

STRATEGIC MARKETING PLAN

Submitted to:

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FINAL REPORT



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TABLE OF CONTENTS

1.	Introduction.....	1
1.1	Objectives.....	1
1.2	Emerging Themes	2
1.3	Layout of the Report.....	5
2.	Existing Conditions	6
2.1	Background.....	6
2.1.1	Energy Efficiency History at BPA.....	6
2.1.2	Current Program Goals	8
2.2	Target Markets: Situation Analysis.....	11
2.2.1	Larger Utilities: Situation Analysis.....	13
2.2.2	Small and Medium Sized Utilities: Situation Analysis.....	15
2.2.3	Regional Implementation Groups: Situation Analysis.....	19
2.2.4	Trade Allies: Situation Analysis	20
2.2.5	End-use Customers: Situation Analysis.....	22
2.3	External Factors	23
2.3.1	Internal Personnel: Situation Analysis	25
3.	Effective Marketing Practices: Research Results	33
3.1	Best Practices Review	33
3.1.1	Market Research Best Practices	34
3.2	Case Studies Summary	37
4.	Overall Marketing Strategy and Brand	48
4.1	Range of Potential Marketing Strategies.....	49
5.	Specific Marketing Strategies	51
5.1	Market Research and Segmentation.....	51
5.2	Channel Development and Strategic Allies.....	52

5.3	Promotion and Outreach	54
5.4	Develop Internal Staff Capabilities	56
5.5	Planning for Success	57
Appendix A: Bibliography		
Appendix B: List of Interviewees		
Appendix C: Detailed Case Studies		
Appendix D: Data Collection Instruments		

1 INTRODUCTION

This draft Strategic Marketing Plan (SMP) is provided for Bonneville Power Administration (BPA)'s Energy Efficiency group to help identify and prioritize activities required to effectively interact with energy efficiency markets in the region. A *marketing plan* entails a wide variety of activities and materials, and needs to be an integral part of energy efficiency program design and delivery. A comprehensive marketing plan includes a suite of toolkits for training, support, and communications among market actors, always focusing on the perspective of the ultimate customer. A marketing program could include the review of market segmentation data, the selection of appropriate channel partners, staff training, technical support, and development of promotions. Effective marketing requires the ability to listen to the voice of the customer and incorporate what is heard into the product (in this case, energy efficiency program delivery).

1.1 Objectives

BPA is seeking to create a best-in-class marketing organization to help promote and implement conservation programs throughout its jurisdiction in the Pacific Northwest. BPA is in a unique situation in that it is a wholesale power and transmission utility, and the only direct customers it has are retail utilities and a few large industrial customers. Instead of creating programs that are marketed directly to end-users, BPA is working through a variety of channels including local distribution utilities, trade allies, and other regional organizations to provide energy savings. A cohesive marketing strategy will help BPA achieve its *energy efficiency vision* as stated below:

To ensure a more sustainable environment in the Pacific Northwest, the BPA Energy Efficiency organization is and will remain a premier provider and facilitator, catalyst and deliverer of electric energy savings and demand-side management.

The goal of developing a strategic marketing plan is to provide BPA with concrete strategies and an initial action plan for reaching ambitious conservation targets that have been set for 2007-2009. These targets (52 aMW per year through 2009) must be achieved with reduced conservation staff and diminished budgets, while working through BPA customers to achieve the targets. The marketing strategy seeks to meet the following high level objectives:

- Provide BPA with examples of successful energy efficiency (EE) marketing activities at other relevant energy companies.
- Show examples of the structure of successful endeavors from other entities, including the use of channels.
- Suggest an overall marketing strategy for BPA's positioning and brand.
- Suggest a set of skills that successful marketing groups possess, and how they acquired those skill sets (training, hiring, etc.).

- Provide examples of activities that could boost the marketing success of BPA's EE programs. This may include a roadmap of how to evolve the marketing function over time.

Sections of the SMP highlight the most effective strategies for developing a comprehensive marketing strategy that addresses the perennial four P's of marketing:

- **Product:** Developing product offerings and packaging opportunities that best address BPA's goals while meeting customer needs.
- **Place:** Cultivating successful channel strategies to train, develop, and support critical trade allies, partners, and third-party organizations.
- **Promotion:** Outlining a guide to developing promotional materials, including message development, testing, and deployment.
- **Price:** Determining the best ways to position BPA's financial resources and funds available to its members.

1.2 Emerging Themes

A number of themes emerged for the study team during the course of the research, interviews, and discussions that took place during this project. The following four overarching themes represent the high level findings of the research and analysis. Each of these themes is addressed in greater detail in the subsequent chapters of the report.

THEME 1: Trade networks are critical for success.

Issues and Barriers: Trades (contractors, engineers, architects, designers, retailers) are often unaware of BPA programs. They are lacking the specific information required to effectively market the program to end-users. Contractors, engineering firms, distributors, and others often provide services in dozens of utility service territories, leading to confusion regarding measure incentive levels, equipment specifications, and other program requirements. Many are not trained in high performance energy efficiency applications.

Solutions include: Develop extensive training processes for trades. Increase awareness through promotional approaches including trade fairs, direct emails, Internet resources, meetings with trade groups, and regional meetings. Create co-marketing materials that trades want to use to help them market and sell to their own customers. Create sector-specific programs which encourage trades to become marketing and sales agents for DSM programs. Involve the local utilities in the development of trade networks, as in other activities.

BPA role: BPA could create one or many networks of regional trade allies. These could become new networks with their own infrastructure, or BPA could piggyback on existing networks.

THEME 2: One size does not fit all in utility/BPA partnerships.

Issues and Barriers: Program design is not customer friendly and it's onerous for utilities to do all the calculations and paperwork. Utilities often think the programs come down from the Planning Council. Utilities don't want BPA to market directly to their customers, although sometimes it is okay, if there is a lot of coordination. Some utilities could use BPA's assistance with program marketing, but others don't want it. They want the choice.

- It is perceived that BPA doesn't listen to utilities very well, nor sometimes to internal field staff. They say that BPA engages them, but in the end, doesn't follow through.
- BPA's engineering expertise is widely regarded as excellent.
- BPA does not market the EE programs well to the utilities. They should explain them in more detail as to why they were designed as they are, but preferably BPA would include input instead so that the utilities were part of the process to start with.
- There is the perception that BPA management does not listen to the EERs and that they are not in touch with what reality is in the field.
- Program design comments: GoodCents homes really worked in the past. But construction practices for homes have gone downhill with Energy Star.

Solutions: Create a matrix approach to selecting programs and marketing support from BPA. BPA can't create a custom program for everyone, but it needs to feel that way to utilities in some cases. While some program marketing materials developed by BPA are customizable for individual utilities, it may be possible for utilities to even "design" the program elements that best fit their customer base through a web-based program, for example. That will put the utilities in control.

Focus a greater amount of energy and resources on providing technical engineering support.

BPA role: Continue to have groups such as Utility Sounding Board, but expand on the group's activities. Possibly create a number of subcommittees or working groups. Themes of the groups might be program design, marketing, or evaluation. Maybe have sector groups focusing on residential, commercial, industrial, etc. Use these groups to design new programs or improve existing programs.

THEME 3: There is a need for regional coordination among the conservation community.

Issues and Barriers: The Northwest includes many entities and programs that all provide energy conservation in various forms. Two very active entities are the Northwest Energy Efficiency Alliance (NEEA) and the Energy Trust of Oregon (ETO). State energy offices, particularly those in Oregon and Washington, are also active in the region. This myriad of players has created customer confusion, and sometimes problems for trade allies. Many people do not know who is responsible for what.

It is felt by some that different groups are underperforming or duplicating efforts due to lack of coordinated approaches.

Utilities don't understand the role of conservation thoroughly. They need to have additional information that reflects the basis for the value of conservation. For example, the role of conservation in reliability enhancement and cost reduction for everyone in the region should be better communicated.

Many asked "What is NEEA really doing?" Many don't understand NEEA's role and how it relates to BPA's programs and other DSM programs. Many think NEEA is interfering with their customer relationships.

Solutions & BPA role: BPA can play a dominant role in making information flow more useful, timely, and consistent. BPA can work with the regional entities like NEEA and ETO to make sure there's a regional coordinated effort and work is not duplicated. The current collaborative efforts between BPA and NEEA in the industrial sector, such as the demonstration projects at Ocean Spray and Grey's Harbor Paper, should be continued and expanded into other sectors.

BPA may do this through creating a wide network and holding meetings to help better understand each entity's role. BPA can work with regional groups to define these roles. Brown Bags seem to have a positive impact, and more of these could be conducted.

Co-op advertising with utility dollars and co-marketing with trade groups or other partners are good ways to leverage regionally developed information with local community members.

IDEA: Create and promote a new or existing brand that promotes energy efficiency – but works with Energy Star (remember Reddy Kilowatt?). Create market *pull* for local utilities this way.

"Think efficiency first. Call your local utility. They have a program to help you."

THEME 4: Large utilities have specific needs, too.

Barriers and Issues: Larger utilities don't believe they need assistance with engineering or program design. They have their own programs and they don't want BPA or NEEA or others talking to their customers.

Utilities claim that BPA is "dabbling" in the programs and is not completing turnkey elements of programs they are promoting. They claim that BPA develops specs but then provides no other support. The suggestion is that BPA either stay out of this work, or go in with full support and a drive for success.

They will consider turnkey regional programs if they meet a unique need in the marketplace, *but* the design needs to be coordinated with the utility and the implementation must be flawless.

Solutions: Create a closer long-term dialogue on the planning side between BPA and the larger utilities. Find gaps in the markets that can find kWhs. Develop joint programs. Tacoma, SCL, Puget, and Snohomish are a block of large, almost contiguous utilities that could be treated together for some marketing purposes. BPA could provide training, marketing, and advertising for special programs. It may be beneficial to start with some pilot programs, get some successes, and grow from there.

- Focus on a few things and do them well.
- Be known for them. Don't dabble.
- Don't forget to *KISS* it. Make it simple and easy to understand. Both for large & small utilities.

1.3 Layout of the Report

The remainder of this report is organized as follows:

- Section 2 provides background on the existing conditions, and assesses the current situation internally at BPA and among market actors in the NW energy efficiency markets, and provides some external context for these discussions.
- Section 3 presents some best practices information from a limited literature review and experiences of the study team, and summarizes highlights from the case studies (which are contained in the appendix).
- Section 4 outlines a high level marketing strategy and discusses the range of potential strategies.
- Section 5 discusses specific marketing strategies.

The main report is followed by a set of appendices that include case studies, interview and focus group guides, and a list of interviewees and information sources.

2 EXISTING CONDITIONS

This section includes a brief review of the current internal and external circumstances facing BPA's Conservation Group today. The situation assessment is based on a review of BPA program materials and other reference documents (a bibliography is provided as Appendix A to this report), along with a series of detailed individual interviews with a variety of BPA staff and market actors (a complete list of interviewees is provided in Appendix B). In addition to these activities, a focus group was conducted with the Utility Sounding Board during the study. The following material provides a baseline for BPA's current conservation activities and marketing practices.

2.1 Background

2.1.1 Energy Efficiency History at BPA

The Bonneville Power Administration (BPA) was established in 1937 mainly to administer the region's federal Columbia River hydroelectric system. BPA sells wholesale power to publicly owned and investor-owned utilities, large industrial customers, and federal entities in Oregon, Washington, Idaho, western Montana, and small parts of surrounding states. BPA supplies about 40% of all the power used in the Northwest, and provides about 75% of the region's transmission lines.

BPA's role in regards to conservation and renewable energy was expanded in 1980 by the Northwest Power Act, in which Congress instructed BPA to use the following priorities for resource acquisition: 1) energy conservation; 2) renewable energy; 3) cogeneration; and 4) nonrenewable power sources, such as coal, natural gas, and nuclear. Since the passage of the Northwest Power Act, BPA has acquired over 1000 aMW of conservation, the equivalent of a large nuclear power plant. In the 1980s, BPA delivered an extensive array of conservation programs across all sectors. Some of these programs, like Super Good Cents and Energy Smart were considered models for other organizations around North America. During the mid-1990s, funding fell precipitously for efficiency in the NW and across the country as the de-regulation bandwagon gathered steam.

In April 1999, the Regional Technical Forum was established to develop standardized protocols for the verification of energy savings and to track progress towards the region's energy conservation and renewable energy targets.¹

¹ Bonneville Power Administration. *Conservation & Renewables Discount Program. Second Interim Report to the Region for Fiscal Years 2001, 2002, 2003, & 2004.* January 21, 2005.

In response to the energy crisis of 2000-01 and the danger of dramatically increasing electricity rates, BPA launched the Community Conservation Challenge (CCC). This program asked businesses and individuals in the Northwest to voluntarily take actions and/or install measures that would reduce their load. It was a grassroots effort that relied on community outreach, an energy savings pledge-a-thon, a schools program, a website and toll-free hotline, and a conservation champion program. BPA enlisted the help of 85 utilities from across the region. While a formal evaluation of the program's effects did not take place, participants identified approximately 2.02 aMW of conservation actions (not including A/C and appliance efficiency upgrade commitments) that they would not otherwise have taken, and there were no system reliability failures during or since the campaign. Also, the energy efficiency/conservation message reached approximately 30,000 schoolchildren.²

Several programs that were planned for the 2002-2006 rate period were launched 8 months ahead of schedule, also in response to the 2000-01 energy crisis. One of these programs was the Conservation and Renewables Discount (C&RD) initiative. BPA's customers earn credits of 0.5 mills per kWh on their energy bills for the installation of conservation measures or for investments in renewable energy. Through 2006, 68% of the credits were for conservation measures, resulting in approximately 54 aMW of savings. The majority of conservation savings came from residential lighting and commercial lighting (18 aMW and 8 aMW, respectively). As of September 30, 2006, the C&RD initiative has been replaced by the Conservation Rate Credit (CRC).³

The other major conservation program implemented by BPA is the Conservation Acquisition Agreements (CAA) Program, formerly known as the Conservation Augmentation (ConAug) initiative. Conservation Acquisition Agreements are bilateral contracts between BPA and a participating BPA customer, in which BPA reimburses the customer for energy conservation measures installed.⁴ The Regional Technical Forum developed an online tracking and reporting system for both the C&RD credits and the measures installed through the CAA.⁵

Including all conservation programs, BPA's five-year target for the FY 2002-2006 rate period was 220 aMW, which they managed to exceed, achieving 242 aMW in that period.

² Bonneville Power Administration. *Community Conservation Challenge Final Report*. January 22, 2002.

³ Bonneville Power Administration. *Post 2006 Conservation Programs Implementation Guidelines*. November 2005.

⁴ Bonneville Power Administration. *Post 2006 Conservation Programs Implementation Guidelines*. November 2005.

⁵ Bonneville Power Administration. *Conservation & Renewables Discount Program. Second Interim Report to the Region for Fiscal Years 2001, 2002, 2003, & 2004*. January 21, 2005.

2.1.2 Current Program Goals

The Northwest Power and Conservation Council's 5th Power Plan significantly increased the region's conservation targets for the 2005-2009 period. BPA's Conservation Plan for FY 2007-2009 sets out the organization's plan for meeting its share of the Council's target, which is 40% of the total regional conservation targets. BPA set its target at 52 aMW per year, plus 4 aMW per year of naturally occurring conservation, based on the cost-effective, achievable conservation potential in the region. This represents a 30% increase over the 2006 target. BPA has a budget of \$80 million, with a target of \$1.5M per aMW.

Table 2-1 shows the breakdown of budgets and targets by funding mechanism. The Conservation Rate Credit will account for 20 aMW per year, followed by the Conservation Acquisition Agreements with 17 aMW per year. Market transformation, which is funded by BPA but delivered by the Northwest Energy Efficiency Alliance, is expected to deliver 10 aMW/year.

