

Quality Contractor Network (QCN) Membership Requirements

1. Purpose

The purpose of the Quality Contractor Network (QCN) is a cooperative effort among the Tennessee Valley Authority (TVA), local power companies, and local HVAC contractors committed to the design, installation, servicing, and promotion of quality heat pump systems for residential and small commercial customers through the *energy right*[®] Program Heat Pump Plan or New Home Plan.

(See the Appendix to this QCN manual (Appendix) or the HVAC Contractors link on www.energyrightpartners.com, (Website), for more information. A Regional Contact List, for example, is in the Appendix as well as on the Website.)

2. Privileges

Membership in the QCN includes responsibilities and privileges. Responsibilities are covered in Section 5 of the QCN Membership Requirements. QCN Membership privileges include:

- QCN member listing with local power company. TVA maintains a master list of heat pump contractors that have qualified for QCN membership (QCN members) by complying with all necessary membership requirements. Each local power company selects QCN members from this master list for its individual QCN member list which is provided to customers interested in participating in the Heat Pump Plan.
- QCN members can receive prompt payment for heat pump installations with customer use of *energy right*[®] Program financing through the local power company.
- TVA and local power companies promote QCN members.
- QCN members have access to promotional brochures, advertising, and collateral materials.
- QCN members may identify themselves with the QCN logo.
- QCN members have access to participate in special promotions that increase heat pump installations.
- Training is offered to help build the QCN member's ability to operate a successful business.
- QCN members that do the most work under the program are recognized each year for their participation.
- QCN members may receive support for cooperative advertising as funding allows.
- QCN members may be eligible for incentives through their local power company.

3. Participation Criteria

Contractors who desire to become members of the QCN should refer to the Regional Contact List (in the Appendix or on the Website) for contact information in their area.

To be accepted into the QCN and maintain membership, the contractor must meet the requirements set out below and install heat pump systems meeting the Heat Pump Plan Installation Standards.

3a. Membership Requirements and Recommendations

3a1. Initial Membership Meeting

Interested contractors must attend an initial membership meeting to discuss the QCN and Heat Pump Plan prior to QCN membership. Upon requesting QCN membership, a contractor will be notified of the date and time for the next initial membership meeting. The initial membership meeting will address QCN Membership Requirements, Performance Requirements (requirements for remaining in the QCN once listed), and Heat Pump Plan Standards and Procedures. The contractor will be required to pass a Heat Pump Plan standards review at this initial membership meeting. Also required at the meeting:

- Proof of passing Air Conditioning Contractors of America (ACCA) Manual J (and, if applicable, Manual N) training and testing.
- Proof of NATE or HVAC Excellence certification. NATE certification requires passing the Core exam and one Specialty exam in Heat Pumps (Installation or Service). The accepted HVAC Excellence certification is the Professional Level Certification. Membership requires passing the Core exam and Heat Pump Certification exam. Certification information can be found at www.natex.org or www.hvacexcellence.org.

Actual QCN membership listing will follow successful completion and inspection of the contractor's first installation.

3a2. Credit Report

If the QCN Application cannot be satisfactorily completed to meet membership requirements, TVA may elect to obtain a credit report to supplement the applicant's information. A negative answer to the following questions (as listed on the QCN Application) would constitute an unsatisfactory completion.

Do you have past due credit over 30 days old?

Do you have any losses or judgments or lawsuits filed against you in the last 5 years?

Have you been in bankruptcy or filed for bankruptcy within the last 7 years?

3a3. Establishment of Business

The contractor must have been in business as an HVAC installer for at least one year and must provide a valid business license and the prior year's tax return (or other evidence of operations dating back one year) before the initial membership meeting.

3a4. Approval of Manufacturers or Wholesale Distributors

The contractor must be authorized, certified, or approved by a manufacturer and/or wholesale distributor to sell, install, and service each brand of heat pump equipment the manufacturer and/or wholesale distributor agrees to sell them. The contractor must be approved to offer the

manufacturers' second through fifth (or tenth) year extended warranty or service agreement (if applicable). The contractor must provide TVA, upon initial membership application and thereafter upon request, a letter (or other written assurance) from the appropriate manufacturer and/or wholesale distributor which demonstrates these approvals. (An example letter for this purpose is in the Appendix and on the Website.)

