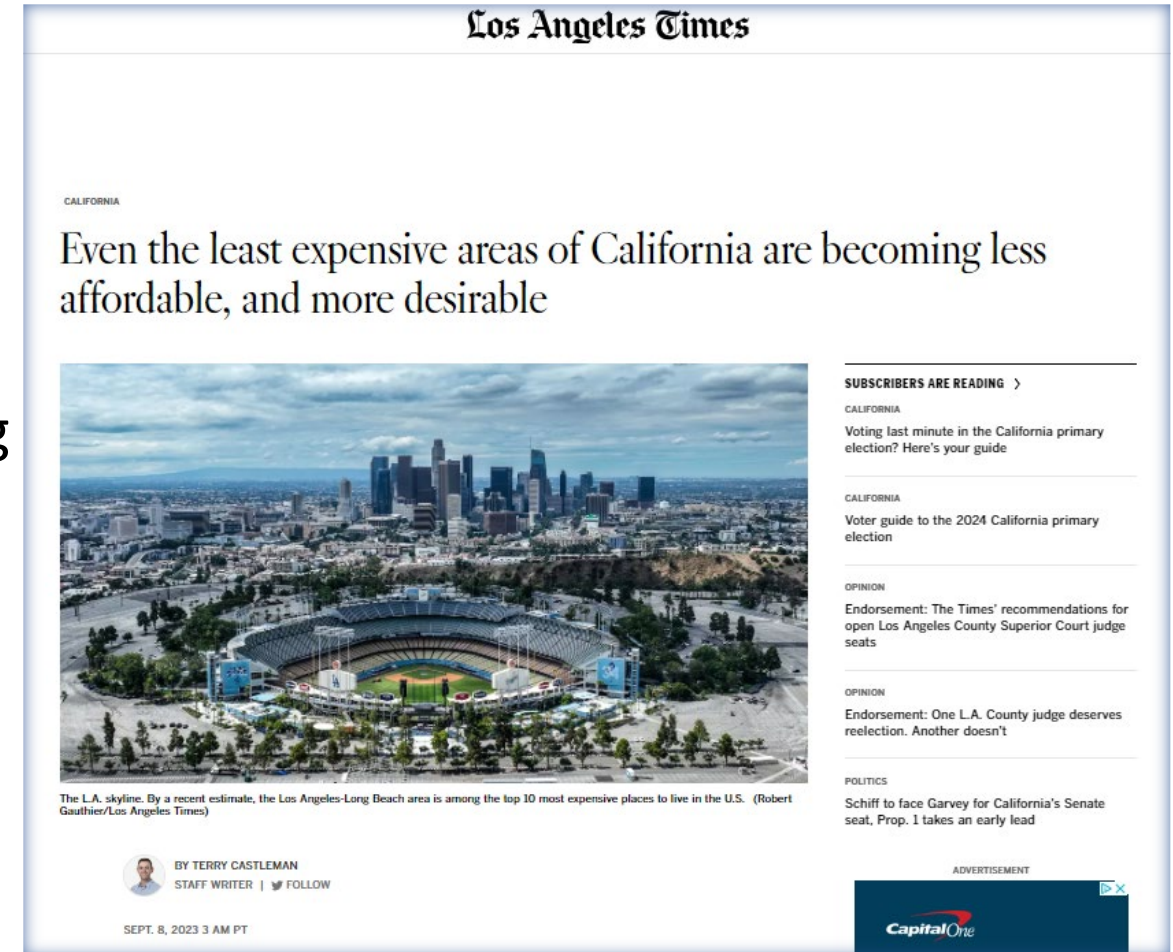




Background

Current Environment

- ESA Contractors represent that reimbursements aren't sufficient
 - Reports are anecdotal
 - Current prices established in ESA RFPs submitted in early 2022
 - Discussion around advances is concerning based upon experience
- Lived experience
 - \$20 minimum wage for fast food workers
 - Increases in insurance, gas, food, etc.
 - Belief that everything is more expensive



Wages Have Increased



CA Dept. of Housing and Community Development (HCD) Income Limits – Area Median Income (4)