Table 2-1. Allocation of Budget and Targets by Funding Mechanism

	Budget	Target
Conservation Rate Credit (CRC)	\$36M	20 aMW/year
Conservation Acquisition Agreements	\$26M	17 aMW/year
Third Party Contracts	\$7M	5 aMW/year
Market Transformation	\$10M	10 aMW/year
Infrastructure Support and Evaluations	\$1M	N/A

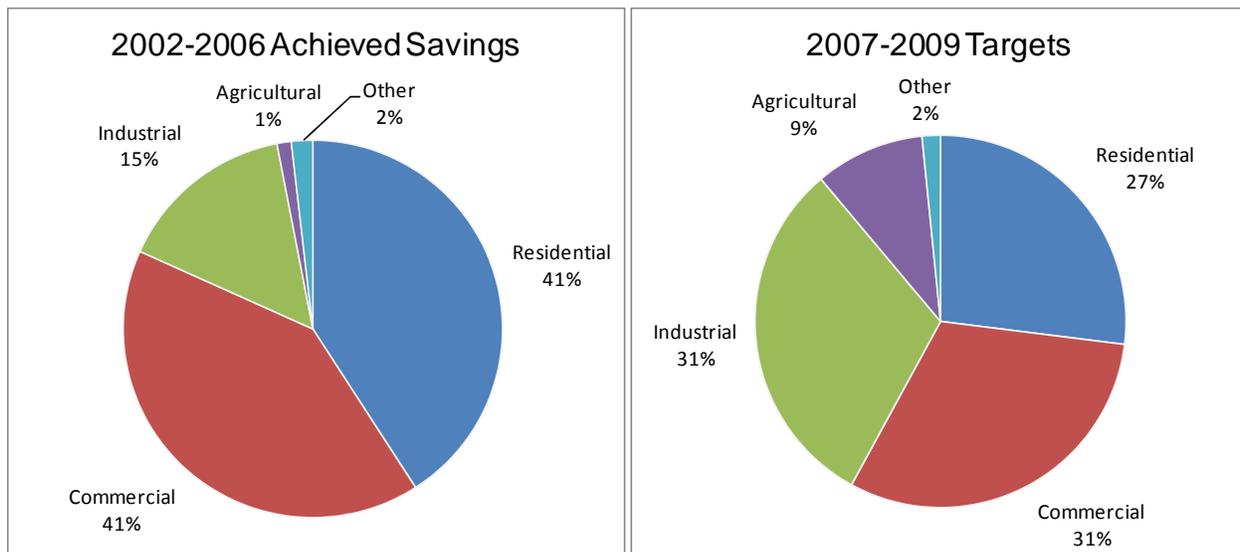
Source: BPA Conservation Plan FY 2007-2009.

Table 2-2 presents the current targets by market sector, as well as the technologies within each sector that are expected to provide the most savings. Figure 2-1 presents the current targets by market sector as well as the savings achieved in 2002-2006 for comparison's sake. The targets for industrial and agricultural sectors are considerably higher than what has been achieved in recent years. The industrial sector target will rise threefold in comparison to the recent historical average of 4 aMW per year; however, the new target is very similar to the levels of industrial savings BPA achieved in the mid-1990s.

Table 2-2. Annual Targets and Emphasized Technologies by Sector⁶

	Target (w/o market transformation)	% of Target	Emphasized Technologies
Residential	11 aMW	27%	Lighting (58%), Weatherization (22%), Heat Pumps (11%)
Commercial	13 aMW	31%	Lighting (29%), HVAC (24%), Computer Power Mgmt (15%), New Construction (11%)
Industrial	13 aMW	31%	Process (60%), Compressed Air (20%), Lighting (20%)
Agricultural	4 aMW	9%	SIS (60%), Fittings (40%)
Other	1 aMW	2	
Total	42 aMW	100%	

Source: BPA Conservation Plan FY 2007-2009.

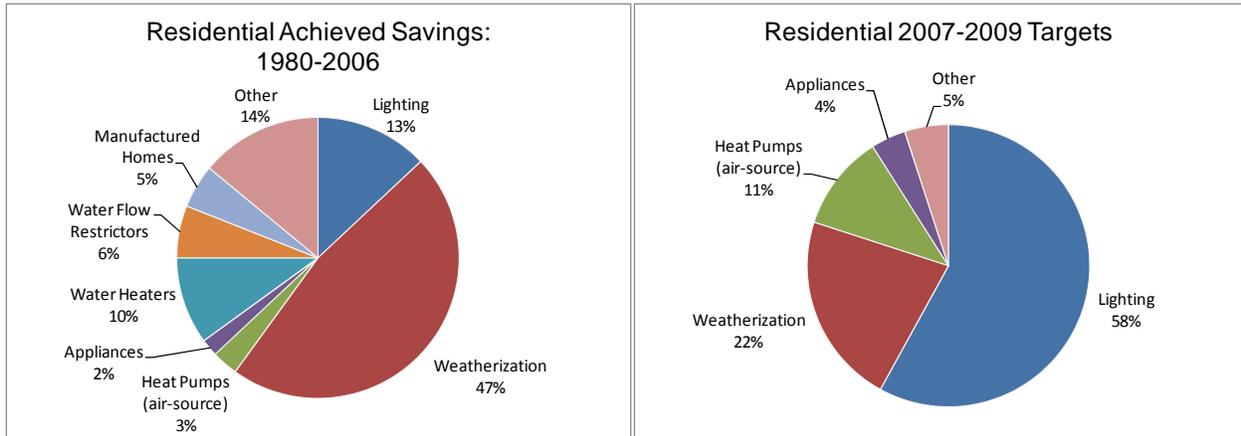
Figure 2-1. Planned Conservation Mix Changes

Source: BPA Conservation Plan FY 2007-2009.

⁶ Conservation targets are also assigned to each Energy Efficiency representative (EER), based on the discrete set of utilities they are designed to interact with.

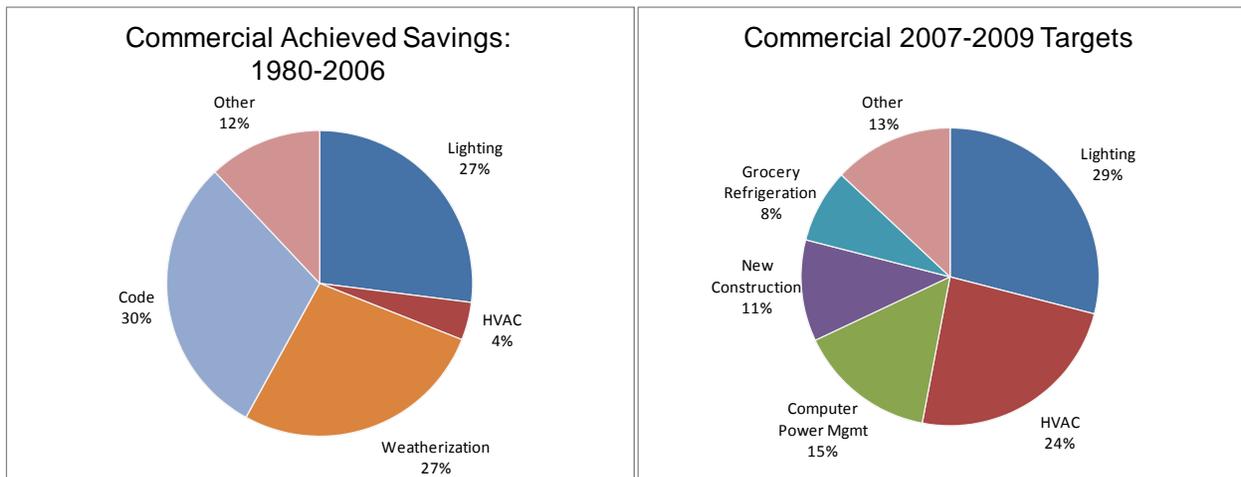
The technology mix has also shifted, with more emphasis being placed on residential lighting and heat pumps and less on weatherization, and more emphasis on commercial HVAC, computer power management, and new construction than in prior years.

Figure 2-2. Residential Sector Technology Mix



Source: BPA Conservation Plan FY 2007-2009.

Figure 2-3. Commercial Sector Technology Mix



Source: BPA Conservation Plan FY 2007-2009.

2.2 Target Markets: Situation Analysis

“Listen to what your market says you are. If it is not to your liking, think long and hard before assuming that the market is wrong.”⁷

When developing a marketing strategy, understanding the wants, needs, and barriers of each of the target markets is a critical factor. To understand the target markets, Summit Blue conducted dozens of extensive interviews with key players to understand the nuances of the issues they face as well as their opinions about BPA and other regional players. From our analysis, we have identified three primary and distinct markets that BPA serves today, another that is a critical market for the future in the form of trade allies, and also the end-users.

Larger Utilities: These utilities are characterized as having their own substantial staff capabilities. They may have many DSM programs, significant marketing capabilities, technical experts, wide-reaching corporate communications, and a fairly large customer population. Utilities in this target market include Seattle City Light, Tacoma Power, Puget Sound Energy, Snohomish, Eugene, and Avista.

Small and Medium Sized Distribution Utilities: These utilities (including coops, munis, and PUDs) typically have smaller staffs to implement conservation programs, have limited planning and evaluation capabilities, and rely on other entities such as BPA for support on many aspects of programs, including technical support.

Regional Implementation Groups: The two most dominant groups in this target market are the Northwest Energy Efficiency Alliance (NEEA) and the Energy Trust of Oregon. Both have very large budgets for implementing various conservation programs and are key players in the region. BPA’s coordination with NEEA is particularly important for marketing success in the region. In addition to these groups, state energy offices are active in some parts of the region⁸, and extension services working out of state universities provide a range of technical support services in their respective states.

⁷ David Weinberger, *The Cluetrain Manifesto*, Perseus Press, 2000.

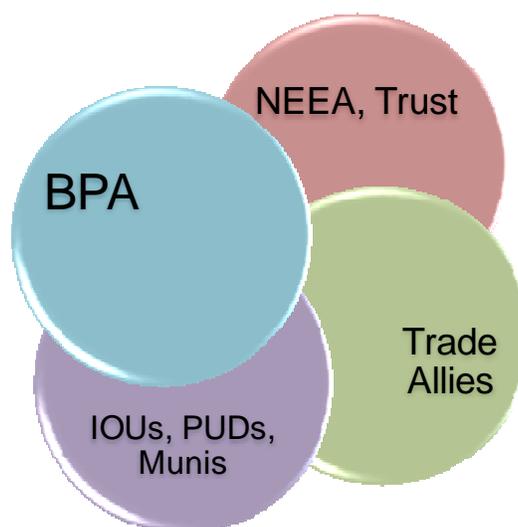
⁸ The activities conducted by state energy offices vary from state to state, generally including some combination of the following: energy policy planning, building codes and standards efforts, energy efficiency financing programs, weatherization programs, tax credits, information and education campaigns, and other programs promoting energy efficiency and renewable energy. Most of the state energy offices have links to other regional energy efficiency organizations and utility program offerings on their website. For instance, the Oregon Department of Energy Conservation Division’s website provides energy efficiency tips, information on the state’s energy tax credits, links to utility incentive programs, an energy loan program, and information on programs providing energy audits and other technical and financial assistance for new construction and renovation in the schools and government buildings sectors.

Trade Allies: While we did not directly investigate the attitudes and opinions of the trade allies in the region, they will inevitably be a very important market for BPA and the Northwest region in achieving conservation goals. By making them a distinct market for market planning purposes, new concepts, channels, and marketing approaches can be discovered. This market is very broad, and includes contractors, engineers, distributors, retailers, architects, and others that deliver energy products and services.

End-use Customers: While this study did not directly conduct interviews and primary research with end-users, all of the conservation programs eventually deal with end-users. BPA must understand end-users' wants and needs to serve them both directly and indirectly. For the most part, BPA's programs are delivered through intermediaries, including the four target markets outlined above. There may be occasion, however, where BPA is marketing directly to end-users as well.

The following figure demonstrates the potentially overlapping influences various players in the energy conservation market may have on the end-use customer.

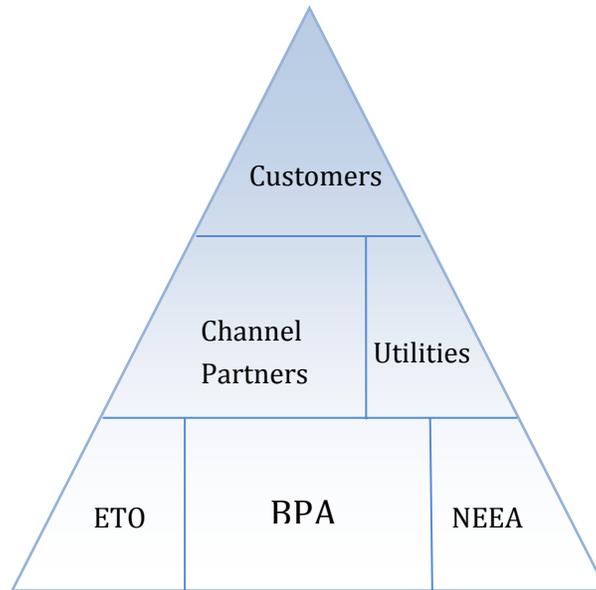
Figure 2-4. NW Market Players who interact with the End-Use Customer



All players ultimately must recognize that the customer may be confused about the roles of all the different organizations that may contact them regarding energy efficiency opportunities. Figure 2-5 highlights that the trades and the local utilities are the main interface customers have with the energy efficiency community. End-use customers interact with these local players primarily during brief windows of opportunity to influence investments in energy-consuming products and services. BPA and other regional EE organizations (only two are represented in the pyramid, but a number of

others exist and are discussed throughout the report) need to be positioned to *provide timely, directed support* when it is needed by the local utilities and trade partners.

Figure 2-5. The Customer Sits at the Top of the Pyramid, BPA and Others are in Support Roles



2.2.1 Larger Utilities: Situation Analysis

The larger utilities in the BPA region have active marketing departments that plan and implement a wide variety of programs, including conservation. Many are ramping up capabilities at this time due to requirements from their state or local jurisdiction. For example, Washington has recently passed an initiative (I 937) which mandates a portfolio standard for renewables and includes provisions for meeting requirements through conservation. Utilities are sorting out this new law at this time.

We interviewed managers at several of the larger utilities. These are the highlights of the results of those discussions:

1. These utilities have enough expertise in-house that they say they do not need much or any assistance from BPA on marketing. They prefer not to have BPA, NEEA, or contractors of these organizations talking to their customers, although there are many exceptions, as long as it's explicitly coordinated with them (see #8 and #9).
1. BPA seems to have good ideas and some good programs, but they are not always executed well. There needs to be better planning. The CFL (Savings With a Twist) program was problematic, in that it caught many retailers by surprise and they ran out of product. This caused difficulties for the utilities instead of helping them. This has put BPA in a hole for future programs.

2. If BPA is going to develop programs, it needs to be done in close conjunction with the utilities. Most are interested in the grocery program, for example, yet not completely enthusiastic. There are opportunities for niche applications like groceries.
3. Utilities see BPA as a provider of funding, which at times seemed to be the main aspect they think of when BPA is mentioned.
4. BPA is a great technical resource for the region, especially for the small utilities. They do solid work on the technical side. However, these large utilities have their own technical expertise so they have little reason to tap into BPA's knowledge.
5. There was a significant amount of skepticism about the benefit of NEEA's work. They are paying but not sure of the outcomes. BPA is attached to NEEA in that BPA funds half of their work, so by association they expect BPA to have influence on NEEA.
6. BPA can play a strong regional role in coordinating activities, having workshops, continuing and expanding brown bags and training seminars, and facilitating regional dialogues. This coordination role was the one that floated to the top of what BPA could do to enhance the conservation efforts of the region.
7. The utilities felt that increased partnerships among groups of utilities such as SCL, Puget, and Tacoma might yield superior results than each utility working alone. There are some partnerships in place but there could be more. BPA may have a role in helping create regional conservation programs with multiple players. This could then allow stronger marketing channels and trade ally networks by reducing the complexity of working in multiple service territories. BPA could play an advisory role in such partnerships, assisting them with coordinating incentive levels, eligibility requirements, and other details, but allowing the utilities to market the programs themselves under their own brand.
8. While the utilities said they did not need BPA's assistance in programs and marketing, they also showed some willingness to engage in turnkey programs. Given the large opportunity for such turnkey programs, particularly in niche applications, this is an area that should be pursued further.
9. The utilities feel like they have a good working relationship with BPA. BPA acts professionally, and there is a general feeling that BPA people are strong. There is frustration, however, with their impression that BPA doesn't listen well to input from others, and if they do ask for input, they seem to ignore it many times.

Top Ideas for Improved Marketing:

1. **Explore the creation of a series of niche market programs** that are not currently being addressed by the larger utilities and therefore complement their portfolios. The grocery store initiative has the potential of proving that BPA can provide such a service and run the program well. This will likely become a critical test in the eyes of the utilities: if BPA does

well in the sense of making customers happy, delivering on promises, and not interfering with the utility's current customer relationships, the doors will open for additional niche market programs.