3a5. Agreements of Manufacturers or Wholesale Distributors

The contractor must provide TVA, upon request, a letter (or other written assurance) from the appropriate manufacturer or wholesale distributor which demonstrates the following assurances of support:

- The manufacturer and/or wholesale distributor will provide equipment and technical support to the contractor as needed.
- The manufacturer and/or wholesale distributor will participate in any resolution attempt to solve warranty problems in the event the contractor fails to do so for any reason.

(An example letter for this purpose is in the Appendix and on the Website.)

3a6. References

The contractor requesting QCN membership must provide to TVA customer references from three heat pump installations completed in the previous six months and a trade reference from their bank, equipment wholesaler, or other financial institution.

3a7. Business Practices

- QCN members must maintain a permanent established place of business and provide evidence of its continuing existence and operation upon request. For example, the QCN member must have a business license for the business, the office and shop must not be mobile, and the main office (if branches exist) must be permanent and easily identified and located.
- QCN members must maintain all licenses, permits, authorizations, consents, or approvals of all appropriate governmental authorities and all public or private boards and bodies necessary to install complete heat pumps in each area in which the QCN member does business.
- QCN members should have the tools needed to verify that the unit meets TVA Heat Pump Installation Standards. These tools include a velometer, a volt/amp meter, and a thermometer(s) that can check both wet and dry bulb temperatures.
- QCN members should maintain a service department or personnel approved to service the heat pump equipment.
- QCN members must return customer calls within twenty-four hours for servicing their customers who have had heat pump systems installed under the Heat Pump Plan. Additionally, QCN members must provide a business phone number with an answering service and/or answering system available for customers.
- For QCN members using the *energy right* Financing Plan: Payment for the amount financed will be directed only to an account owned by the contractor/business.

3a8. Promotion

- QCN members must promote economical, safe, clean, and reliable heating and cooling through the use of electric heat pumps. Promotion efforts may include displaying logos and materials provided by TVA and the local power company, making heat pump literature available to customers, and providing information on the QCN and/or the Heat Pump Plan upon request.
- QCN members must refrain from negative promotion against the QCN, heat pumps associated with the Heat Pump Plan or New Home Plan, TVA, or the local power company.
- QCN members must demonstrate a desire and willingness to actively participate in the QCN.
- QCN members may not offer their customers any rebate promotion that does not come directly from the manufacturer or wholesaler.

3a9. Certificate of Insurance

All QCN members shall maintain a minimum of \$1,000,000 for general liability insurance, \$500,000 for each occurrence, and a minimum of \$500,000 for employee liability insurance. The QCN member must provide a certificate of insurance completed by their insurance carrier, agent, or broker certifying that at least the minimum insurance coverage as set out above is in effect and that the coverage should not be canceled or changed without thirty (30) days advance written notice to TVA. This certificate of insurance shall be provided to TVA upon initial membership, recertification, and upon request.

3a10. Workers' Compensation

QCN members shall maintain legally required workers' compensation insurance. The QCN member should provide TVA with written proof of this coverage prior to QCN membership.

3b. Performance Requirements

3b1. Installation Criteria

- QCN members must meet all installation requirements prescribed by the equipment manufacturer and by the *energy right* Program (set out in TVA's Heat Pump Installation Standards as modified by the local power company).
- QCN members must perform a heat loss/gain calculation for each heat pump based on the ACCA Manual J for residential dwellings or Manual N for small commercial buildings. The QCN member is responsible for this calculation but this load calculation may be completed by an employee of the QCN member or a wholesale distributor employee certified to perform such calculations to ACCA standards. TVA may periodically request verification of certification to perform load calculations for those individuals completing them for the QCN member. (Approved load calculation methods are in the Appendix and on the Website.)
- QCN members must complete any forms required by the local power company for each heat pump installation under the Heat Pump Plan. (Copies of forms are in the Appendix or on the Website.)

- QCN members shall install all heat pump systems in accordance with applicable laws (e.g., statutes, ordinances, codes, regulations, and governing body requirements).
- QCN members must emphasize to their customers the importance of adequate weatherization for heat pump installations at their residential dwellings. The QCN member must explain that certain minimum levels of weatherization are required for the Heat Pump Plan, must inform the customer of those weatherization measures necessary for their heat pump installation to be completed, and be able to arrange for the completion and proper installation of those measures. Weatherization measures and installation standards include:

Attic insulation
Floor insulation
Attic and floor ventilation
Storm Windows
Duct systems

(Minimum insulation levels and installation standards are in the Weatherization section.)

