

FEATURE





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BUILT TO LAST

In a rebounding single-family home construction market, cultivating long-lasting relationships with builders is a key strategy for reaching this segment. **BY CAROLYN KIMMEL**

In a building atmosphere positively charged for an uptick in single-family new construction, one way natural gas utilities try to ensure they will be the service providers for many of those homes is by fostering lasting relationships with the builders who construct them.

“There is value in the home itself, but there is also value in the long-term relationships we develop with the builders. They know we’ll be responsive to their needs, that we support them; they see us in a partnership rather than a transaction over one home,” said John Frankel, senior manager of marketing and channel development at NW Natural.

“For us, it’s been very important to work with builders right from the design phase and establish ourselves as a resource. In addition to rebates, we provide builders with everything from marketing materials for their show suites to access to studies,” said Nicole Bogdanovic, corporate communications advisor at FortisBC.

“The builder/developer is our bread and butter. They are the repeat customer we have year after year,” agreed David Allain, Eversource Energy’s director of gas sales and marketing, who has been cultivating such relationships for about three decades. “We’ve taken a very proactive approach with builders for years because we value them. If they are doing a subdivision of 10 homes, 100 homes or 500 homes, I’m guaranteed 100 percent of those meters because of that relationship.”



Shakespeare Homes in British Columbia educates its clients on the latest natural gas appliances thanks to information provided by FortisBC.

Any successful partnership starts with an action plan. To encourage new natural gas home construction, a utility's plan often includes savvy marketing opportunities, educational efforts around energy efficiency and taking advantage of the best programs available to pair incentives with a builder's desire to find the best deal for himself and his client.

A Warm Market

Nationally, statistics are on the natural gas utility's side: The numbers show that a healthy margin of homeowners prefers natural gas, even among those who currently use electricity.

According to a 2016 survey of 37,121 new homeowners conducted by the consulting firm Woodland, O'Brien and Scott for the Energy Solutions Center, 67 percent of homeowners preferred natural gas for heating, 68 percent preferred it for water heating, 69 percent favored natural

gas for cooking and 49 percent said they preferred drying clothes with a natural gas dryer. The highest preference for natural gas was in the Northeast, where there is a greater need for heat, the survey noted.

It doesn't hurt to have a rosy housing market outlook, either. Single-family permits are nearly 11 percent higher compared to this time in 2016, according to the U.S. Census Bureau and U.S. Department of Housing and Urban Development. The number of single-family starts is 8.9 percent ahead of its pace during January through August 2016.

"We expect single-family starts to register a 7.3 percent year-over-year increase in 2017 and to climb an additional 7 percent in 2018," said Michael Neal, assistant vice president of forecasting and analysis for the National Association of Home Builders.

Hurricanes this past fall intensified builders' concerns about a labor shortage

and the cost of building materials. Still, overall builder confidence in the market for newly built, single-family homes is on the rise, thanks to a strong economy characterized by job growth and a low inventory, according to Neal.

Smart Marketing

Research conducted for NW Natural by Market Strategies International last year showed that, in the average-or-better home market in its service territory, people are willing to pay \$50,000 more for a home with natural gas, NW Natural's Frankel said.

That's a good talking point for the utility as it partners with builders. "Even if there are some incremental costs in running the gas lines or in the natural gas equipment, it will be worthwhile based on the premium they will command for the home," Frankel said.

The research also showed that 9 in 10 people who recently bought or plan to buy a house ranked having a home with natural gas service as “important” to them, because of its affordability and better performance for cooking, heating and energy efficiency. Also, given the choice between two otherwise identical single-family homes offered at the same price, 9 out of 10 said they would pick the home with all natural gas appliances versus the home with all electric equipment.

This dovetails nicely with reasons builders gave for installing natural gas appliances in their new homes in a survey of 2,900 builders by the NAHB for Energy Solutions Center last year: customer preference and recognition of lower operating costs.

Knowledge is power and serves as a call to action—and that’s exactly why NW Natural makes use of its own market territory research when advertising natural gas to the new-home market.

“In new meter growth, single-family new construction is our most important segment,” Frankel said. “Single-family construction should be a high priority for any utility; for us, we see the results. Given that there are alternatives for builders, we believe without maintaining a focus on natural gas, we would see erosion [of our market share].”

More than 40 years ago, when the utility didn’t enjoy the market penetration it does today, NW Natural began its premier sponsorship of the showcase of luxury homes called NW Natural Street of Dreams, based in Oregon. In partnership with the local homebuilder’s association, whose members stock the homes with the latest natural gas amenities, the monthlong event now draws 40,000 to 60,000 visitors who come to be inspired.

“It’s the largest single branding opportunity we have,” Frankel said. “Visitors are always excited and feel the show is a good value. The expectation is that people will always see something new and different every year, and the builders deliver that.”

While attendees are certainly interested in hearing about the energy efficiency score of a home, it’s the “wow” factor that

most people come for, Frankel said. “The beautiful gas fireplaces and outdoor living rooms—these are the things that really impress people,” he said.

In southwest Washington, NW Natural’s Parade of Homes is a similar event, although not as large. The utility also sponsors new home showcase events and 12 to 15 builder open houses annually in new construction projects that feature multiple gas appliances in the homes.

“We don’t measure the success of our marketing efforts in homes built per se, but we are able to see what the overall lift is in recognition and awareness based on the visibility of NW Natural Street of Dreams and other events,” Frankel said.

While it might sound like these marketing events require a lot of manpower, Frankel said they are run by a “fairly lean” staff—and the return is definitely worthwhile.