- To accomplish this, a series of specific meetings with interested utilities could facilitate identification of gaps in the market.
 - Program design would be conducted in conjunction with a team from the utilities.
2. **Explore the creation of a Seattle metro area coalition of utilities** that focuses on delivering conservation to this high population area. BPA can play the role of coordinator for the coalition. The coalition should be able to create economies of scale in both media advertising (papers, TV, radio) and in training and engaging trade allies, who often serve multiple service territories.
- This program could dovetail with #1 above.
 - BPA would need to prove that it brings unique benefits and skills to this approach. At minimum, however, BPA could provide a coordinating role and push the process forward.
3. **BPA may be able to provide technical expertise** in the form of information, workshops, and training, despite the fact that the utilities felt they had their own expertise. BPA would need to approach this issue carefully and creatively. But as one example, BPA could develop additional training programs for customers and trade allies that are branded by the local utility. This would provide multiple benefits to participating utilities, and it would eliminate the fairly onerous requirements of each utility developing its own workshops. The Northwest Public Power Association also offers training that BPA could build upon/coordinate with.

2.2.2 Small and Medium Sized Utilities: Situation Analysis

The small and medium sized utilities are comprised of many companies that are very dependent upon BPA for funding of conservation programs. From our interviews, this market appears to be fairly dominant for BPA in comparison to the large utilities and the regional organizations; that is, *BPA's energy efficiency department seems very focused on this target market.* Summit Blue was able to hold a 2-hour focus group with the Utility Sounding Board. This focus group was then complemented by numerous individual interviews with other utilities around the service territory. While every person had a slightly different take on their world and their opinion of BPA, the major themes were remarkably consistent across the discussions.

Following are some of the highlights of our focus group and interviews.

The top issue for this market deals with the actual design of BPA conservation programs. First, the *programs were described as too complex*. For example, it is difficult to determine eligibility, and there are too many permutations of options (using the heat pump program as an example). Some said that the cost of doing these programs exceeds the benefits. “The CFO wants us to stop using them,” was one quote. They believe that the programs could be revamped, with their input, to be useful for customers, but they aren’t now. This may be a fatal flaw if the utilities decide not to market these programs to their customers.

1. Program design is a key element of the marketing mix. The group felt that they have the capabilities to effectively sell programs that fit their customers’ needs. Most attempts to get them to talk about promotional elements or channels ended back up on the program design shortfalls. In fact, if the product is wrong, there is little chance that even heroic marketing efforts will help in the long run.
2. There was a feeling among some of the group that the DSM measures were being handed down from the Northwest Planning and Conservation Council. Then BPA hands these down to the utilities. They perceive the Council as an “ivory tower” that doesn’t consider customer input. They somehow did not relate this same feeling about BPA itself, however.
3. When it comes to marketing, they said that BPA should market more effectively directly to the utilities, explaining how and why the programs were chosen and what the objectives are; gathering input from them on what they want and what works and what doesn’t; and providing technical support (which BPA does well). While it was clear from interviews that this type of utility support is strong with some utilities, there were inconsistencies in level of marketing support.
4. There was substantial discussion about the effects of the high water mark issue on the timeframe for DSM action. The current power plans go for four more years. At that point, they feel that they will be “shopping on the open market” for more expensive power that’s over and above their allotment from BPA, and there will be a large economic incentive for them to find conservation so as to not have to purchase the expensive power. So *they don’t necessarily want to get all the low hanging fruit now*. This has set up conflict in their decision-making process that BPA will need to help address.
5. When asked what marketing role BPA could best play, many suggested that BPA coordinate an umbrella awareness campaign throughout the Northwest in order to “prime the pump” for all energy efficiency programs. They want the customers to have a greater desire to reduce energy consumption and improve the economy and the environment. BPA is in a

good position to play this role with the larger utilities, the other regional energy groups, and the government.

6. Some small and medium utilities had difficulty defining an appropriate role for trade allies. They acknowledge that the trades are key players, but the allies often are not good proponents of the best efficiency solution. Trades may often circumvent what is in the long-term interest of the customer. Training might be useful, and utilities again mentioned that if the program designs were simpler, the trade allies would promote them more often.
7. Some said they could use help in coming up with marketing literature; some would use it and others said they would not. There was some discussion about BPA helping with information on websites, as well. They all seem to appreciate technical/engineering assistance.
8. Utilities with only or primarily a residential base fear that they will have very little to offer as programs move to C/I. This was a concern for several utilities.

Top Ideas for Improved Marketing:

1. **Expand Utility Sounding Board:** As mentioned earlier, BPA should consider expanding the Utility Sounding Board. This could provide multiple benefits. First, it would allow the Sounding Board to have deeper input into many of the issues they care about. It seems important for the utilities to have a more significant influence on program design for programs they are implementing. Without this buy-in, it is unlikely that the programs will come anywhere close to meeting their potential. Second, it would provide BPA with a formal process to engage a greater number of people at the utilities to help make decisions. This automatically provides additional market influence as these are the people who will carry messages back to their utilities and staff. Third, BPA will be able to tap into the creativity of a greater number of people.
2. **Develop More Program Design Flexibility:** BPA should consider additional flexibility in certain program designs (heat pumps and windows programs were mentioned most often). Since utilities feel that the designs are rigid and not reflective of customer needs, creating program design options might allow greater buy-in and success. One idea that surfaced was having a matrix, or menu, of program options that the utilities could choose. All the programs would meet similar goals, but the options would provide the utilities with additional control and choice. Web-based tools are sometimes used in these types of menu-driven options. In addition, due to the concern from some utilities that BPA's programs are going towards commercial sector emphasis (and they only have a residential base), BPA should reassure them that there are always residential options still in the program portfolio.

3. ***Use Engineering Expertise as a Launch Pad for Expansion:*** BPA has a very strong reputation in the engineering and technical arena with this market. BPA can therefore use this key brand attribute to leverage other benefits that it seeks. *The engineering group should be expanded* and used to support more sales in the field, to train utility staff in better understanding technology benefits and selling the programs, and to offer more training to trade allies. These BPA experts have high credibility that can supplement the role of the EERs in the field. They should therefore become an important focal point in any expansion that BPA seeks. BPA may wish to consider the placement of basic and advanced technical information on a website in order to offload some of the more routine questions that the engineers receive. There are third party offerings that provide such information if BPA did not want to create it themselves.

4. ***Promote Programs More Effectively:*** BPA needs to market its portfolio of conservation programs better to this target market. While it sounds simplistic, BPA should develop a specific plan to get the word out and promote its programs more effectively through a variety of channels. While there are currently many ways that BPA does market itself, it is apparent that more needs to be done. Specifically, the campaign should start at a very fundamental level, explaining all of the benefits that the conservation programs bring to the region, including how they affect reliability and rates, as well as environmental benefits. The messages should also include a description of what the high level conservation goals are, how the specific programs were chosen, and why certain evaluation techniques are important. At the same time, if the role of the Sounding Board is expanded, this campaign would also describe how the utilities themselves provided important information to develop the conservation portfolio.

5. ***Create Multiple Program Marketing Platforms:*** Moving forward, utilities are likely to accept additional market assistance to their own customers. While the utility representatives we spoke with felt they could “sell” effectively, when goals are higher they may require and request more assistance. BPA may want to develop several marketing platforms that the utilities could use. For example, there could be a website that provides key information for end-users regarding conservation programs, including background information, eligibility, sales/promotional information, and even evaluation criteria. This website could be hosted by BPA but branded with the local utilities’ look and feel. BPA could also use the web to provide general energy conservation and high performance building information directed at end-users. Other platforms may include hard-copy brochures and literature, training seminars and workshops, or broader advertising assistance.

2.2.3 Regional Implementation Groups: Situation Analysis

The regional implementation groups, primarily NEEA and the Energy Trust, are very significant players and are connected in many ways to BPA. BPA is NEEA's largest funder, and is therefore seen as the responsible party for NEEA's successes and failures. Given that NEEA is playing a role that is complementary to that of BPA in many ways, a close relationship seems to be natural.

Highlights of Discussions:

1. There is now market confusion with multiple players. This should be addressed through better coordination and also marketing that is done coincidentally.
2. NEEA works on longer term energy efficiency projects which may take several years or more to show results. BPA has programs that have more immediate impact. The two groups, however, share the same goal of resource conservation. They should coordinate their offerings so that in the view of the marketplace the offerings are continuous and seamless.
3. NEEA has recently studied their role in the region. They are in the process of clarifying this role, and they are interested in working together with BPA to better define respective roles.
4. NEEA has discovered that they need to focus on doing a few things really well and then push on those aspects. They suggest that it's probably the case also with BPA: what are BPA's special abilities and where does that intersect with the market needs? They also have discovered that it's not important for the NEEA brand to be forefront; customers don't care.
5. ETO works as an implementation contractor for several utilities in Oregon. They, like NEEA, are very involved in regional discussions regarding program design, M&V requirements, and EE measure specifications through efforts like the Regional Technical Forum (RTF) and the efforts of the NW Planning Council.
6. Some utilities farm out their rate credit programs to ETO, who may then interface directly with customers or hire trade allies to do so. Consistency of program offerings and rules becomes more important for them, just as it does for partners in other parts of the region. Hiring common contractors across the state would ease the implementation of common measure installation protocols, and reduce bureaucratic overhead, but some local utilities won't want them marketing in their territories. The Grocery Initiative (being administered by PEI) looks like a good initiative to determine whether, with proper communications, these kind of targeted efforts will succeed. BPA could contract with ETO to deliver specific programs in Oregon.

Top Ideas for Improved Marketing:

1. ***Explicitly Plan Marketing Campaigns Together:*** BPA and NEEA should explore the melding of their program marketing. In order to reduce market confusion and to lay out a long-term plan for success in conservation, a long-term marketing strategy should be conducted jointly.
2. ***BPA and NEEA Provide a “Best Supporting” Role:*** End-users don’t see BPA or NEEA as important entities when they make energy decisions; instead, they see programs and solutions that are brought to them through various channels. BPA should probably not try to brand itself to end-users, but instead should develop a strong network to support conservation through utilities, trade allies, and NEEA.
3. ***Continue to Improve the Role of NEEA:*** BPA has recently become even more engaged in the activities of NEEA. Utilities have been noticing improvement, so this engagement is seeing results. This should continue until utilities see NEEA functioning well, as well as seeing the value that BPA provides through NEEA. In addition, there appears to be the need for utilities to better understand NEEA’s role, and BPA could assist in dissemination of that information.

2.2.4 Trade Allies: Situation Analysis

Trade allies are always a dominant factor in any DSM program. Utilities use the trades in a wide variety of functions, some passively and others actively. Although Summit Blue conducted a couple of interviews directly with trade allies, their role was discussed with all of the utilities as well. The comments in this section will be based on information gained through interviews, but complemented with information from other sources as well as Summit Blue’s experience with other programs. The case studies contained in the appendix often focus on the trades as well.

Below is an excerpt from a paper written by William LeBlanc and Paul Komor (Key Energy Efficiency Lessons from Exemplary Programs) for the 16th National Energy Services Conference, based upon research done through E Source. These findings are germane for BPA’s approach to working with trade allies.

Demand and Get More from Trade Allies

How much are trade allies willing to provide to utilities and their customers in order to gain sales and become market leaders? You won't know until you ask. While most DSM programs use trade ally networks in implementation, some are pushing the envelope and asking the trades to pick up more of the costs and work.

Manufacturers may be willing to pitch in resources— marketing dollars, retailer lists and contacts, and so on—if it helps them meet their market share goals. Manufacturers see the DSM dollars from the utilities as absolutely helping their cause. Many are willing to come to the table with assistance, but they need to be asked. If the combination of manufacturer assistance of any kind plus utility involvement can sweeten the deal in any way for these products to get into the retail channel, they are likely to want the new business.

In general, large retailers (such as Lowe's and Home Depot) have a lot of leverage over manufacturers, due to their market power. Manufacturers, of course, are eager to get their products on the shelves of these retailers and may be willing to cut their margins to do so.

Like manufacturers, distributors may be willing to pay for a program that benefits them. Advertising for NW Natural's high-efficiency gas program is funded largely by distributors. "Distributors provide the funding and expect us to create programs that will generate leads and sales for their brands," says Carolyn Farrar, channel manager for NW Natural. "At the end of the year, distributors want to look at their sales and be able to equate how many boxes sold based on the leads generated out of this program, and they want to have a decent ROI [return on investment] for their marketing dollar." Distributors in turn look to cover 40-50% of their program expense from their dealers.

Contractors also have an increasingly important role to play. Since most contractors are small, independent businesses, they often lack a "brand" that could help them to establish credibility and trust. As a result, contractors value and need the utility's brand or other ways to leverage the utility's strong reputation for quality and service and they want to affiliate in some way with the utility and its programs.

Source: ESource Report

Top Ideas for Marketing:

1. ***BPA Plays a Large Role in Trade Ally Education and Training:*** At a very basic level, knowledge is a key to moving the market in the Northwest. If contractors are installing inefficient equipment, it may be because of lack of information and skills to install high efficiency options. Many may not have knowledge about rebates available. BPA could play an expanded role in training contractors and engineers in energy efficiency techniques. BPA is already doing this in commercial lighting, and should expand that effort to include other sectors and technologies. BPA's strong expertise on the engineering side plays in well to this approach. The goal would be to reach the most active contractors and start to have the process steamroll so that the most successful contractors are the ones that have the greatest

energy efficiency knowledge. Some utilities have developed required training for trades to be eligible to participate in certain DSM programs.

2. ***BPA Develops Trade Ally Programs:*** One approach that should be explored is the creation of conservation programs that are specifically sold and introduced through the trade allies to install equipment. National Grid has used this approach through their Project Expeditors program in the commercial sector to great success. This may be melded with the earlier concept of BPA's creation of niche programs (grocery store type programs). BPA could also go to retailers and work out additional deals similar to the CFL program that BPA helped implement. In addition, BPA could develop a "lead generation" program, in which it worked to find high potential customers for trades that met certain criteria. BPA has proposed a trade ally network administrator for commercial lighting, who would provide training and other services to trade allies; this is an approach that could be expanded to other end uses and market sectors.
3. ***BPA Works to Develop Trade Networks:*** Smaller utilities, and possibly even the larger utilities, need assistance in bringing the trade ally networks—particularly contractors—into the region's conservation process. BPA can play an important role by helping organize the trades to be more in tune with the needs of the utilities. This can be done through education and marketing. It may require the development of more meetings, workshops, and conferences that are focused on bringing the trades up to speed on what the utilities, BPA, and NEEA are trying to accomplish over the long-term. BPA could also aid the development of trade networks by establishing an online community, such as an interactive Q&A website or a listserv, through which trade allies and BPA technical experts can collaborate and share information.

2.2.5 End-use Customers: Situation Analysis

End-users are primarily an indirect target market for BPA, as the utilities and trade allies are the intermediary that deliver the programs and equipment. BPA, however, influences these relationships, and in some cases has a direct line to end-users. As with the trade allies, Summit Blue did not directly conduct research with end-users. However, all interviews touched on end-users and what they were thinking and doing about conservation programs. The case studies will all deal at some level with end-users, as well.

Universally, utilities expressed that they did not want BPA marketing directly to their customers, unless it was carefully coordinated with the utility. While end-users are unlikely to express such a "rule of engagement," if multiple entities approach them, it is likely to lead to confusion which will not help anybody's cause.

BPA's Role with End-users: The primary concept that evolved regarding BPA's direct influence on end-users was the creation of an "umbrella" marketing campaign that promoted the benefits of energy efficiency. This could take the form that many social marketing programs currently do, in which an entity, in this case BPA, develops a long-term marketing approach to changing social and business norms. The utilities expressed interest in this approach in order to make their job of selling energy efficiency easier. They know that as small entities, they do not the power to develop such a broadbased regional campaign, and that BPA is in an appropriate position to do so. The campaign would "prime the pump" for all conservation efforts. The goals would be to reach customers with fundamental messages about energy efficiency, and drive them to the utility programs and trade allies for implementation.