3b2. Inspection Procedures and Corrections

- If required by local power company, QCN members must use the Heat Pump Installation Inspection Checklist (in the Appendix and on the Website) when performing an inspection of each heat pump installation.
- QCN members must repair any deficiencies found on heat pump system installations either by the installation inspection or by TVA's follow-up Quality Assurance (QA) inspections.
- QCN members should have a representative present during an inspection if requested by the *energy right* Program Heat Pump Inspector or local power company.
- QCN members must correct deficiencies for which the installation failed within 10 business days and notify the customer and the local power company upon completion. TVA will consider extenuating circumstances which might extend the correction time beyond the 10 business days. QCN members should notify the local power company for reinspection.

3b3. Training

- By 2007, TVA expects to establish training requirements which will include a minimum number of hours of training per year. (NATE or HVAC Excellence certification will satisfy the QCN training requirement for 2005 and 2006.) This training may include (1) manufacturer's training sessions on heat pump applications, installation, or service; (2) CEUs dealing with business or interpersonal skills improvements; and (3) marketing, business, or sales classes. QCN members must submit their training for recertification. (Approved training options are listed in the Appendix and on the Website.)
- QCN members are responsible for their agents and employees, including the technical competency and qualifications of their salespeople, installers, service mechanics, and any subcontractors. QCN members must have at least one representative attend all TVA mandatory training sessions. QCN members will be notified by TVA of mandatory training.

- Before installing a geothermal heat pump (open loop, closed loop, or direct exchange (DX)), QCN members must have at least one representative attend all courses and training sessions identified by the manufacturer as necessary for the installation of a geothermal heat pump.
- It is recommended that QCN members successfully complete ACCA Manual D (Residential Duct Systems) training.

3b4. Recertification for continuing Membership

Each QCN member must recertify annually in January to remain a QCN member. QCN members must provide evidence that needed annual training hours have been completed, that there is still a staff member who has been certified in ACCA Manual J (Manual N where applicable), and that a minimum of one staff member is NATE or HVAC Excellence certified. Each November TVA will send QCN members notice of the need for recertification.

(A copy of the Application/Recertification form is in the Appendix and on the Website.)

QCN members, as of May 2005, must show proof of NATE or HVAC Excellence certification by January 2007.

3b5. Follow-up Surveys/Questionnaires

QCN members must respond to any follow-up surveys or questionnaires from TVA or local power companies pertaining to the QCN or the Heat Pump Plan.

3b6. Business Entities/Ownership

The QCN member will be considered as an entity. Mere changes in name or ownership will not relieve the entity of QCN obligations. When QCN members merge, only one business entity may maintain membership in the QCN.

4. Forms

The following forms are relevant to the QCN. (Copies of these forms are in the Appendix and on the Website.) Additional forms may be required by the local power company. .

- Quality Contractor Network Membership Application and Recertification
- *energy right* Program Heat Pump Loan Application
- *energy right* Program Agreement to Participate – Homeowner
- *energy right* Program Heat Pump Plan Work Completion Form
- *energy right* Program Heat Pump Installation Inspection Checklist (Sheet 1)
- *energy right* Program Heat Pump Installation Inspection Checklist (Sheet 2)
- *energy right* Program Contractor – Customer Affidavit

5. QCN Member Responsibilities

If a QCN member or representative has any questions about weatherization measures, installation criteria, inspection procedures, or forms, the local power company should be contacted prior to the installation. (For the Regional Contact List see the Appendix or the Website.)

QCN members are responsible for:

