

EnerQuality Corporation

Briefing Note on Current Status and Developments

October, 2010

**Canadian
Home Builders'
Association**



Contents

1.0 Purpose and Scope of this Briefing Note	1
2.0 Background on EnerQuality Corporation	1
3.0 Ownership and Governance	2
4.0 Current Status of EnerQuality Labeling and Other Business Activities	4
5.0 Roles and Responsibilities within EnerQuality Corporation	5
7.0 EnerQuality 'Partners'	5

1.0 Purpose and Scope of this Briefing Note

The Executive Board of the CHBA has requested updated information on EnerQuality Corporation, to provide them with a better understanding of the organization's current status and future directions.

As the CHBA has always supported builder-led, voluntary, market-driven "green" home labeling initiatives, including R-2000 and ENERGY STAR for Homes, the Executive wished to understand the mission and business operations of EnerQuality Corporation, as it plays a key role in the delivery of these initiatives in Ontario.

The draft briefing note is focused primarily on the ownership and governance of EnerQuality, and the Corporation's current business lines and activities. Further discussions with EnerQuality staff will be held to learn more about the organization's anticipated future business directions. An updated version of this note will be issued following these discussions.

The information presented herein was developed based on discussions with Mr. Corey McBurney, President and CEO of EnerQuality Corporation. As noted, additional discussions with Mr. McBurney are planned, and a draft version of the updated briefing note will be provided to EnerQuality Corporation for their review prior to completion, to ensure that all details presented are accurate and in appropriate context.

2.0 Background on EnerQuality Corporation

EnerQuality was founded in 1998 as a partnership between the Canadian Energy Efficiency Alliance (CEEA) and the Ontario Home Builders' Association (OHBA). EnerQuality's stated mission is as follows:

Our mission is to transform Ontario's housing into the most energy efficient and sustainable in the world.

This mission is elaborated upon on the EnerQuality website, as follows:

EnerQuality has emerged as Canada's leading provider of green building services by tapping into Ontario builders' eagerness to innovate and build responsibly.

Our market-driven approach is delivering unprecedented results: Ontario builders are delivering the much needed new homes that Ontario's growth demands – but they're doing so in ways that use less natural resources, consume less energy and are healthier and more comfortable to live in.

EnerQuality's primary areas of business include:

- Delivery of energy efficiency and 'green' home labeling services.
- Delivery of training related to energy efficient and 'green' building practices, primarily to new home builders.
- Delivery of consulting and other related services, such as the LEEP/TAP process, under contract to external parties.

Of the three areas of business, the greatest activity is in the delivery of energy efficient and 'green' new home labeling services. Under license from Natural Resources Canada, EnerQuality delivers ENERGY STAR for new Homes, R-2000 and the EnerGuide Rating Service (new homes only) in the province of Ontario. In addition, EnerQuality is licensed by the Canada Green Building Council to deliver the LEED for Homes initiative. Finally, EnerQuality has developed its own 'green' label initiative for new homes – GreenHouse Certified Homes.

As reported in the OHBA Spring 2010 Housing Issues Status Report, EnerQuality's cumulative labeling activity at that time, by label, was as follows:

ENERGY STAR

- Enrolled: 27,997
- Labeled: 17,266

ERS (new home only)

- Enrolled: 6,267
- Labeled: 3,676

R-2000

- Enrolled: 823
- Labeled: 571

GreenHouse

- Enrolled: 130
- Labeled: 66

LEED – H

- Enrolled 183
- Labeled: 0

3.0 Ownership and Governance

EnerQuality is a private, for-profit corporation formed under Ontario law. Initial ownership was held 70% by the Canadian Energy Efficiency Alliance (CEEA), and 30% by the Ontario Home Builders' Association (OHBA). In 2009, OHBA purchased an additional 20% interest from the CEEA, increasing its ownership position to 50%.

In relation to EnerQuality Corporation's owners, the OHBA is the provincial level of the CHBA and its mission and purpose are well understood. The Canadian Energy Efficiency Alliance states its mission and objectives as follows¹:

Mission

The leading independent voice in Canada to promote and advance energy efficiency and its related benefits to the economy and the environment.

Objectives

- *To engage with provincial and federal governments to develop and maintain energy efficiency policies, programs, codes, and standards.*
- *To monitor and publicly report on the energy efficiency activities of governments and other organizations.*
- *To assist members in the development, delivery, promotion, and evaluation of their energy efficiency initiatives.*
- *To raise the public profile of energy efficiency and CEEA, focusing on the benefits of energy efficiency to the economy and environment.*
- *To identify and work with stakeholders on human resource aspects of energy efficiency, including: education, training, qualification and certification.*
- *To expand the capacity of the CEEA and maintain financial sustainability.*

EnerQuality Corporation is governed by a Board of Directors and follows a policy governance model. A listing of current Board members has been requested. In addition, the CHBA requested access to Board meeting minutes, the Corporation's Bylaws and its current approved business plan. EnerQuality was unable to provide these documents, due to the private structure of the Corporation.