2.3 External Factors

There are a wide range of external factors that could affect regional EE markets in the coming years, including, but not limited to:

- Effects of state and federal legislation on energy efficiency
- New technologies
- Evolving market actors that have the power to change baseline purchasing behavior
- Economic or political change that could affect avoided costs, or measure costs

A limited review of these factors was completed by the study team to identify key external factors that will be affecting BPA in the next five years. A few of the key factors with potential impact on BPA's ability to achieve conservation targets are outlined below:

- Greenhouse gas (GHG) and other environmental regulations
- Renewable Portfolio Standards, EE standards, and other emerging state/federal laws
- Unstable macro-economic conditions
- Fuel price volatility
- Disruptive technologies that quickly render old ways of doing business obsolete:
 - LED lighting
 - Truly smart buildings
 - Interactive home energy displays that are actually cool⁹

⁹ Studies have found that such residential energy feedback devices result in savings of 5-10% and sometimes up to 25%, all due to voluntary conservation. Martinez, Mark S. "Residential Demand Response Technologies: A Consumer's Guide." Presented at the National Town Meeting and Symposium on Demand Response. June 26, 2006.

One of the factors driving the increased attention paid to energy conservation and renewable energy (both among governments and consumers) is the dramatically increased media coverage of the global warming crisis, fueled in part by specific things such as Al Gore's Academy Award-winning documentary *An Inconvenient Truth*, the release of the new IPCC report¹⁰ with the most dire predictions to date, and catastrophic weather events such as Hurricane Katrina. In California, Governor Schwarzenegger recently signed the California Global Warming Solutions Act, a historic piece of legislation expected to create new markets for innovative clean energy technologies and alternative fuels. The Global Warming Solutions Act (AB 32) is essentially a cap-and-trade system for CO₂ emissions, mandating a reduction of 25% to 1990 levels by 2020, starting in 2012.¹¹ Nearly half of the states in the U.S. have now implemented renewable portfolio standards, with several states recently raising their targets further.¹²

Governments aren't the only ones adopting more environmentally-friendly practices; mainstream consumers are increasingly making purchasing and lifestyle decisions based on their environmental beliefs, and they are willing to pay a premium to do so. A recent article in *Wired* magazine described the new "eco-chic lifestyle", in which driving a hybrid, wearing organic cotton and bamboo clothing, and putting solar panels on the roof are public statements of style and substance: "I can afford any car, but the Prius is my vehicle of choice...a statement of conspicuous nonconsumption."¹³ Parties, weddings, and even the Academy Awards are now opportunities to introduce friends and family to eco-friendly practices, by using organic and locally grown food and flowers, printing up napkins with energy savings tips, using recycled and biodegradable plates and flatware, purchasing carbon offsets for guests' transportation, etc.¹⁴

Today's Internet-savvy consumers expect not only instant access to the information that they want, but also a sense of belonging to an interactive community when they are online. Social networking websites are not only for the mySpace crowd; these types of online communities are increasingly geared towards joining people within similar political or social beliefs and spreading their message. Consumers also want information that is personalized and relevant to them; they want to know what kind of impacts (good and bad) their own actions have. *An Inconvenient Truth* directs viewers to visit the www.climatecrisis.net website, where they can calculate their carbon footprint based on their energy bills, miles driven, and flights taken; the site then points them to www.nativeenergy.com, where they can purchase renewable energy credits to offset the greenhouse gases they produced. www.18seconds.org, a new website that tracks sales of CFLs

¹⁰ Intergovernmental Panel on Climate Change. *Climate Change 2007: The Physical Science Basis. Summary for Policymakers*. February 5, 2007.

¹¹ "Fast 50." *Fast Company*. March 2007: 70.

¹² <http://www.dsireusa.org/>.

¹³ Pink, Daniel H. "Rise of the Neo-Greens." *Wired*. May 2006: 157.

¹⁴ Navarro, Mireya. "How Green Was My Wedding." *New York Times*. February 22, 2007. "Natural Resources Defense Council "Greens" the Academy Awards", <http://www.nrdc.org/media/2007/070225.asp>.

across the country, does not simply present a counter of bulbs sold; visitors to the site can put in their own zip code and see how their state or city compares to the rest of the country. The site presents how many bulbs have been sold, how many dollars have been saved, the total greenhouse gas emissions avoided, and the equivalency of cars taken off the road.¹⁵ Further enhancing the interactivity of the site, visitors can copy the HTML code for a small real-time CFL sales counter for their state or city (called a “badge”) and paste it into their own website or blog. This allows the blogger to show their support for the cause and direct their own readers to the 18seconds.org website for more information.

A number of these factors are also discussed in the case study of marketing trends in other industries as presented in Appendix C.

2.3.1 Internal Personnel: Situation Analysis

In order to respond to the market forces outlined above, a review of internal capabilities was conducted. This section takes a look at the current internal circumstances at BPA. The study team conducted interviews with 22 BPA office and field staff and reviewed BPA documentation on current and planned EE programs. The focus of BPA staff interviews was on how the Conservation staff views BPA’s current marketing activities and capabilities. All interviewees (listed in Appendix B) were assured anonymity of their remarks. Most interviews were one-to-one, lasting approximately one hour each. Most Portland staff were interviewed in-person, while field staff were interviewed by telephone.

The interviews identified indicators of *organizational inertia* that may be inhibiting effective delivery of some marketing services. The interviews also pointed out gaps in staff capabilities or communications practices that affect marketing effectiveness. Some additional opportunities for new marketing activities were identified as well. While bridging this gap between current in-house marketing approaches and industry best practices will take time, an initial review of the current practices and needs is included in this section. Section 5 provides a discussion of priorities for action to address these needs.

Background

While BPA has traditionally pursued primarily residential conservation, and residential targets still feature prominently in the 2007-09 goals, the ramping up of commercial and industrial conservation is required to meet targets. The utilities must invite BPA to *help them* pursue

¹⁵ The website only tracks sales since January 1, 2007 and may not include all sales from smaller retailers, and thus does not take into account previous CFL program efforts. However, the model for tracking energy efficiency measures is an early example of how the Internet can facilitate community building around an issue.

industrial customers. This is highly dependent on the relationship between BPA staff and the utility personnel. Better coordination among BPA staff (Account Executives, Engineering, EERs in particular) and third party, industry-specific expertise (that an industrial customer might already be working with for other reasons) could really help develop these opportunities. While it was clear from interviews that some Account Executives do keep in close contact with the EE staff, there is not consistency in approach to internal coordination, and the EERs cannot always drive this process forward in the ways they would like. Internal planning could also help define when and where third party expertise could be best utilized. Some activity is already occurring in this context through the Technical Services Portal (TSP) and the consultants working under Master Agreements.

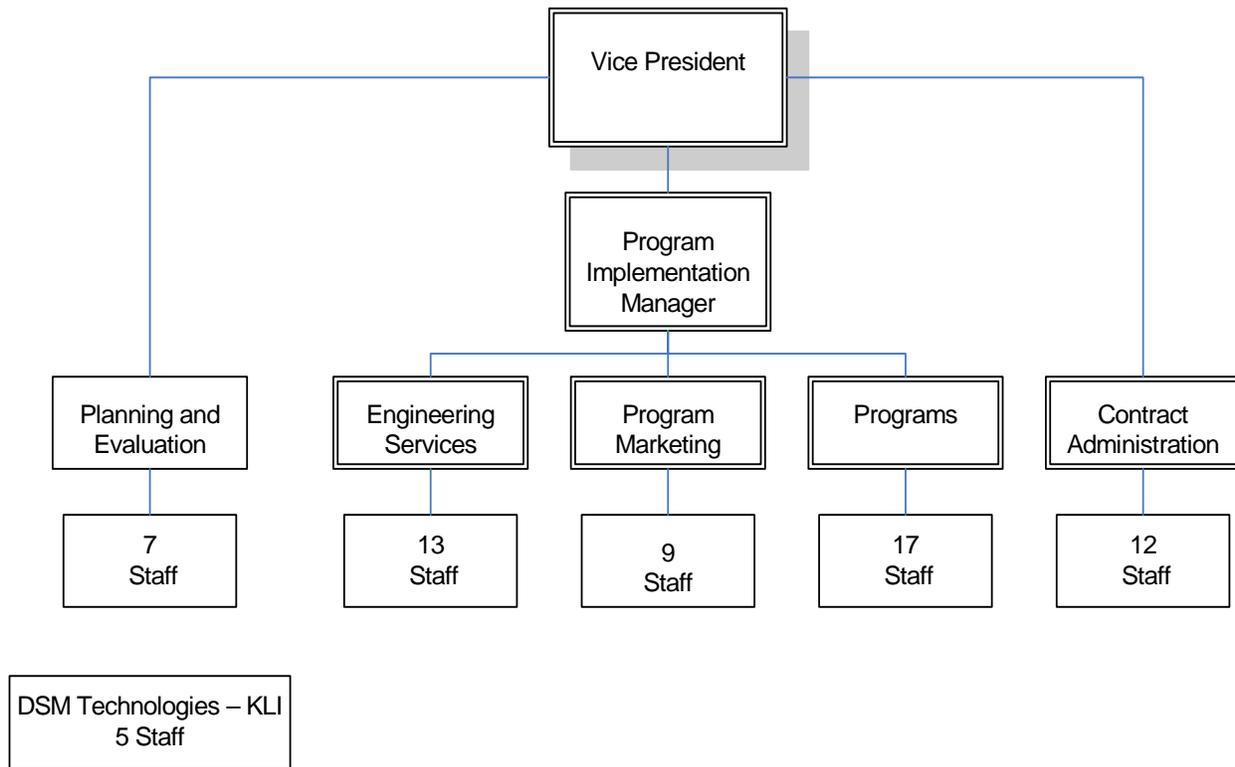
In addition, the current national trend of big box stores (Walmart, Home Depot, etc) heavily pushing CFL sales provides an interesting opportunity to work together with other retail outlets to piggyback on the big box marketing efforts to get more CFLs sold. While some concerns regarding free-ridership exist, acquiring conservation resource now (and over the next 1-2 years) through these efforts will help in meeting long-term goals – before CFLs are considered a baseline technology.

A recently completed Energy Efficiency Process Improvement organizational review process served to both re-align some staff resources and responsibilities and to outline the mission of BPA Headquarters and Customer Service Centers.¹⁶ The SMP study team was instructed to consider the organizational structure that currently exists as an outcome of that process as the one that will implement any marketing strategy. Thus, this section does not focus on altering the current Energy Efficiency department structure, but may present findings that suggest changes and/or additions to some staff responsibilities. Most of the marketing strategies outlined in this report align well with the recommendations from the EPIP.

The comments below are based on interviews with a significant number of the Energy Efficiency Reps (EERs), some Planning and Evaluation staff, a few of the Engineering Services group, and a number of the Program Sector staff. One person from Contract Administration participated in a group interview, and the study team also interviewed members of the Public Affairs department. One interview was conducted with the manager of BPA's West Hub Account Executives. Figure 2-6 provides an organizational schematic of the EE Group at BPA.

¹⁶ The EPIP was completed in April 2005, and included a review of process improvements, metrics, and risk factors for Contract and Program Administration.

Figure 2-6. BPA Energy Efficiency Department Organization



Following are some observations from the staff interviews:

A number of viewpoints were expressed by EE staff regarding what marketing roles were most suitable for BPA staff. Each person was asked, “What is BPA good at? What roles are staff best positioned to play in EE markets?”

1. BPA brings a commitment to conservation and a long history of EE program delivery (albeit with a significant gap beginning in the mid-90s) to the region. Historically, the centrally designed, prescriptive programs (like WaterWise, Super Good Cents) had lots of financial support and staff and were well received. Success factors for SGC include: the central role of the local, and identification with the broader regional effort. The current increased EE targets don’t come with the same level of funding or staffing as the old targets did. This reduced support means that some people think ‘that for last 5-8 years, BPA’s main EE product (for utilities) has been money.’ Being a provider of cheap power to the region, and a willingness to pay for conservation, is not enough to drive current ambitious conservation targets. Packaged program offerings are preferable for most medium and small utilities. Most small utilities don’t have staff or capabilities to design and roll-out programs, and need turnkey services and handholding through the process.
2. The Utility Sounding Board has created new opportunities for EE staff to hear feedback directly from a group of utility customers. This mechanism has already helped to improve

program delivery mechanisms, and resulted in specific feedback on program planning. Inviting an industry-specific representative (possibly one of the Master Agreement consultants, or an association representative such as local/regional ASHRAE or BOMA representatives) to the meetings on a rotating basis could be an effective way to get channel partners more directly involved in program planning.

3. While there is an expectation of working together that exists throughout various regional organizations, BPA is still the 800 pound gorilla in the NW. When more than one regional player is involved in a project, it often seems everyone wants to get credit for themselves. For example, sometimes NEEA is out in the field visiting customer sites (Industrial Initiative or Better Bricks), and it has been reported that they do not always tell the end-use customer that they can get rebates for measures from their local utilities. This is viewed as a missed opportunity for resource acquisition that may be occurring because of each organization's need to *get credit* for efforts – rather than working hand-in-hand better. Also, local utility need to ALWAYS be informed before any regional organization or trade ally visits one of their key customers.
4. The regional dialogue is a big deal. While large and small utilities may react differently regarding whether current high-water mark allocation process will affect their plans to aggressively pursue conservation targets this year, all are thinking about it. While one-on-one meetings may be required to address many concerns, BPA has the clout to pull together regional meetings and forums that involve state energy offices, regional EE providers, trade allies, and others to plan and to work out issues on specific conservation initiatives. Defining how and when to use this clout is important.
5. BPA's brand is not seen as critical to the end-user or utility. Most of the time, it is better for the 'branding' to be associated with the local utility (especially for the big ones). The BPA name does bring credibility to some programs and may help smaller utilities when working with trade allies and channel partners.
6. EE staff are generally viewed as competent and helpful, though areas for improvement exist. For example, engineering staff are key to a number of relationships in the field, but not always matched to specific customer needs. They may get called when there is a question regarding program eligibility for specific measures (for example, irrigation measures), or sometimes knowledge required to recognize conservation opportunities in specific sectors is limited. Example: a walk through audit by a BPA engineer may not reveal all conservation opportunities that an industry specialist might find, but once the walkthrough is completed, the customer (and the local utility) may not think it is worth re-visiting. Since some EERs work with a large set of small utilities, others with a few large utilities, their approaches to meeting customer needs vary. Marketing approaches are thus customized regularly by field staff to suit specific utility needs. This can create concerns regarding consistency or key

messages delivered. In addition, many utilities view rate credit dollars as their own money, not a discount – indicating that BPA ‘was taking money out of our left pocket, and if we played by their rules, let us put it back into our right pocket.’ This creates issues for EERs in the field – who often end up getting positioned as the ‘protector’ between the little guy and the big government authority.

7. There is a perception among those outside BPA that the emphasis is often on rules/regulations, and some ‘take it or leave it’ regarding conservation was sometimes imparted in the past to utilities. Current perception is that this is improving. Program manuals and other program materials generally get good marks for ease of use. On the other hand, current program implementation may have developed too much of a zero risk profile (for example, lighting requires a 100% inspection of every lamp and ballast. Is this really necessary?). There is an opportunity cost to this approach. BPA requires specific M&V procedures to get savings credit. The M&V procedures (and measure specifications) don’t always align with other regional organizations. For example, the CRC program tightened up the requirements for rate credits, compared to C&RD – which was considered rather loose. Did BPA over-correct in defining reporting requirements? There may be a greater need to work with utilities to determine whether specific EE program efforts on their part should be self-funded or through a bi-lateral contract.
8. Web-based approaches to serving utility marketing and program paperwork needs are really just getting started. The Energy Ideas Clearinghouse operated through NEEA is a great resource that appears to be underutilized.
9. There is a missed opportunity in the field to work with equipment distributors, designers, and engineering firms. These folks are really extended sales staff for BPA conservation efforts and need to be enabled as such. They often are not aware of BPA financial incentives that their customers may be eligible for. Distributors need help understanding program rules, and how they may cut across utility service territories. BPA fails to put the word on the street. For example, in one case cited, a lighting designer/contractor was not going forward with a recommendation to a commercial customer to install more efficient lighting, as the efficient fixtures each cost \$10 more than the ‘standard’ fixtures, and he was afraid he might lose the bid if he proposed such. What he didn’t know is that the local utility would have paid \$30 per fixture for the more efficient one – he could have come in cheaper with a more efficient design.
10. There is a ‘Portland-centric’ view to much of the EE activity in the NW. This extends not only to the views of East Side utilities, but also to those in the Puget Sound area. BPA, NEEA, NWPC, and many of the efficiency contractors in the NW are located in Portland, making others in the region feel like it is a bit of a cabal. BPA could *work with the players from other parts of the region*, so it doesn’t feel so much like it is solely invested in Portland.