- Determining the local power company serving the customer.
- Confirming that the local power company is participating in the Heat Pump Plan and/or the *energy right* Financing Plan.
- Meeting all participation requirements as described in the Participation Criteria (See Section 3).
- Determining the legal owner of the dwelling prior to the customer's applying for program financing. Financing is only available for residential dwellings.
- Determining if the dwelling or business is suitable for the installation of a heat pump. This determination may include the condition of the structure as well as the occupancy patterns of the residents. For example, a dwelling in obvious need of extensive structural repair would not be suitable.
- Contacting the local power company about needed forms and any items on the forms needing clarification before work begins.
- If an installation is to be financed, reviewing the Agreement to Participate to see that it is still valid (utilized within a 90 day period of being signed), accurate, and reflective of proper ownership (a copy of a deed may be necessary for verification) before any work is begun. Work should proceed only if a valid agreement exists.
- Making customers aware when work will be subcontracted and assuring that all work done by subcontractors complies with the Heat Pump Plan and Weatherization Installation Standards.
- Providing the customer, in writing and prior to beginning work, details about the heat pump installation, including:
 - Type of equipment being installed
 - Weatherization work required
 - Location of the heat pump units
 - Location of registers, return air grilles, thermostats, ductwork, etc.
 - Alterations to the residential dwelling or small commercial building
 - Time Frame for completion
 - Proper equipment sizing
 - Itemized cost estimate
 - Any applicable warranty information
- Performing heating and cooling load calculations on each heat pump installation in accordance with procedures in the latest TVA adopted revision of the Air Conditioning Contractors of America (ACCA) Manual J (residential) or N (commercial).

- Ensuring that the installation of the heat pump does not alter the structural integrity of the dwelling or building.
- Verifying the heat pump's balance point does not exceed 35°F.
- Obtaining customer approval of any changes (from the original estimate or installation design).
- Installing improvements to meet Heat Pump Plan Installation Standards for the heat pump system installation, including required weatherization improvements.
- Providing quality work performed with art, skill, and technique in accordance with generally accepted industry standards and in compliance with the Heat Pump Plan Installation Standards.
- Submitting a detailed invoice for the heat pump installation, which itemizes costs at least for the following items:
 - heat pump
 - duct work
 - weatherization
 - extended warranty
 - programmable thermostat(s)
 - electrical upgrades
 - promotional discounts or rebates (See section 3a8 for limitations)
 - other applicable and acceptable costs

NOTE: In no event shall a rebate, discount, cash back offer, or any other form of consideration be offered or provided to the customers unless itemized on the invoice.

- Providing the *energy right* Program heat pump inspector, upon request, heat pump equipment specifications and performance information for each system installed.
- Practicing good business ethics and ensuring customer satisfaction to the best of the QCN member's ability, including leaving the premises in a "broom clean" condition after the installation.
- Completing the *energy right* Program Heat Pump Plan Work Completion Form and any other forms required by the local power company. The QCN member shall submit this information to the appropriate local power company in whose area the system is installed.
- If allowed by the local power company, ensuring loan paperwork is filled out properly and completely on installations that are not required to be inspected.
- Instructing the customer in proper operation and maintenance of the heat pump system.
- Ensuring that the customer knows whom to call for service by providing the QCN member company name, business phone number, and emergency service phone number to the customer.
- Honoring all service and warranty commitments made to customers.

6. Removal Standards

6a. Removal Consequences

QCN members may be removed from QCN membership in accordance with the following removal standards. Contractors removed from QCN membership will no longer be QCN members, will relinquish all QCN membership privileges, and will no longer be included on the master list of QCN members.

6a1. Removal Criteria

TVA may remove any participating QCN member from QCN membership for a minimum of 90 calendar days when TVA determines that the QCN member has caused or allowed any of the following to occur:

- **Misrepresentation:** Providing materially false information to TVA, a local power company, or a customer, including misrepresentation of employment by TVA or a local power company.
- **Liens:** Failure to prevent a supplier or a subcontractor from placing a lien against a customer's property because the supplier or subcontractor is unpaid for equipment, material, or labor for an installation under the Heat Pump Plan.
- **Unacceptable Behavior:** Engaging in behavior of the following sorts against a customer, any TVA or local power company personnel, or any person cooperating in any investigation, dispute resolution attempt, or other activity involving a program dispute:

Intimidation

Harassment

Retaliation

Bribery

Attempted Bribery

Note: This list is illustrative and not exhaustive. These are examples only and not a complete list.

- **Negative Promotion:** Making any advertisement or promotion negatively impacting electric heat pumps, the Heat Pump Plan, the QCN, TVA, or local power company.
- **Repeated Failures:** Two consecutive failures to have the same measure, equipment, or system in the same dwelling or business pass inspection for reasons enumerated in a prior inspection.
- **Untimely Corrections:** Failure to remedy, without charge and within 10 business days (within 24 hours, where there is imminent danger to a customer's health, safety, or property) of notification, (a) any failure to satisfy Heat Pump Plan Installation Standards or (b) any damage to a customer's property resulting from an installation under the Heat Pump Plan.
- **Failure to Provide Service:** Failure to provide a service as agreed upon with a customer under the Heat Pump Plan.
- **Failure to Follow up on Leads:** Failure to provide timely follow-up on leads obtained through the Heat Pump Plan.