Year	2021	2022	2023	2021 vs 2023
HCD Income Avg.	87K	97K	105K	18K
Increase %		<div></div> 12%	<div></div> 8%	<div></div> 21%

CPI-W increases (Urban Wage Earners and Clerical Workers)

Year	2021	2022	2023	2021 vs 2023
CPI index	289	310	321	33
Increase %		<div></div> 8%	<div></div> 3%	<div></div> 11%



Caveats

Intended to:

- Gather information from a select sample of RHA ESA contractors
- Understand how contractor costs may differ from current reimbursements on RHA implementer contracts

Not intended to:

- Serve as a market study
- Determine statewide labor rates
- Call attention to any IOU
- Disclose existing contracted rates

RHA facilitated the exercise but did not contribute any data

- RHA may benefit from improved program performance (Implementer)



Pricing Transparency Exercise

Overview

- In 2017, to gain insight into similar contractor complaints, PG&E Program Team, PG&E Sourcing and RHA engaged in an exercise to systematically understand ESA labor costs
- Pricing model developed for fair reimbursement =
Fully-Loaded Labor Rates x Level of Effort + Materials (no mark up)
- Labor Rates were calculated using the same methodology applied here
- Billable time reimburses contractors for all program expenses – not just the employee being billed
 - Adjusted to capture billable time and exclude non-productive time

Data Requested

- Requested submissions from 7 contractors working across California
 - Invited small and medium for-profit and non-profit CBO
- Template requested inputs specific to these areas:
 - Employee Wages: Costs directly attributable to the billable employee (base wage, overtime, incentives, vacation/sick, workers comp, health insurance, retirement, employer taxes)
 - Direct Program Burden: Costs directly associated with program participation separate from employee costs (facilities, transportation, corp. insurance, training, licenses, technology, project supplies, safety equipment, warehouse, program management, program admin support, ISNET)
 - Corporate Overhead: Portion of non-program costs of the business allocated to the program (Executives, HR, accounting, finance, IT, business development)
 - Profit – 10%

Data Analysis

- Received submission from 6 of 7 contractors invited to participate
- Reviewed data for accuracy and clarified entries that weren't reasonable
- Applied a consistent standard of 1400 billable hours for field employees (6 billable hours a day) and 1600 billable hours for administrative employees (7 billable hours a day)
- Eliminated any outliers that didn't correspond with a normal program range (both high and low) after corrections
- Averaged all submissions by ESA role

Findings

Statistics by ESA Role*

Role	Avg. Rate	Low Rate	High Rate
Call Center Representative	\$ 131.16	\$ 92.40	\$ 150.49
Energy Specialist	\$ 169.09	\$ 142.08	\$ 192.61
HVAC Assistant/Helper	\$ 166.14	\$ 112.93	\$ 189.69
HVAC Journeyman / HVAC Apprentice	\$ 174.20	\$ 119.71	\$ 195.08
HVAC Technician	\$ 182.26	\$ 126.49	\$ 200.47
Weatherization Specialist	\$ 166.93	\$ 131.94	\$ 187.55
Weatherization Specialist - Insulation installer	\$ 160.94	\$ 113.28	\$ 189.22
Weatherization Specialist - NGAT	\$ 158.95	\$ 133.27	\$ 187.55
Weatherization Specialist/ NGAT Blended Rate	\$ 162.94	\$ 132.60	\$ 187.55

*Average, low and high of contractor inputs – does not reflect contracted labor rates.

Findings

- Unprecedented period of inflation in 2022 and 2023, following RFP bid submissions, which increased wages and costs statewide.
- We believe there is agreement around the value contractors play as the program's backbone and that they should be reimbursed fairly.
- We believe there is enough data to support IOUs revisiting contracted labor rates with contractors to determine whether increases are appropriate.
- We are aware of the tension between increasing labor rates and IOUs achieving energy savings goals.
 - Possibly they cannot do both.
 - If so, how do they prioritize?

Questions or Comments?

Contact Us

Let us know if you have questions!

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