11. BPA could use *more positive PR* for the conservation work it is doing in the region. Too often, the press coverage BPA receives is focused on fish issues, power price increases, or something else not flattering to BPA. Getting earned local and regional coverage of conservation accomplishments could be enhanced in such a way that builds BPA's image as well as highlighting local utilities and trade allies. While it is not critical that energy end-users relate specific conservation programs to BPA, it is important that BPA has a positive image among critical stakeholders in the region, and its conservation investments can help with this image.
12. Public Affairs is challenged to provide program collateral that has a *consistent look and feel*, while at the same time providing the *flexibility* to customize (with measure and incentive info, for example) materials for each utility or region. They are too often asked to develop customized materials with a 'next day' turnaround – which is unrealistic. Expectations of immediacy stem from technology advances, and need to be tempered with the need for a consistent message. One solution might be to develop web-based tools that allow on-the-spot customization within approved constraints. Note: a real concern here seems to be who controls marketing messages. PA does not want to feel like a 'job shop' for EE or other groups. They do have more contextual knowledge of the broader BPA messaging and consistency that is required across the organization, but there may be better ways to coordinate across departments. On the other hand, Public Affairs staff has almost no direct contact with customers and outside entities. There will always be conflict with the perceived needs expressed by the EERs unless PA also is 'at the table' in some customer interactions.

Top Ideas for Improved Marketing:

1. **Initiate more consistent communications between EE staff, BPA Account Execs, and Public Affairs staff.** The Account Executives are considered the business relationship manager for BPA at the utilities, and EE is not always seen as their top priority. Regular meetings (monthly?) that include a sector lead, engineering services, the appropriate EER, contracting officer, and public affairs could be focused on one sector each time on a rotating basis. Something like this is occurring in some cases, where teams have developed Customer Action Plans.
2. **Establish consistent messages (both internal and external) regarding energy efficiency.** There is a need to move away from "how can you help BPA succeed" to "how can BPA help you succeed" when talking to utilities and channel partners – the key needs to be on making the local utility look like a hero with EE. One message that needs to get across is 'we're all in this together' (to keep electricity prices down and the environment clean). BPA staff at all levels need to get into the field to see how customers actually function, and to help deliver these consistent messages. Regular communications/visits with clients by BPA

management are important to explain commitment to long-term benefits to the region. BPA has been doing more of this in the past year, with management making visits out to parts of the region.

3. **Conduct regional workshops** to pull together key players in *specific industries*, with the goal of each identifying the barriers and opportunities to achieve greater conservation in that specific sector. This would build on the regional forums that have been conducted in the past. Coordination with NEEA, state energy offices, industry representatives, financial/operational managers from the industry, specific design/engineering/supplier community, etc. will be required for these to be effective. A few sectors to start with might include timber products, information technology and software, bio tech, aerospace, water utilities, etc. The goal of the workshops would be to build on some of the specific market transformation efforts initiated by NEEA, and develop a smoother continuum between near term resource acquisition and longer term changes in energy management practices.
4. **Develop a suite of web-based tools** to smooth the program reporting process, create the ability to customize, order or print marketing materials online, and to create an online EE community for trade allies and other interested parties through the use of FAQ responses, listservs, and other tools – including the use of video, and calculation tools. Build on the Energy Ideas Clearinghouse already developed by NEEA. Hire a third-party provider to develop networking tools.
5. **Create an internal marketing team**, and provide them with training opportunities to enhance skills (market research and segmentation, social marketing techniques, program design and implementations, negotiation and [soft] selling, etc.) both on-site and off. While bringing in third parties to lead workshops with the marketing team will prove most effective for some skills development, there is also significant value in attending EE industry conferences and talking to peers from other organizations across the country. In the near term, send some of the team members to the AESP implementation conference in Texas this spring. Also, develop a process that reviews each year's program efforts and determines how best to learn from program delivery failures and how best to try new/alternative approaches, properly testing them first.
6. **Bolster the EE Engineering staff**. The engineering group should be used to create more sales in the field, to train utility staff in better understanding and selling the programs, and to offer more training to trade allies. These BPA experts have high credibility and that can become a focal point in any expansion of EE efforts that BPA seeks. BPA may wish to consider the placement of basic and advanced technical information on a website in order to offload some of the more routine questions that the engineers receive. There are third party offerings that provide such information if BPA did not want to create it themselves.

- 7. Develop more co-marketing opportunities with trade allies and channel partners.** In addition, ongoing training sessions to clarify program rules (and differences between territories), technical specs, and co-marketing strategies are essential to building trust and community among these front line players. There is a particular need for buy-in from organizations that trade allies already belong to (for example, a sheet metal union might want to know how a program links to ASHRAE standards).

- 8. Establish clearer processes for EERs and other EE staff to interact with Public Affairs staff.** While PA needs to recognize existing relationships among support staff within Energy Efficiency, and build on those relationships, development of clear procedures is required for creating marketing materials that allow for some flexibility, but have QC procedures to assure consistent messages. Program sector leads can work more closely with Public Affairs to develop and QC marketing materials, leaving some 'field customization' options available within set boundaries. This is tightly linked to both recommendations #2 and #4 above.

3 EFFECTIVE MARKETING PRACTICES: RESEARCH RESULTS

This section highlights the findings of the research conducted to develop case studies of exemplary marketing practices at other organizations that deliver EE programs. These case studies provide an opportunity to learn from the efforts of others who have succeeded in acquiring energy efficiency resources in their state or region. The elements of these marketing approaches that are working well and resulting in successful implementation, satisfied customers, and effective trade ally involvement are presented in Section 3.2, and the full case studies are included in Appendix C. The section begins with a brief overview of EE best practices as documented in some recent industry literature.

3.1 Best Practices Review

In reviewing the effectiveness of marketing and outreach efforts at BPA, the study team sought to keep program best practices in perspective. The team reviewed best practices as identified in the National Energy Efficiency Best Practices Study, which examined energy efficiency programs across the country in an effort to identify those strategies and practices which, when compared to other tactics used to address a particular problem, produce the best results.¹⁷

A number of other approaches to reviewing EE program exemplary practices were considered as well. The following set of questions were used to review statewide demand response education and outreach efforts in California¹⁸, but they could also apply to energy efficiency efforts in the NW and could provide a quick snapshot of how each program did in regard to the following factors:

- *Goals defined?* How well were program goals defined?
- *Target audience defined?* Was the target audience well defined? Is it an appropriate target for the goals of the program?
- *Access to target audience?* Does the program channel provide sufficient access to the target audience? Is it an appropriate channel?
- *Message content?* Is the content of presentations and brochures appropriate to the audience? Is it understood? Is it motivational?

¹⁷ National Energy Efficiency Best Practices Study, Volume S – Crosscutting Best Practices and Project Summary. Quantum Consulting for the California Best Practices Project Advisory Committee, December 2004.

¹⁸ Process Evaluation of Selected California 2005 Demand Response Education, Awareness, and Outreach Programs, Summit Blue Consulting, April 2006.

- *Message delivery?* Are the materials and delivery methods effective? Is it the right presentation, format, and medium for this type of marketing and educational materials?
- *Customer/partner satisfaction?* If applicable, were the customers and/or partners satisfied with what the program achieved?
- *Program administration?* Was the program effectively supported from within the organization? Did it have the time and resources to adequately deliver the message and track activities?

3.1.1 Market Research Best Practices

The market research function is critical for virtually all companies, and utilities, even with a captive audience, are no exception. Expertise in market research is generally lagging in electric utilities as compared to more competitive industries. While this puts utilities in a hole, it also means that they can learn from the experience of others and take advantage of years of research on best methods for market research.

Market research is used for a wide variety of purposes. Below are four broad areas in which market research can provide benefits, starting with higher level issues and then drilling down into transactions:

Macro Trends: By conducting research into broad trends, BPA could learn about how customers' attitudes and buying behaviors may change over time, and also better understand political and technological influences on its market.

Brand and Market Position: Market research is necessary in order to understand BPA's brand among its marketplace. This Summit Blue project has conducted a good deal of market research, but it should be institutionalized in order to capture key brand information and to measure brand progress, and to determine if BPA's market position is where it wants it to be. This brand research can be done with utilities, commissions, trades allies, governments, or any organization that has a stake in BPA's activities.

New Products and Services: This area is probably the most complex for BPA. BPA must develop programs that the utilities want to use, that meet conservation goals, and end-use customers are attracted to. End-user research could become a big business for BPA in some scenarios. Utilities could use this data, and BPA would be in a good position to streamline the research. In addition, market segmentation research belongs in this area. This also includes program testing and pilots, as well as message testing.

Customer Satisfaction and Experience: Almost all utilities do extensive customer satisfaction research with their end users, and many participate in the JD Powers ranking of utilities. BPA would probably want to continue to measure satisfaction on an ongoing basis with its utility customers.

This research would also look in detail at specific “touch points” and interactions with BPA and its customers, including the Web, phone and personal interactions, and technical information.

Summit Blue conducted two interviews with market research experts at Portland General Electric and at Salt River Project. In addition, Mr. LeBlanc has written extensively on market research best practices. Findings are highlighted below from this research:

1. *Market research needs to be “actionable.”* Many times, market research is done without a clear understanding of the final objectives of the research. Every party to the research needs to fully buy into the research process and results in order to produce value. This can be achieved only by spending the necessary time up front to completely design the research based upon desired *outcomes*. And the outcomes need to be actionable, meaning that there is something that the company can do with the results once they are collected.
2. *Market research results need to be understandable to non-research people.* Far too often, market research results sit on a shelf without being acted upon. Part of the reason is that reports and results show up in “market researchers’ language,” which is like an engineer talking to a doctor. They just don’t know each others’ language. Researchers need to cut to the chase and tell managers what the results *mean*, and not get into the gritty details of methodologies, for example.
3. *Value of research needs to be constantly evaluated.* This includes a couple of important elements. First, market research is an investment in reducing risk. If a product can be tested before launch, a failure could be eliminated. If the target audience’s “hot buttons” can be discovered, then marketing will get a higher hit rate. Second, market research activities must always be evaluated as to their worth to the program or product. Sometimes market research is conducted on a routine basis because “it’s always been done this way,” but every dollar should be scrutinized.
4. *Market segmentation is essential.* Segmentation gives marketers a much better chance of success. While every customer is somewhat different, market research can cluster customers into groups that act in a similar manner. This can be as simple as large vs. small, or as complex as segmenting based upon attitudes. Segmentation not only helps sell successfully, but also provides tremendous insight to help the new product development process. Some of the more advanced utilities are using geodemographic market segmentation approaches to improve marketing effectiveness. Each sector (residential, small commercial, large commercial, industrial) must be treated differently during segmentation.
5. *Organizing around a sector breeds success.* While there are many ways to create an organization, it is likely optimal to organize around meeting the needs of a given market

segment. The team then focuses all their energy on producing a complete customer experience, and they become completely responsible for that success. Having a champion for each sector/segment really helps move in the right direction.

6. *Sectors should be market-, not product- focused.* This means that the sector teams should not be aligned with specific products or DSM programs, but rather with a market segment primarily. Products then become a method for service to those customers, along with customer service, information, and a host of other services.
7. *Data management is a large, important market research function.* Market research is not very useful if it's not accessible to everyone who might need it. Too many times, a product manager wants a specific piece of information but it takes too much effort to obtain it, and therefore the value of the data is missed. So, having people who are excellent data managers becomes essential for the market research function to be fully utilized.

The budget for all market research at Portland General Electric is approximately \$1.6 million, and at Salt River Project, about \$2 million. The managers suggested that BPA could take advantage of outsourcing for many of its needs, but it is critical to have at least one market research expert in house in order to manage the whole area.

Top Ideas for Improved Market Research for BPA

Since BPA does not typically sell directly to end-users, the market research function is somewhat unique compared to other utilities. Following are some ideas that could provide improved information for success in conservation development and delivery. The skill sets for market research have significant overlap with those for measurement and evaluation of DSM programs, so BPA is in a good position to become a market leader. (Note: Summit Blue did not directly interview staff about the market research function, so these suggestions may overlap work that is already being conducted at BPA.)

1. **Conduct regular market research with each major customer group:** BPA should gauge its success in delivering conservation services (all aspects of delivery, not just MWh) to its direct customers (at least to small/medium utilities and large utilities). This Summit Blue project is a great first step in establishing such a research effort. BPA should be evaluated by its customers on many aspects of conservation delivery, including customer service, program design, technical support, and user friendliness, for example. This research should be both quantitative and qualitative, and should be designed so progress can be tracked on a year-to-year basis. This information will be used to continuously improve BPA's Energy Efficiency department, and it also can be used to show utility customers how BPA is working on its improvement, and what progress it is making.

2. **Consider becoming a central clearinghouse for market research information, solutions, and data:** BPA should consider taking on a leading role in developing advanced market research information for delivery of conservation in the Northwest. Market research data can be expensive, and smaller utilities cannot usually afford to implement surveys. Even larger utilities such as Puget Sound and Tacoma may have limited budgets to conduct the best research. BPA could take on that function and then provide this valuable information to the marketing departments of the utilities. And if BPA creates more programs that go to customers directly, the market research function can support marketing excellence for those.
3. **Start small, gain successes and buy-in:** BPA should conduct some market research pilot studies in order to demonstrate value to its utility customers. This could be done in any sector, but it should be in an area in which the utilities may be struggling. For example, the Washington utilities may be concerned about needing to expand DSM quickly. BPA could provide research that shows where significant potential lies, for example.
4. **Explicitly include market research as part of each sector team:** Each sector team should have a full market research plan. This can help the team focus on the right markets, with the best messages. It can also help focus on superior customer service and creating improved connections with clients.

3.2 Case Studies Summary

Table 3-1 and Table 3-2 on the following pages summarize the key findings from commercial and industrial case studies, and the residential case studies respectively. For each case study and ‘snapshot’ contained in the appendices to this document, the table outlines the following:

- End users targeted
- Program goals
- Keys to channel development success
- Incentives
- Sales and delivery strategies
- Messaging
- Key lessons

Table 3-1. Nonresidential Case Studies and Snapshots Summary

Program	SCLP (Lighting) (NYSERDA)	Technical Assistance Program (NYSERDA)	Pulp & Paper (Focus on Energy)	Local Government Partnerships (PG&E)	[Snapshot] Cool Shops (Clean Air Foundation, Ontario, Canada)	[Snapshot] Project Expeditors (National Grid)
End User	Small Commercial	Industrial & Commercial	Industrial	Primarily government, institutional, also commercial, multi-family	Small Businesses	Commercial customers, mostly larger size (200kW+)
Goal	Train trade allies, which includes distributors, contractors, designer, and manufacturers on occasion.	Technical assistance for on-site, detailed engineering assessments.	Gain deep improvements in energy efficiency within a single industry through influence of end user and channel suppliers.	To gain deeper market penetration through partners who already have established relationships with end users. To establish DSM champions outside of the utility.	To provide a quick demonstration of how simple it can be to implement energy efficiency. Provide an audit and recommendations for retrofits.	To transfer marketing responsibility from the utility to a group of qualified engineering firms that will then take care of the entire project, from sales to implementation.
Channel Development	Key to success is to create flexible program design that evolves over time as the market shifts and the program succeeds. Must help the channel players want to provide services to the small business sector. At first, recruiting trade allies was major focus; that evolved and now is mostly advanced training.	Works with engineering firms and technical consultants to reach end users with studies. These consultants are chosen through competitive solicitations. Also works directly with end users.	Key to success is to recruit specific industry experts to interact with end users and with market players. The manufacturers, and their reps, play a critical role in delivery to this sector. Designers play a secondary role. Comprehensive training and education are part of the program as well.	Partnerships are in several categories/channels: higher education clusters, department of corrections, cities/counties, regional government organizations. Partners develop a contract with PG&E to produce DSM results based upon standard cost effective measures. Partners get money, and allocate that where they see fit. Partners can take advantage of existing DSM programs or create their own. Contracts range from \$0.5-16 million.	Uses 'street teams' that go directly to small businesses, sometimes with a pre-screen and sometimes cold-visit. Implemented through a third party (a non-profit called Clean Air Foundation) and they have partnered with 11 utilities. The outcome of the visit is an audit with recommendations based upon input into a Palm Pilot. The audits are NOT comprehensive, in order to keep the whole transaction simple; they go after the high potential savings based upon the profile of the customer.	Project Expeditors (PEs) are chosen through competitive bids. They take on the role of the utility sales rep/account manager from a sales standpoint, and then continue by completing an audit, and implementing all the upgrades.