- Failure to Comply with:
 - A provision of law
 - A TVA rule, regulation, guideline or instruction generally applicable to all QCN members of the same class
 - A TVA policy, standard, or criterion approved by the TVA Board of Directors
 - Any QCN Membership Requirement
- Purpose of QCN: Discouraging a customer from the Heat Pump Plan or other *energy right* Program participation (e.g., influencing the installation of fossil-fuel furnaces, citing false operating costs for fossil-fuel systems vs. heat pumps, encouraging customers to switch to fossil-fuel systems from electric furnaces/electric cooling, etc.) other than the dwelling not being a good application.

6b. Removal Process

TVA will have responsibility for removing QCN members from QCN membership. Local power companies participating in the Heat Pump Plan may choose to incorporate removal standards in addition to TVA's standards. They may remove QCN members from their local list when their local standards are not met. Please consult with the local power company for local requirements.

When TVA determines that adequate grounds exist for removal, the QCN member involved will be notified of the proposed removal by certified mail. The notice will provide:

- 15 calendar days from the date the removal letter is mailed as the date of proposed removal.
- grounds for the proposed action.

Additionally, by the date of proposed removal, the QCN member must provide TVA with:

- a list of all work in progress under the Heat Pump Plan or New Home Plan where there is a signed agreement between the QCN member and a customer dated on or before the notice date.
- any extenuating circumstances which should be considered.
- any request that a conference be scheduled to present information and explanations on the proposed removal.

6b1. Conference

If TVA does not receive a request from the QCN member for a conference within 15 days from the date the removal letter is mailed, the QCN member will be removed from QCN membership as of the date of proposed removal. To request a conference with TVA, the QCN member should contact their Marketing Manager (listed on the Regional Contact List) with an explanation of the actions in question.

If TVA receives a request for a conference by the date of proposed removal, the QCN member will not be removed from QCN membership as of the date of proposed removal. Instead, TVA will schedule a conference with the QCN member and the QCN member will or will not be removed from QCN membership in accordance with the outcome of this conference.

At the conference a TVA decision maker or his/her representative will meet with the QCN member. Information and material providing the basis for the removal will be presented to the QCN member and the QCN member will be given the opportunity to present information and explanations relevant to the removal. At the conference, a reasonable time, not less than 7 days, may be set within which additional written material may be submitted by the QCN member and, in exceptional circumstances, additional sessions may be scheduled to allow further oral presentations. Based on consideration of the presentations at the conference and any timely-submitted additional written material, the TVA decision maker or his/her representative will make a final decision. A copy of the final decision will be sent to the QCN member detailing the action to be taken, if any, and an effective date of removal. By the date of removal, the QCN member will be required to complete in a timely manner all outstanding work previously listed in progress or for which a signed contract existed on the notice date.

6b2. Emergency Removal

Notwithstanding the normal notice provision, TVA may remove a QCN member from QCN membership effective immediately upon making a determination that not to do so would pose an imminent danger to life, health, or property. TVA will notify any contractor so removed by certified mail of the date of removal, the grounds for the action, and the opportunity to request a conference. If TVA receives a request from the contractor for a conference within 15 days from the mailing date of the notice of immediate removal, TVA will schedule a conference with the contractor. After the conference, TVA will promptly either confirm the removal or reinstate the contractor in QCN membership.

6c. Reinstatement Standards

After any minimum removal period has expired, a contractor may apply for reinstatement in QCN membership. A contractor may not be reinstated until the following conditions have been met:

- The contractor must meet Membership Requirements and Recommendations (See section 3a).
- The contractor must provide evidence satisfactory to TVA that any problems which led to removal have been remedied.
- All outstanding work must have been completed in accordance with Heat Pump Plan Requirements.
- In some cases the contractor may be required to provide additional assurances of responsibility satisfactory to TVA (e.g., adequate assurances of timely payment to equipment suppliers, satisfactory completion of additional training, etc.).