It is understood that the Board's work is supported by two Board committees: a Governance, Human Resources and Nomination Committee, and an Audit and Risk Management Committee. In addition, three Standing Councils provide input from key stakeholder groups: a Builders' Council, a Partners' Council (involving manufacturers, utilities and government agencies), and an Evaluators' Council (involving ERS Certified Energy Advisors).

The EnerQuality Board meets four times each year, as do the two Board Committees. In addition, EnerQuality's three-year strategic plan and one year operating plan are reviewed and approved annually at a separate meeting of the Board.

In relation to EnerQuality Corporation's evolution, it is understood that in its early years the Corporation relied on external providers for key services, including accounting (OHBA) and actual delivery of training and labeling services (The Summerhill Group). This operational structure changed at some point after 2003, following the disbandment of the Board and a reorganization of the Corporation. Subsequently, EnerQuality has internalized all operating functions and currently has nine employees.

¹ Taken from www.energyefficiency.org/AboutUs.html

4.0 Current Status of EnerQuality Labeling and Other Business Activities

4.1 Labeling

As noted, EnerQuality delivers a number of new home labeling initiatives: ENERGY STAR, R-2000, ERS for new homes only, and LEED for Homes. In addition, it owns and delivers its own 'green' new home label, GreenHouse Certified Homes.

Of these initiatives, ENERGY STAR is by far the most active, with over 27,000 homes enrolled by early 2010. EnerQuality is one of ten Service Organizations in Ontario licensed by Natural Resources Canada to deliver ENERGY STAR, and so operates within a competitive environment in this area.

In relation to the R-2000 initiative, EnerQuality is one of seven listed Ontario Service Organizations. In relation to ERS for new homes, EnerQuality is one of eleven NRCAN-listed Service Organizations.

In addition to its operations in Ontario, EnerQuality is listed in the NRCAN database as a licensed Delivery Organization in British Columbia for ERS (new homes only), ENERGY STAR for Homes, and R-2000. It is not known if EnerQuality currently delivers these services in British Columbia.

4.2 Training

EnerQuality lists the following courses as being available in 2010:

- Green Real Estate
- ENERGY STAR for New Homes
- GreenHouse Certified Construction .
- Get Your Houses to ENERGY STAR for \$2500 or Less!
- Introduction to OBC 2012 Code
- Explore the Next Generation: Get to EnerGuide 80, 83 & 86
- Best Practices for Full Heights Basement Insulation
- Heat Recovery Ventilation (HRV)
- Indoor Air Quality (IAQ)
- Advanced Building Science
- Introduction to Green Renovations
- Certified Energy Evaluator MURBs training
- LEED Canada For Homes

4.3 Consulting Services

EnerQuality's principle current consulting project appears to be Local Energy Efficiency Partnership / Technology Adoption Pilot (LEEP / TAP) which it is delivering under contract to NRCAN and "with the support" of the Ontario Power Authority, Enbridge Gas and Union Gas. This project is a follow-on to the successful London LEEP initiative which involved the London HBA. The current LEEP/TAP project is being delivered through the Sudbury, Hamilton-Halton and London HBA's as well as BILD.

The other consulting-based service that EnerQuality has been involved in is the Building Canada initiative, which it owns. Building Canada is based on the success of the Building America program, established by the Department of Energy in 1994 to increase energy efficiency and affordability of production housing.

According to the Building Canada website, this initiative works to *“address the concerns of production builders, both large and small, using a systems engineering approach to reduce energy use by 30-60% at little or no cost. Building Canada employs key multi-disciplinary design teams of top industry professionals that employ advanced framing, rationalized mechanicals and benchmarking techniques to achieve its aims of improved energy efficiency in the industry.”*

The current level of activity of Building Canada is not known, although its website cites projects in the Greater Toronto, Halifax and Calgary regions. It is thought that this initiative has largely been supplanted in Ontario with the success of ENERGY STAR prescriptive requirements, which have increased the level of participation by large-scale production builders.

5.0 Roles and Responsibilities within EnerQuality Corporation

As noted, EnerQuality operates under the direction of a Board of Directors representing the two organizations which own it. Mr. Corey McBurney is EnerQuality Corporation’s CEO and President. Board Committees and Standing Councils have been described previously.

7.0 EnerQuality ‘Partners’

EnerQuality Corporation lists a number of “partner” organizations, as follows:

- Cosella-Dörken Products Inc.
- DuPont™ Tyvek®
- Enbridge Gas Distribution
- Natural Resources Canada
- Owens Corning
- Ontario Power Authority
- Reliance Home Comfort
- Union Gas
- Venmar Broan NuTone vanEE

According to the information provided by Mr. McBurney, these partners represent external organizations that contribute financially to EnerQuality on a service-based basis. The services rendered include the provision of information, access to builders and the delivery of specific services related to initiatives (i.e., LEEP/TAP).