Program	SCLP (Lighting) (NYSERDA)	Technical Assistance Program (NYSERDA)	Pulp & Paper (Focus on Energy)	Local Government Partnerships (PG&E)	[Snapshot] Cool Shops (Clean Air Foundation, Ontario, Canada)	[Snapshot] Project Expeditors (National Grid)
Incentives	Only available to contractors who are qualified. Rewards those who are willing to commit to program standards.	Cost share of the assessment 50/50, customer and NYSEERDA.	Co-funding feasibility studies, providing equipment buy-downs, and other strategies designed to lower the paybacks for the targeted equipment. Will also pay half of feasibility study.	Incentives are either what PG&E already offers, or some variation produced by the partner in order to meet budget and cost-effectiveness criteria.	Discounts and rebates are available through the utilities, but also through retail partners such as Home Depot.	PEs are not paid anything. Their incentive is that they receive qualified sales leads from NGrid’s account managers. This is worth a lot to the PEs.
Sales and Delivery	Took the show on the road and had to convince the first suppliers to participate. Participants trained in two hour in-person sessions. 100 contractors in advanced training sessions now. Now, awards are given to top performers. Case study is created to reinforce success and provide promotional opportunities.	For recruitment, goes out with RFPs. For selling to end users, primarily uses the Website. Since contractors are pre-approved by NYSEERDA, the customer feels like there’s an endorsement and it lowers search costs and barriers.	The key is having someone who is an “insider” to the industry, who can learn about projects during their planning stages, and has credibility with the industry players. One entry point is through technical conferences in conjunction with the trade associations serving the pulp and paper industry.	The key to the Partnership approach is leveraging existing relationships between the Partners and the end-users. This can be particularly helpful in certain areas, including industrial, small biz, multi-family, special needs. Cities can work through their Chambers. Cities that already have green endeavors can use this to supplement their programs.	The sales team is using standard selling methods of getting a foot in the door. They give away a few CFLs and LED exit signs right on the spot in order to catch attention and to demonstrate how simple it is to do energy efficient retrofits.	The program started by recruiting a few engineering firms for proof of concept. It has been growing each year for 5 years and now accounts for about ¼ of NGrid’s volume of projects in the commercial space. As mentioned above, since NGrid provides sales leads, engineering firms are attracted to participate. NGrid conducts quality control, so that customers are assured of a great experience.

Program	SCLP (Lighting) (NYSERDA)	Technical Assistance Program (NYSERDA)	Pulp & Paper (Focus on Energy)	Local Government Partnerships (PG&E)	[Snapshot] Cool Shops (Clean Air Foundation, Ontario, Canada)	[Snapshot] Project Expeditors (National Grid)
Promotion/ Messaging	<p>For end user, the messages were primarily on lighting performance (satisfaction, quality, productivity). SCLP provided materials to support contractors.</p> <p>Newsletter sent to all trade allies. Includes completed project case studies, marketing or technical tips, Allies in Action.</p> <p>ALSO, did end user marketing to boost sales for network. Increase awareness of quality lighting design.</p>	<p>Heavy use of case studies that promote the benefits of projects that arise from the assessments.</p>	<p>Promotion activities include direct mail, breakfast meetings, targeted advertisements, and on-site visits.</p> <p>The goal is to foster relationships between program participants and trade allies.</p> <p>The key is to have that personal, one-on-one relationship, however.</p> <p>Case studies prove to be very powerful sales tools.</p>	<p>For PG&E, developing the contract is the most important part of the sales/promotion process. There's a lot of effort that goes into structuring the contract.</p> <p>PG&E often helps the partner with promotional materials and messaging.</p>	<p>Cool Shops is promoting a brand for retailers and other businesses....it means "Come shop with us, because we are energy conscious."</p> <p>Cool Shops tries to leverage free local press by holding launch events. They leverage case studies/results from business participants to demonstrate that their neighboring stores/competitors are taking advantage of the program.</p> <p>Cool Shops partners with other groups to aid in promotion, such as Chambers of Commerce, Business Improvement Areas...and they use existing media channels within these organizations</p>	<p>Promotions by NGrid are minimal, and largely consist of periodic RFPs to become a Project Expediter.</p>

Program	SCLP (Lighting) (NYSERDA)	Technical Assistance Program (NYSERDA)	Pulp & Paper (Focus on Energy)	Local Government Partnerships (PG&E)	[Snapshot] Cool Shops (Clean Air Foundation, Ontario, Canada)	[Snapshot] Project Expeditors (National Grid)
Key Lessons	Count on a few contractors to ultimately dominate the program. They will latch on and make it their business.	Simplicity and flexibility are key strengths. There is very little work for the end-user to do; just a one page application. Pre-approved contractors streamline the process; however, customers can also opt to use their own contractors.	Recruit the best industry people you can, as everything keys off of them. Establish strong relationships with market players (particularly manufacturers) in order to stay one step ahead of the decision-making process. Be where the customers are...at industry events. It's a personal sell.	Government/institutional entities can be great partners to implement existing or customized DSM programs. Partnerships encourage the development of DSM champions around the region/state. Existing organizations have methods to share information with their peers.	Make the small business program look and feel like a local program in order to get the community involved. Go directly to this hard to reach segment, and demonstrate results right away. Local case studies can be an excellent way to get the message out on successes and therefore apply pressure for other businesses to "keep up". Use the palm audit tool in order to give the business almost instant information on how much they could save with simple approaches. Partner with existing local organizations in order to leverage their existing communications channels to the target market.	Third party engineering firms can provide excellent service to end users if the parameters are laid out. Underperforming firms do not have their contracts renewed. The marketing function can be largely outsourced to third parties at no cost to the utility.

Table 3-2. Residential Case Studies & Snapshots Summary

Program	Home Energy Makeover Contest (DMEA + others)	Home Performance with Energy Star (NYSERDA)	Light Bulb Fundraiser (DMEA)	[Snapshot] Residential Green Building (Austin Energy)
End User	Residential customers, primarily owners	Residential customers, primarily homeowners	Residential customers	Residential homeowners
Goal	To build awareness of the benefits and possibilities of investing in energy saving retrofits.	Comprehensive energy improvements in homes through a network of contractors trained and certified by the Building Performance Institute.	Sales of CFLs in commonly used fixtures.	To educate homeowners who are about to build a home or remodel about green building and energy efficiency tactics.
Channel Development	While not far reaching, this program highlights contractors that conduct the makeover, and helps establish standards for what a high performance retrofit would entail. Contractors include HVAC, insulation, GC, energy auditor, electricians.	The focus is to develop a very strong and educated home contractor network. NYSEDA used existing training centers that contractors already were using to implement their curriculum. NYSEDA now has over 100 certified contractors. A key channel partner is Energy Star, which has high awareness and credibility already. Contractors who are successful have really made this program “their business.”	The channel approach for this program is at multiple levels. The key channel is volunteer non-profit community organizations that use the CFL sales as a fundraiser. In particular, senior citizen groups participated. The secondary and more permanent channel is the retailers who sell CFLs after the fundraiser period.	The particular method that is working the best is getting people to participate in full day workshops. They charge \$35 per attendee, and the workshops have sponsors so they cost Austin very little.
Incentives	For the contest itself, incentives are the potential to win a Makeover that is paid for. Donations are made of some of the materials and equipment by local retailers.	75% or the cost of training was covered by NYSEDA. For consumers, reduced rate loans were the primary incentive. In addition, discounts on diagnostic tools for in home analysis were offered.	Incentives were given for the sales of each CFL (and also Christmas lights). The non-profit kept \$2 of each \$4.50 CFL sold.	There are no incentives for coming to the workshops. However, Austin has a wide variety of incentives once construction commences, and that information is presented at the workshops.

Program	Home Energy Makeover Contest (DMEA + others)	Home Performance with Energy Star (NYSERDA)	Light Bulb Fundraiser (DMEA)	[Snapshot] Residential Green Building (Austin Energy)
Sales and Delivery	<p>This contest provides a springboard to promote other energy efficiency programs offered by the utility. Since the makeover is comprehensive, it covers most program elements. It may also carry over to green building practices for new construction.</p>	<p>Sales training focused on teaching contractors how to sell high margin, energy efficient equipment.</p> <p>A strong quality assurance program brought long-term credibility to the contractor network.</p>	<p>The critical success factor was the sales of the concept to the channels. Recruiting, training and motivating this voluntary sales force was the key. Each person needed to understand the key sales factors for the CFLs.</p> <p>Nearly 20 organizations ended up selling.</p>	<p>Word of mouth has become a very important sales channel for the workshops. Print ads in lifestyles magazines work best. TV and radio have not worked well.</p> <p>A green building video was developed that people can watch at events or at home.</p>
Promotion/ Messaging	<p>Promotions rallied around the contest concept, which plays on the reality TV popularity. Xcel Energy claims to have received over 3 million views of the results of the contest, making it an effective way of educating the customers.</p>	<p>Promotions to residential customers were based upon knowledge gained through focus groups with contractors. Their intent is to create market pull for contractor services. Key messages were that customers were getting services through a trusted source, that health, safety, and comfort are improved, that there are environmental benefits and bill savings (emphasize many non energy benefits.)</p> <p>Promotion started out with events, and now is moving more towards TV spots. The website also provides topical information and methods to sign up.</p>	<p>Promotions were through the personal contact of the sales channels, basically knocking on doors. It coincided with EPA's Change a Light, Change a World campaign. This partnership with Energy Star was a critical success factor.</p> <p>Once the door to door campaign ended, DMEA advertised in bill inserts.</p>	<p>To get people to the workshops, the top messages were:</p> <ol style="list-style-type: none"> 1: Utility cost savings 2: Comfort, health, and safety improvements <p>Secondary messages deal with indoor air quality, reduction in mold, and humidity control.</p>

Program	Home Energy Makeover Contest (DMEA + others)	Home Performance with Energy Star (NYSERDA)	Light Bulb Fundraiser (DMEA)	[Snapshot] Residential Green Building (Austin Energy)
Key Lessons	<p>An event-driven contest can gather tremendous (free) press coverage as compared to a relatively boring standard program. This program can be used as a platform to jump start education for trade allies, including contractors and retailers.</p>	<p>It's possible to gain comprehensive savings in home retrofits. Over 10,000 jobs at an average of \$7000 were completed.</p> <p>Marketing of the message worked, although it required repetition and the ability to commit over many years.</p> <p>They focused on a few specific geographic areas at a time in order to "flood" the market and transform activities.</p>	<p>Use of a third party administrator can work for a program like this one which is more a "blitz" campaign that starts and ends quickly.</p>	<p>Workshops are a very effective way to get customers to completely buy in to the green building process.</p> <p>Workshops are popular and become even more so as word of mouth takes over.</p> <p>Focus on specific regions with frequent custom home building and major remodels.</p>

The key lessons from the Best Practices Case Studies can be summarized as follows:

1. There are innovative ways to use channel partners and strategic allies tactically to deliver energy efficiency programs.

For example, the *CFL Light Bulb Fundraiser Program* described a method that could be used to engage community groups as a fund raising channel to promote a simple, easy to understand energy efficiency product to a community in a targeted timeframe.

The *Home Energy Makeover Contest* described a way to develop an event-oriented marketing approach to educate customers about the value of energy efficiency improvements, while also teaching contractors how to sell these improvements in the residential retrofit market.

The *Home Performance with Energy Star Program* takes this educational outreach to another step, by developing a contractor infrastructure that can provide a range of cost-effective home improvements across a broad geographical area.

The *Small Commercial Lighting Program* illustrates how a utility organization can effectively develop a network of trade allies to reach difficult and fragmented markets, and, through education, training, and certification, can raise the level of professionalism and quality of lighting projects in a region.

Two other case studies, the *Pulp/Paper Industry Initiative* and the *Technical Assistance Program* case studies, demonstrate the value of using industry experts to identify cost-effective energy efficiency improvements in complex industrial settings. These programs are successful because they rely on trade allies who “speak the language” of the critical decision-makers, and thereby facilitate, if not accelerate, the decision to install energy-efficient equipment.

2. There is value in positioning BPA and its utility customers as information brokers that drive customers to the trade ally partners.

These case studies all illustrate that customers look to the utility to provide unbiased information about the value of energy efficiency; however, they seek out specific trade allies or channel partners when they want to actually install a specific energy-efficient measure. Whether it is the decision to purchase a low-cost energy-efficient product from a local community group or retailer, or the decision to invest in an energy-efficient premium motor, the customers rely on their trade allies to guide them to make the appropriate purchase. But they first learn about the value of energy efficiency from the utility. Therefore, BPA needs to develop consistent and unbiased messages that can be delivered and reinforced through the trade ally channel.

3. Energy efficiency programs are scalable.

BPA, and its partner organizations, can decide the level of effort and how hands-on they want to engage in supporting these energy efficiency activities. Figure 3-1 illustrates this concept.

Figure 3-1. Scalability of Energy Efficiency Activities



4. It is important to match the technology to the program approach.

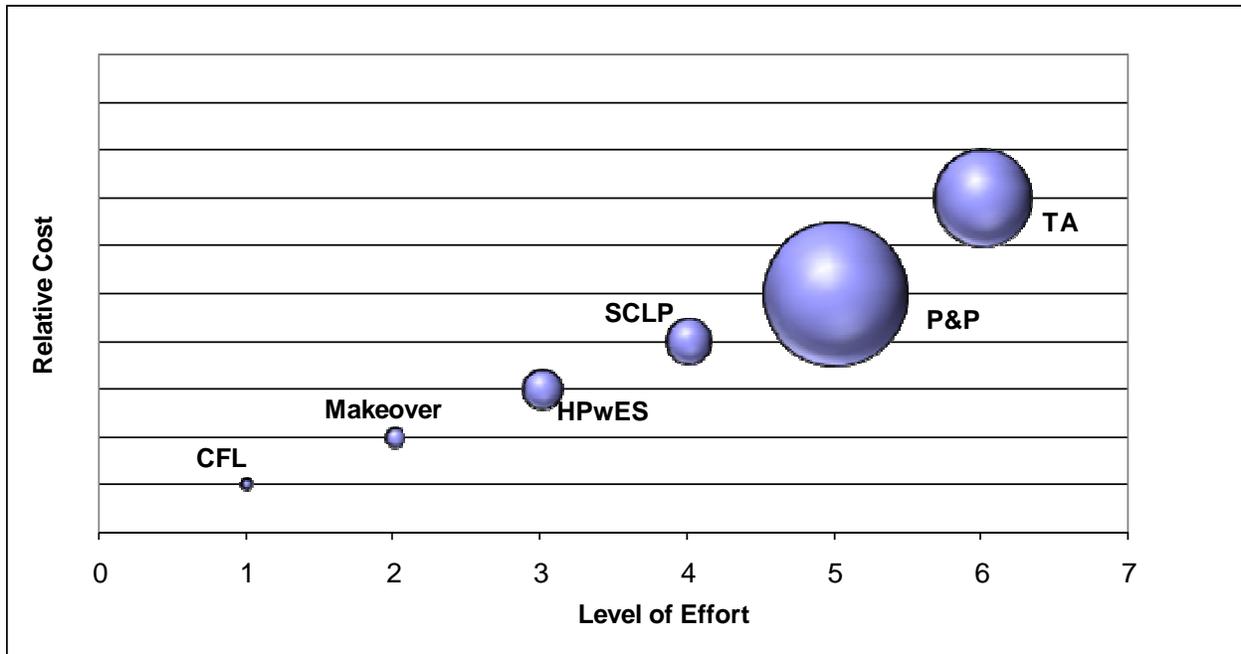
The Light Bulb Fund Raiser is an approach for low-tech, easy to understand technologies, such as light bulbs and caulking. As the sophistication of the technology increases, so does the amount of time and effort required for BPA, its utilities and third-party organizations, and its channel partners. As the level of effort increases, so does the cost required to successfully implement these programs, because they require higher levels of administrative, education, and marketing support to succeed. The strategic map shown in Figure 3-2 illustrates this relationship.

5. As the level of effort increases, it becomes more important for BPA to demonstrate a sustainable commitment to the program.