Again, the benefit of positive relationships with the builder community is

immeasurable, he said: “That will only happen with dedicated utility people and effort. They are the boots on the ground—resolving issues, advocating for natural gas in the developments, etc.”

Energy Efficiency on Display

Presenting the benefits of a natural gas home to prospective homeowners isn’t hard for builder Mark Cooper, thanks to his own knowledge and the resources available from FortisBC.

“When I begin talking with clients about new construction, I take a layered approach, where I’m educating the homeowner on the energy-efficient models and how each decision along the way makes sense. Natural gas is the most comfortable and cost-efficient way to heat your home if you take all these options into consideration,” said Cooper, who owns Shakespeare Homes & Renovations Inc. in North Vancouver, British Columbia.

He offers amenities including insulated concrete forms, triple-pane



Columbia Gas of Massachusetts and other state utilities benefit from a state program called Mass Save, which incentivizes homeowners to higher efficiency than standard codes require.

windows and high-efficiency, natural gas combined space and water heating systems. He talks to clients about the ease of cooking or drying clothes with natural gas and the peace of mind that a natural gas generator provides during a power outage in the dead of winter. Cooper's presentations include materials provided by FortisBC that let his clients know he supports and works closely with his natural gas provider—a relationship that the utility has intentionally developed.

FortisBC's New Home Program promotes the high efficiency of natural gas in new homes by offering builders and homeowners the latest in energy efficiency options, incentives and tips on saving energy, all with a green emphasis.

Energy solutions managers, as the sales team members are called, are dedicated to supporting residential builders by helping them select the most efficient natural gas appliances and promote the value of natural gas to their customers.

"We also conduct a number of pilot projects to evaluate the effectiveness of new energy-efficient options such as high-efficiency water heaters, combined tankless hot water units and even smart-learning thermostats. This helps eliminate risk for builders who are considering these features for their projects," Fortis BC's Bogdanovic said.

Builders are eligible for rebates when they choose the most energy-efficient natural gas appliances for their projects. They can get up to \$1,300 for individual rebates on selected appliances, or \$2,000 if they achieve the Canadian Energy Star® certification, which means their home is 20 percent more efficient than one built to British Columbia building code standards.

Cooper has earned that rebate and said that at the end of the day, he feels great when he has been able to educate clients about options to save money and reduce their carbon footprint—drawing on education he learned from a utility that takes the time to work with him.

"Utility companies could sit on their laurels and collect their monthly bills, but FortisBC is forward-thinking and willing to embrace the ever-changing building community," he said. "They really broaden

the builders' shoulders by educating and supporting us."

A New Kind of Connection

In New England, given the choice, a person building or buying a home prefers natural gas, according to Elizabeth Cellucci, director of energy efficiency at Columbia Gas of Massachusetts.

A collaborative effort called Mass Save®, comprised of the state's natural gas and electric utilities (excluding municipally owned utilities), has succeeded in motivating builders and homeowners to work toward higher efficiency than standard codes require by making sure any increased cost is balanced out through financial incentives to builders, along with rebates and incentives, such as zero percent loans, to homeowners.

"If gas is on the street, they want it, and the incentives are the bonus. The builder installs the higher efficiency rather than the standard, and the homeowner reaps the savings," Cellucci said.

Homes in the Massachusetts Residential New Construction Program—funded, administered and promoted by Mass Save®—are designed to use less energy than those built to local codes. All homes that participate in the program are encouraged to seek Energy Star® qualification.

In 2016, the Massachusetts Residential New Construction Program served 6,646 individually metered new homes, saving the homeowners about 1 million therms, Cellucci said.

A decade of educating builders on the value of high-efficiency burner tips has paid off, Eversource's Allain said. "Now, high efficiency is standard operating procedure. In this corner of my little world, the consumer and the builder understand the value of gas—it saves energy, it's always available, it saves you money and it has an environmental benefit. Now, our challenge is making sure the gas gets there in a timely fashion with little to no added cost," he said.

Because all companies offer the same program across the state, the same type of customer in one town—whether single homeowner, developer or commercial builder—is eligible for the same incentives and services, regardless of the company

or the town where the customer lives, Cellucci added. "It's powerful because we are changing the culture by pooling our resources, which really raises customer expectations about energy efficiency services ... it becomes the new normal," she said.

Even without the incentives, Allain believes his utility would be getting the same amount of new construction natural gas meters; the difference is in the higher amount of high-efficiency equipment being installed and the number of burner tips. "We're seeing heat, hot water, stove and dryer, at a minimum, because of the ease of use—and then buyers like the aesthetics of things like a natural gas fireplace," he said.

The current building market is very strong in Massachusetts, and natural gas new-home construction is keeping pace, something that Mass Save® utility owners say should only increase.

"Natural gas is environmentally friendly; you don't need an oil tank; you pay for it after you use it and it has additional uses—once you run a gas line to your house, you can use it for cooking, drying, hot water heating, the fireplace and outdoors for external grilling and lighting," Cellucci said.

Build Your Relationships

To other natural gas utilities looking to better strategize for new home construction, NW Natural's Frankel said developing relationships with the local homebuilders' association is critical.

"Meet with them and find out what's important to them. If you do nothing else, look for ways to support their membership needs," he said. "They face regulatory issues on every front, and they need to develop their membership so they can act as an advocate and mitigate challenges to the homebuilder industry."

If you cultivate the relationship correctly, perhaps you will arrive at the luxury described by Allain: "It's to the point where the builder/developer is calling us well ahead on a project to make sure the natural gas will be there for them," he said. ♦