Contractors are not going to bother to go through a time-consuming and/or expensive certification process if they believe the program will not have “legs.” Too often, utilities design a program targeting trade allies, such as builders, only to change the specifications or eliminate the program a year later. In order to affect lasting change in the market, BPA must demonstrate its long-term commitment to developing and nurturing its trade ally network by offering additional training, marketing, and customer support. This does not mean that the program specifications and standards will not change over time, but rather that these changes will be communicated to the trade ally network in a proactive manner, as way to continually push the market towards higher levels of energy efficiency. NYSERDA’s *Small Commercial Lighting Program* provides the best example of the way to demonstrate a long-term commitment to trade allies, while still allowing for the program to change and evolve to reflect market conditions.

Figure 3-2 below shows how some of the programs outlined in the case studies compare regarding the relative size and level of effort they represent.

Figure 3-2. Strategic Map Illustrating the Trade Off Between Cost and Level of Effort Required



Note: CFL is the Light Bulb Fund Raiser program; Makeover is the Home Energy Makeover Contest; HPwES is the Home Performance with Energy Star program; SCLP is the Small Commercial Lighting Program; P&P is the Pulp and Paper Initiative; and TA is the Technical Assistance program.

4 OVERALL MARKETING STRATEGY AND BRAND

*"If you're not serving the customer, you better be serving someone who is."*¹⁹

Every company has a brand. Sometimes that brand has evolved over time without much thought, and other times it is the result of a carefully executed plan. Sometimes the brand is completely in line with what management's goals are, and others times the brand is at odds with management's beliefs and long-term goals. The best practices in branding happen when the market's view of the brand is completely in line with all of the marketing strategies and tactics that are in play. A brand lives in the minds of a company's customers and constituents. BPA's brand was articulated indirectly from the interviews and discussions with utilities and other energy players in the region. BPA's energy efficiency brand may be characterized, at least in part, by the following attributes:

- Excellence in technical knowledge about end use equipment applications
- Friendly, knowledgeable field staff
- Approachable, yet difficult to influence; 800 pound gorilla
- Not completely in tune with the needs of the utilities in terms of program design and rules
- Has lots of money, and wields money to influence support
- Portland-centric

From a marketing strategy standpoint, these brand attributes are not ideal. BPA may choose several different strategies to improve its brand. In order for this to occur, *BPA must take ownership of its brand*, defining the attributes it wants to project both internally and externally. First, it can choose to focus even more heavily and exclusively on its current core strengths. This appears to be in the technical expertise arena, and this could provide a strong platform for further growth as well as becoming indispensable to utilities in the region. Second, BPA must choose where it wants to build additional brand strengths. Simply by engaging in this project, BPA is saying that it is interested in becoming a leader in marketing implementation, taking on best practices from around the country. At this point in time, BPA is *not* seen as a marketer at all to most utilities. In some ways, this is a better starting position than being seen as a *poor* marketer.

Brand attributes for an excellent marketing organization may include the following:

- Great knowledge of the wants and needs of the target markets
- Strong, positive relationships with the channel delivery groups throughout the region
- Excellent program design capabilities

¹⁹ Tom Peters, sometime back in the 1980s.

- Ability to develop promotional campaigns that result in high participation levels
- Strong market research capabilities
- Helping utilities look like champions in the eyes of their end-users

Since BPA's EE goals are primarily related to acquiring conservation resources (as defined by aMW) through its utility customers, these attributes need to be considered in the context of what best helps those that touch customers directly succeed. Thus, BPA may always need to play a "behind the scenes" role in marketing, where its own brand is only known to the intermediaries (the utilities, primarily). There seems to be little point in developing a strong BPA brand among end-users. There is an open question regarding whether trade allies would benefit from a strong BPA brand or not.

4.1 Range of Potential Marketing Strategies

BPA is looking at remaking itself as a premier marketing organization in the energy efficiency arena. The marketing strategy and brand are inherently connected. Below are a number of marketing strategies that BPA could adopt and focus on going forward. These strategies blend best practices in competitive markets with the unique role that BPA plays in the electricity market in the Pacific Northwest. This set of strategies is certainly not exhaustive, but is indicative of objectives that BPA can pursue. Summit Blue understands that BPA is already doing much of what is listed in some manner. However, these are the strategies that are likely to turn BPA into an excellent marketing organization.

1. *Begin all marketing-related strategies and actions from the customers' perspective.* This would require a shift from conservation program design being a top-down approach beginning with the Council's needs, to working from the needs of the customers (utilities and their end users) to create program designs that still mesh with the Council's ultimate goals.
2. *Create a flexible program approach.* We live in the era of choice. Customers want to feel in control of what they buy and use. Utilities are no exception. The solution could be to move towards providing flexibility in program design instead of a one-size-fits-all approach. Options include a matrix approach where utilities can mix and match the attributes, or even a web-based tool so they can customize their programs. This should also include options to meet kWh goals in a variety of ways, in different sectors.
3. *Create small innovation teams.* There will be many endeavors that evolve from new marketing strategies. Success has been seen in other industries by creating small, temporary innovation teams that are tasked with creating marketing solutions. This could be done through an expansion of the Sounding Board, for example.

4. *Become a provider of excellent niche programs for larger utilities.* BPA has the opportunity to help the larger utilities expand into new areas, hard to reach customers, and unique technologies. These programs require excellent delivery processes.
5. *Become a premier provider of end-use customer intelligence to the utilities.* BPA possesses strong capabilities in evaluation (a current brand attribute), and could expand that to include becoming an expert in market research regarding end-user needs, wants, and motivations. This would create a strong reason for all utilities and trade allies to come to BPA for critical information. This market research could take on many forms, from surveys to focus groups to lead user panels.
6. *Create a continuous improvement program to make utilities' lives easier.* BPA should be seen as an enabler of programs, which means that the simpler BPA makes the lives of their customers, the greater the relationship and the willingness to continue with strong partnerships. By creating a continuous improvement program, BPA will be focused squarely on meeting its core constituency's needs.
7. *Create a culture of communication.* Every employee of the energy efficiency department can become an evangelist of sorts for the goals of conservation in the region. At Disney, every employee, from the characters to the street sweeper, is completely indoctrinated in the Disney brand and culture, and each can provide guests with the experience they expect. BPA could also work to create this culture of communication so its story can be told to both internal and external markets. Develop *key stories* (similar to case studies) that reflect the benefits that conservation brings to communities and end-users, and teach others (including BPA's president) to tell those stories. Continue and expand internal efforts to promote energy efficiency such as the energy efficiency tours of the BPA headquarters building and the annual Earth Day contests.
8. *Promote the **idea** of conservation as powerful and good, and mesh it with current events.* Move out into the marketplace with a large campaign that promotes the benefits of conservation for the region and for smaller communities. Put the information in terms that customers feel strongly about (based upon the market research). Tap into current trends in customer psychology which evolve over time. For example, global climate change is a hot topic right now, so relate to that theme. A cold winter may drive a "lower your bill" message. Make *conservation* synonymous with *customer benefits*.

5 SPECIFIC MARKETING STRATEGIES

“Positioning should help a company become what it is, not something it is not (no matter how cool it would be)”²⁰

While any marketing strategy needs to be framed as a fluid process instead of a static framework to be successful, it is important to consider the strategies most applicable to the current energy efficiency market in the Northwest that BPA functions in. This section presents a suite of recommended action items that BPA can consider and then select from to implement its own path to success. They are based on the top ideas needed to improve marketing outlined in previous sections of this plan, and organized around the key elements for marketing success, market research, channel strategies, promotion, and sales delivery as outlined below.

5.1 Market Research and Segmentation

Explore the creation of a series of niche market programs that are not currently being addressed by the larger utilities and therefore complement their portfolios. The grocery store initiative has the potential of proving that BPA can provide such a service and deliver the program well. This will likely become a critical test in the eyes of the utilities: if BPA does well in the sense of making customers happy, delivering on promises, and not interfering with the utility’s current customer relationships, the doors will open for addition niche market programs.

- To accomplish this, a series of specific meetings with interested utilities could facilitate identification of gaps in the market.
- Program design would be conducted in conjunction with a team from the utilities.

Conduct regular market research with each major customer group: BPA should gauge its success in delivering conservation services (all aspects of delivery, not just MWh) to its direct customers (at least to small/medium utilities and large utilities). This Summit Blue project is a great first step in establishing such a research effort. BPA’s programs should be evaluated by its customers on many aspects of conservation delivery, including customer service, program design, technical support, and user friendliness, for example. This research should be both quantitative and qualitative, and should be designed so that progress can be tracked on a year-to-year basis. This annual flow of information will be used to continuously inform and improve BPA’s Energy Efficiency department. Soliciting feedback from the market also demonstrates to utility customers how BPA is working on its improvement and what progress it is making.

²⁰ Cluetrain Manifesto

Develop More Program Design Flexibility: BPA should consider additional flexibility in certain program designs. Since utilities feel that the designs are rigid and not reflective of customer needs, creating program design options might allow greater buy-in and success. One idea that surfaced was having a matrix, or menu, of multiple program options from which the utilities could choose to customize their own program. All the programs would meet similar goals, but the options would provide the utilities with additional control and choice to personalize their own program design. Web-based tools are sometimes used in these types of menu-driven options. In addition, due to the concern from some utilities (with a large residential base) that BPA's programs are steering towards the commercial sector, BPA should offer reassurance that there are always residential options still in the program portfolio.

Consider becoming a central clearinghouse for market research information, solutions, and data: BPA should consider taking on a leading role in developing advanced market research information for delivery of conservation in the Northwest. Market research data can be expensive, and smaller utilities cannot usually afford to implement surveys. Even larger utilities such as Puget Sound and Tacoma may have limited budgets to conduct the best research. BPA could take on that function and then provide this valuable information to the marketing departments of the utilities. The market research function can also support marketing excellence if BPA decides to create more programs that go to customers directly.

Start small, gain successes and buy-in: BPA should conduct a series of targeted market research pilot studies in order to demonstrate its commitment to broaden its value to its utility customers. This research could target a number of sectors, ideally focusing in areas where utilities may be struggling. For example, the Washington utilities may be concerned about needing to expand DSM quickly. In that case, BPA could provide research that shows where significant potential lies for quick implementation of DSM programs.

5.2 Channel Development and Strategic Allies

Explicitly Plan Marketing Campaigns Together with NEEA: BPA and NEEA should explore the synergies and overlap in their program marketing activities. In order to reduce market confusion and to lay out a long-term plan for success in conservation, a long-term marketing strategy should be implemented jointly.

BPA and NEEA Provide a "Best Supporting" Role: End-users often do not regard BPA or NEEA as important entities when they make energy decisions; instead, they see programs and solutions that are brought to them through various channels. BPA should probably not try to brand itself to end-users, but instead should develop a strong network to support conservation efforts through utilities, trade allies, and NEEA.

Continue to Improve the Role of NEEA: BPA has recently become even more engaged in the activities of NEEA. Utilities have been noticing improvement, so this engagement is seeing results. This should continue until utilities see NEEA functioning extremely well in serving their needs, as well as seeing the value that BPA provides through NEEA. In addition, there appears to be the need for utilities to better understand NEEA's role, and BPA could assist in dissemination of that information.

Explore the creation of a Seattle metro area coalition of utilities that focuses on delivering conservation to this high population area. BPA can play the role of coordinator for the coalition. The coalition should be able to create economies of scale in both media advertising (papers, TV, radio) and in training and engaging trade allies, who often serve multiple service territories.

- This program could dovetail with #1 above.
- BPA would need to prove that it brings unique benefits and skills to this approach. At minimum, however, BPA could provide a coordinating role and push the process forward.

Play a Larger Role in Trade Ally Education and Training: At a very basic level, knowledge and training are the keys to moving the market in the Northwest. If contractors are installing inefficient equipment, it may be because of lack of information and skills to install high efficiency options. Many may not have knowledge about available rebate programs. BPA could play an expanded role in informing and training contractors and engineers in energy efficiency programs and techniques. BPA's strong expertise on the engineering side dovetails well to this approach. The goal would be to reach the most active contractors and start to have the process steamroll so that the most successful contractors are the ones that have the greatest energy efficiency knowledge. Some utilities have developed required training for trades to be eligible to participate in certain DSM programs, which creates a financial incentive for training their work forces and staying informed.

Develop Trade Ally Programs: One approach that should be explored is the creation of conservation programs that are specifically sold and introduced through the trade allies to install energy efficient equipment. National Grid has used this approach through their Project Expeditors program in the commercial sector to great success. This may be melded with the earlier concept of BPA's creation of niche programs (grocery store type programs). BPA could also go to retailers and work out additional deals similar to the CFL program that BPA helped implement. In addition, BPA could develop a "lead generation" program, in which it works to find high potential customers for trades that met certain criteria.

Develop Stronger Trade Networks: Smaller utilities, and possibly even the larger utilities, need assistance in bringing the trade ally networks, particularly contractors, into the region's conservation process. BPA can play an important role by helping organize the trades to be more in tune with the needs of the utilities. This can be done through education and marketing. It may require the development of more meetings, workshops, and conferences that are focused on bringing the trades up to speed on what the utilities, BPA, and NEEA are trying to accomplish over the long-term. BPA could also aid the development of trade networks by establishing an online

community, such as an interactive Q&A website or a listserv, through which trade allies and BPA technical experts can collaborate and share information.

Develop more co-marketing opportunities with trade allies and channel partners. In addition, ongoing training sessions to clarify program rules (and differences between territories), technical specs, and co-marketing strategies are essential to building trust and community among these front line players. There is a particular need for buy-in from organizations that trade allies already belong to (for example, a sheet metal union might want to know how a program links to ASHRAE standards).

5.3 Promotion and Outreach

BPA may be able to provide technical expertise in the form of information, workshops, and training, despite the fact that utilities often feel they have their own expertise. BPA would need to approach this issue carefully and creatively. As one example, BPA could develop additional training programs for customers and trade allies that are branded by the local utility. This would provide multiple benefits to participating utilities, and it would eliminate the fairly onerous requirements of each utility developing its own programs and workshops.

Expand Utility Sounding Board: BPA should consider expanding the Utility Sounding Board. This could provide multiple benefits. First, it would allow the Sounding Board to have deeper input into many of the issues they care about. It seems important for the utilities to have a more significant influence on program design for programs they are implementing. Without this buy-in, it is unlikely that the programs will come anywhere close to meeting their potential. Second, it would provide BPA with a formal process to engage a greater number of people at the utilities to help make decisions. This automatically provides additional market influence as these are the people who will carry messages back to their utilities and staff. Third, BPA will be able to tap into the creativity of a greater number of people.

Establish consistent messages (both internal and external) regarding energy efficiency. There is a need to move away from “how can you help BPA succeed” to “how can BPA help you succeed” when talking to utilities and channel partners – the key focus needs to be on making the local utility look like a hero with EE. One message that needs to get across is ‘*we’re all in this together*’ (to keep electricity costs down and the environment clean). BPA staff at all levels need to get into the field to see how customers actually function, and to help deliver these consistent messages. Regular communications and visits with clients by BPA management are important to explain commitment to long-term benefits to the region. BPA has been doing more of this in the past year, with management making visits out to parts of the region.

Conduct regional workshops to pull together key players in *specific industries*, with the goal of each participant identifying the barriers and opportunities to achieve greater conservation in that

specific sector. Coordination with NEEA, state energy offices, industry representatives, financial/operational managers from the industry, specific design/engineering/supplier community, etc. will be required for these to be effective. A few sectors to start with might include timber products, information technology and software, bio tech, aerospace, water utilities, etc. The goal of the workshops would be to build on some of the specific market transformation efforts initiated by NEEA, and develop a smoother continuum between near term resource acquisition and longer term changes in energy management practices.

Develop a suite of web-based tools to smooth the program reporting process; create the ability to customize, order, or print marketing materials online; and to create an online EE community for trade allies and other interested parties through the use of FAQ responses, listservs, and other tools, including video and calculation tools. Build on the Energy Ideas Clearinghouse already developed by NEEA. Hire a third-party provider to develop networking tools.

Promote Programs More Effectively: BPA needs to market itself more aggressively to customers across the region. BPA should develop a specific plan to get the word out and promote its programs more effectively through a variety of channels. While there are currently many ways that BPA does market itself, it is apparent that more effective approaches need to be pursued. Specifically, the campaign should start at a very fundamental level, explaining each of the benefits that the conservation programs bring to the region, including how they affect reliability and rates as well as environmental benefits. The messages should also include a description of what the high level conservation goals are, how the specific programs were chosen, and why certain evaluation techniques are important. At the same time, if the role of the Sounding Board is expanded, this campaign would also describe how the utilities themselves provided important information to develop the conservation portfolio.

Create Multiple Program Marketing Platforms: Moving forward, utilities are likely to accept additional market assistance regarding their own end-use customers. While the utility representatives we spoke with felt they could “sell” energy efficiency programs effectively, they may require and request more assistance when goals are higher. BPA may want to develop several marketing platforms that the utilities could use. For example, there could be a website that provides key information for end-users regarding conservation programs, including background information, eligibility, sales/promotional information, lists of recommended trade allies, and even evaluation criteria. This website could be hosted by BPA but branded with the local utilities’ logo, look and feel. BPA could also use the web to provide general energy conservation and high performance building information directed at end-users. While some efforts in this direction have been developed for the Commercial and Industrial Lighting Roadmap and the Industrial Compressed Air Roadmap, in general, the web tools could be developed much further. Other platforms may include hard-copy brochures and literature, training seminars and workshops, or broader advertising assistance.

BPA's Role with End-users: The primary concept that evolved regarding BPA's direct influence on end-users was the creation of an "umbrella" marketing campaign that promoted the benefits of energy efficiency. This could take the form that many social marketing programs currently do, in which an entity, in this case BPA, develops a long-term marketing approach to changing social and business norms. The utilities expressed interest in this approach in order to make their job of selling energy efficiency easier. They know that as small entities, they do not have the power to develop such a broad-based regional campaign, and that BPA is in an appropriate position to do so. The campaign would "prime the pump" for all conservation efforts. The goals would be to reach customers with fundamental messages about energy efficiency, and drive them to the utility programs and trade allies for implementation.

5.4 Develop Internal Staff Capabilities

Create an internal marketing team, and provide them with training opportunities to enhance skills (market research and segmentation, social marketing techniques, program design and implementations, negotiation and [soft] selling, etc.) both on-site and off. While bringing in third parties to lead workshops with the marketing team will prove most effective for some skills development, there is also significant value in internal BPA staff attending EE industry conferences and talking to peers from other organizations across the country. In the near term, *send some of the team members to the AESP implementation conference in Texas this spring.* Also, develop a process that reviews each year's program efforts and determines how best to learn from program delivery failures and how best to try new/alternative approaches, properly testing them first.

Use Engineering Expertise as a Launch Pad for Expansion: BPA has a very strong reputation in the engineering and technical arena with this market. BPA can therefore use this key brand attribute to leverage other benefits that it seeks. *The engineering group should be expanded* and used to create more sales in the field, to train utility staff in better understanding and selling the programs, and to offer more training to trade allies. These BPA experts have high credibility and that should therefore become an important focal point in any marketing expansion that BPA seeks. BPA may wish to place more technical information on the website to offload the more routine questions that engineers often receive.

Initiate more consistent communications between EE staff, BPA Account Execs, and Public Affairs staff. The Account Executives are considered the business relationship manager for BPA at the utilities, and EE is not always seen as their top priority. Regular meetings (monthly?) that include a sector lead, engineering services, the appropriate EER, and Public Affairs staff could be focused on one sector each time on a rotating basis.

Bolster the EE Engineering staff. The engineering group should be used to create more sales in the field, to train utility staff in better understanding and selling the programs, and to offer more training to trade allies. These BPA experts have high credibility and that can become a focal point in

any expansion of EE efforts that BPA seeks. BPA may wish to consider the placement of basic and advanced technical information on a website in order to offload some of the more routine questions that the engineers receive. There are third party offerings that provide such information if BPA did not want to create it themselves.

Establish clearer processes for EERs and other EE staff to interact with Public Affairs staff.

While PA staff need to recognize existing relationships among support staff within Energy Efficiency, and build on those relationships, development of clear procedures is required for creating marketing materials that allow for some flexibility, but have QC procedures to assure consistent messages. Program sector leads can work more closely with Public Affairs to develop and QC marketing materials, leaving some ‘field customization’ options available within set boundaries.

Explicitly include market research as part of each sector team: Each sector team should have a full market research plan. This can help the team focus on the right markets, with the best messages. It can also help focus on superior customer service and creating improved connections with clients.

5.5 Planning for Success

Given the many opportunities to improve marketing effectiveness, BPA will need to set priorities that will help the Energy Efficiency group approach industry best practices. Through internal discussions, and a follow-up working meeting with the SMP study team, a prioritized set of action items will be finalized. This will allow EE department and other BPA staff to initiate steps required to become a best-in-class provider of marketing related services to energy efficiency markets in the Northwest. The following list includes items from the previous section viewed as priority activities by the SMP study team.

Priority Actions

- Create an ***internal marketing team***, and provide them with training opportunities to enhance their marketing skills. The team will be composed of members of each functional team in EE.
- Establish ***consistent messages*** (both internal and external) regarding energy efficiency and its multiple benefits to the region.
- Develop a suite of ***web-based tools*** that can better alleviate many frequently asked questions, allow for online ordering of marketing materials, and help to create specific online communities.
- Explore the creation of a series of additional ***niche market programs***, based on expressed customer needs and feedback on the grocery initiative.

- Collaborate more directly with **NEEA** to create a continuum of resource acquisition and market transformation offerings in specific sectors. Work already initiated in the industrial sector could prove to be an excellent starting point for this effort.
- Explore the creation of conservation programs that are specifically introduced and sold through the **trade allies** to install equipment.
- Explore the creation of a **Seattle metro area coalition of utilities** that focuses on delivering conservation to this high population area.
- Expand the **Utility Sounding Board**. It is a great starting point for developing customer feedback mechanisms and the ability to truly listen to customers. This does not alleviate the need for one-to-one conversations with them.
- Initiate more consistent **internal communications** between EE staff, BPA Account Execs, and Public Affairs staff.
- Conduct regular **market research** with each major customer group.

APPENDIX A:

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BIBLIOGRAPHY

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APPENDIX B:

LIST OF INTERVIEWEES

INTERVIEWEE LIST

Internal Interviewees	External Interviewees
Becky Clark	Darroll Clark, Franklin PUD
Brad Miller	Donna Spier, City of Plummer
Cheri Benson	Fred Gordon, ETO
Chris Milan	Garret Harris, Forest Grove
Christa Tash	Jeff Baumgarner, Pacificorp
Darby Collins	Jeff Harris, NEEA
Erin Hope	Jim Stubblefield, Columbia Power Coop
Frank Brown	John Morris, Energy Star
Jennifer Eskil	Keith Lockhart, Srpingfield Utility Board
John LeBens	Liz Klump, WA State Gov
John Pyrch	Marcus Wilcox, Cascade Engineering
Karen Hauser	Mary Smith, Puget Sound Energy
Karen Meadows	Mike Little, Seattle City Light
Ken Keating	Phil Welker, PECE
Lloyd Meyer	Ross Holter, Flathead Electric
Margaret Lewis	Susan Hermanet, NEEA
Mark Johnson	Tom Eckman, NWPC
Mark Ralston	
Mike Rose	
Mike Weedall	
Rosalie Nourse	
Tim Scanlon	
Tom Hannon	

APPENDIX C:

DETAILED CASE STUDIES

Residential:

NYSERDA Home Performance with Energy Star Program
Light Bulb Fund Raiser
Home Energy Makeover Contest

Commercial:

NYSERDA Small Commercial Lighting Program
PG&E Local Government Partnerships Program

Industrial:

Focus on Energy Pulp and Paper Industry Initiative
NYSERDA Technical Assistance Program

Other Program Snapshots:

Austin Green Building Workshops
Ontario Cool Shops
National Grid Project Expeditors

Non-Energy Sector

Marketing Trends in Other Industries

Nyserda's Home Performance with Energy Star

This program profile features an in-depth analysis of one of NYSERDA's most successful residential programs: Home Performance with ENERGY STAR (HPwES). This program was selected for inclusion as part of the larger set of case studies for the following reasons:

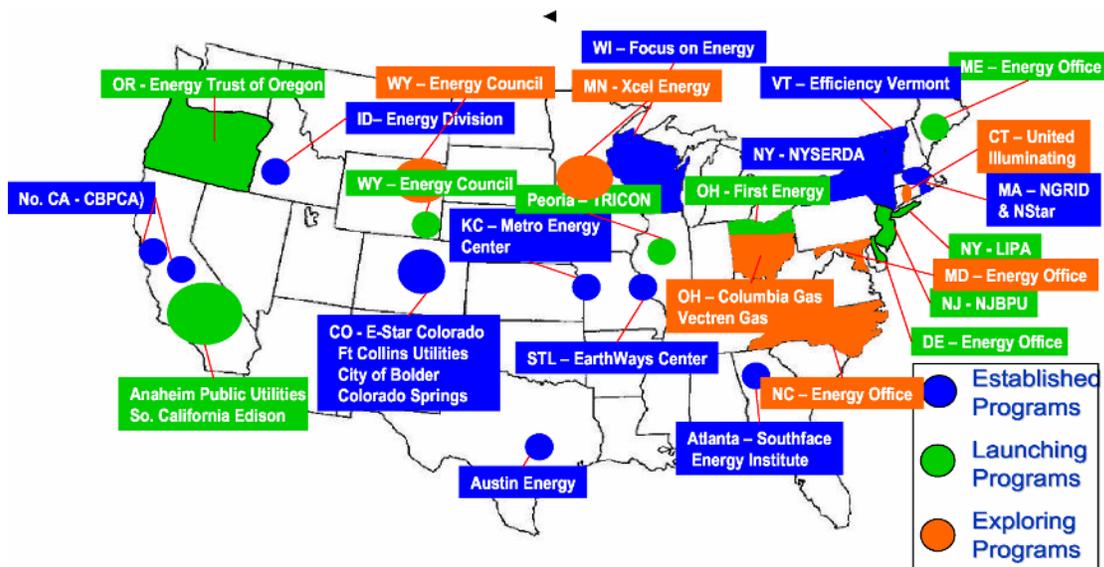
- It is part of a national effort with ENERGY STAR.
- It is focused on a critical target market for BPA: the residential retrofit market.
- The program has achieved significant savings.
- It demonstrates an effective way to leverage third-parties to deliver energy efficiency programs.
- It is replicable for BPA.

The program information is a compilation of both primary and secondary sources, including a review of conference proceedings, reports, and presentations, and interviews with program staff.

PROGRAM BACKGROUND

Home Performance with ENERGY STAR is a home energy efficiency service developed through the coordination of three government agencies: the U.S. Department of Energy (DOE), U.S. Department of Housing and Urban Development (HUD), and U.S. Environmental Protection Agency (EPA) through its new Partnerships for Home Energy Efficiency (Energy Savers, USEPA 2006). Rather than labeling a particular product or building, the HPwES program focuses on a comprehensive “home performance contracting” service. The effort emphasizes consumer education, value, and one-stop problem solving. While the broad program goal is saving energy, its market-based approach and message emphasizes a variety of customer needs including comfort, durability, health, and safety. It also encourages the development of a skilled contractor infrastructure that has an economic self-interest in providing and promoting comprehensive, building science-based retrofit services.

Figure 1: Home Performance with Energy Star Activities Nationwide (EPA 2007)



The program provides the homeowner with a whole-house inspection that features the following:

- Diagnostic and visual testing of the home's thermal and mechanical systems
- "Best practice" installations
- Quality assurance.

The diagnostics include air infiltration testing and duct leakage testing, combustion safety testing, and, where possible, electric baseload analysis. The inspection leads to targeted advice on the home's energy and maintenance problems, which forms the basis of the contractor's bid for making comprehensive improvements (USEPA 2006).

Energy efficiency improvements supported by the program include building shell measures; electric measures, such as refrigerators and lighting fixtures; heating and cooling measures, such as boilers and central air conditioning; and renewable energy technologies, such as photovoltaics.

Design and Operation

The HPwES model has several different program designs. In some states, such as Colorado, the program is delivered through utilities. But given NYSERDA's state focus and its mandate to serve all regions funded through its System Benefits Charge (SBC), the utilities opted out of participating directly in this program. Rather, NYSERDA became the single point of contact.

NYSERDA allocated an annual budget of \$5 million to support this program. The program's mission is to transform New York's trade contractor infrastructure by facilitating training and requiring mandatory contractor certification and accreditation by the Building Performance Institute (BPI).

Participating contractors are required to have relevant BPI certifications in disciplines such as building analysis, shell improvements, heating systems, and cooling systems. By requiring certification, training is not required for participation in the NYSERDA program. Nonetheless, the majority of contractors go through some training, usually that developed and subsidized by the NYSERDA program (Fisk et al 2003, 7).

Program Incentives

NYSERDA did not want to support this program through a traditional rebate structure, based on interviews with HPwES staff. Based on their previous experience with incentive programs, they believe "rebates go to free riders," and that once the rebates are discontinued, the market shift backs to standard efficiency equipment, according to program staff. Instead, the program staff at NYSERDA wanted to focus on building sustainable and lasting changes in contractor behavior, so the program focused on giving incentives to the contractors, in the form of training and equipment discounts, and to customers through subsidized loans for energy improvements.

The contractor incentives have included subsidies for up to 75 percent of the cost of training, partially forgivable equipment purchase loans, and a 5% total job cost incentive. NYSERDA continues to explore incentives which will lead the contractors to deliver comprehensive, high-quality improvements (Fisk et al 2003; Gerardi & Fisk 2006; Rogers, Edmunds, & Fisk 2005).

For customers, NYSERDA arranged for and bought down the interest rate on financing to help consumers pay for comprehensive jobs (Fisk, et al 2003, Fisk & Knight 2005, NYSERDA 2005). Consumer incentives include an unsecured Fannie Mae Home Improvement loan (through Energy Finance Solutions) at a subsidized rate, and a secured New York Energy \$martSM Loan.

Program Launch

The program was launched in six markets beginning in March 2001: Albany, Buffalo, Rochester, Syracuse, Binghamton, and the Hudson Valley. The program is now expanding into Long Island and Westchester, with footholds in New York City and around the state (Anon 2005a; Fisk, et al 2003; Fisk & Knight 2005; Gerardi & Fisk 2006; Rogers, Edmunds, & Fisk 2005).

The program launch was carefully planned to focus on six specific Metropolitan Statistical Areas (MSA). NYSERDA developed tailored marketing plans for each region because the market characteristics and conditions vary.

The program launch was executed after completing focus groups with contractors from the targeted regions, as a way to better understand these regional differences, and also to identify the appropriate messages and themes.

TARGET AUDIENCES

The HPwES program targets existing one-to-four family homes within **New York Energy Smart Program**sm territory. However, the major target audience for this program is the home improvement contractors.

The program staff would try to identify a local contractor who could “champion” this program in each regional area. These local champions may be the largest contractor serving the home improvement market, or an aggressive smaller contractor hungry to develop a successful business.

PROGRAM DELIVERY CHANNELS

This program focused on delivering home energy improvements to customers via third-party contactors. Therefore, identifying, recruiting, and supporting these home improvement contractors were the major focal points of its channel strategies.

Channel Strategies

The HPwES program also had to adapt to the unique market characteristics in each regional area. Therefore, NYSERDA staff would try to identify those resources used by home improvement contractors. For example, the adult training community, including community colleges and vocational centers, is where contractors learn their business. So NYSERDA would focus on developing materials and resources that would support building science education and develop the critical skills necessary for contractors to achieve BPI certification.

Strategic Allies/Partners

This program is focused on developing a strong network of third-party contractors to provide energy efficiency testing and then to install the recommended measures. To date, NYSERDA's program has more than 100 BPI-certified contractors and 138 BPI- accredited firms throughout New York State.

The program staff also identified trade associations and training associations as a way to identify and cultivate these home improvement contractors.

Clearly one of this program's most important strategic allies is its affiliation with ENERGY STAR, which creates immediate awareness and provides additional credibility to both contractors and customers.

Sales Delivery

The program focuses on sales delivery through its participating contractors. The program staff soon realized that these contractors needed sales training in order to develop a self-sustaining market. Therefore, NYSERDA provided contractor sales training and support in the following areas:

- 1) Sales training which focused specifically on how to sell high margin, energy efficient equipment.
- 2) Equipment discounts on the diagnosis tools required for the home energy audits, including the infrared guns, smoke sticks, and other diagnostic tools.

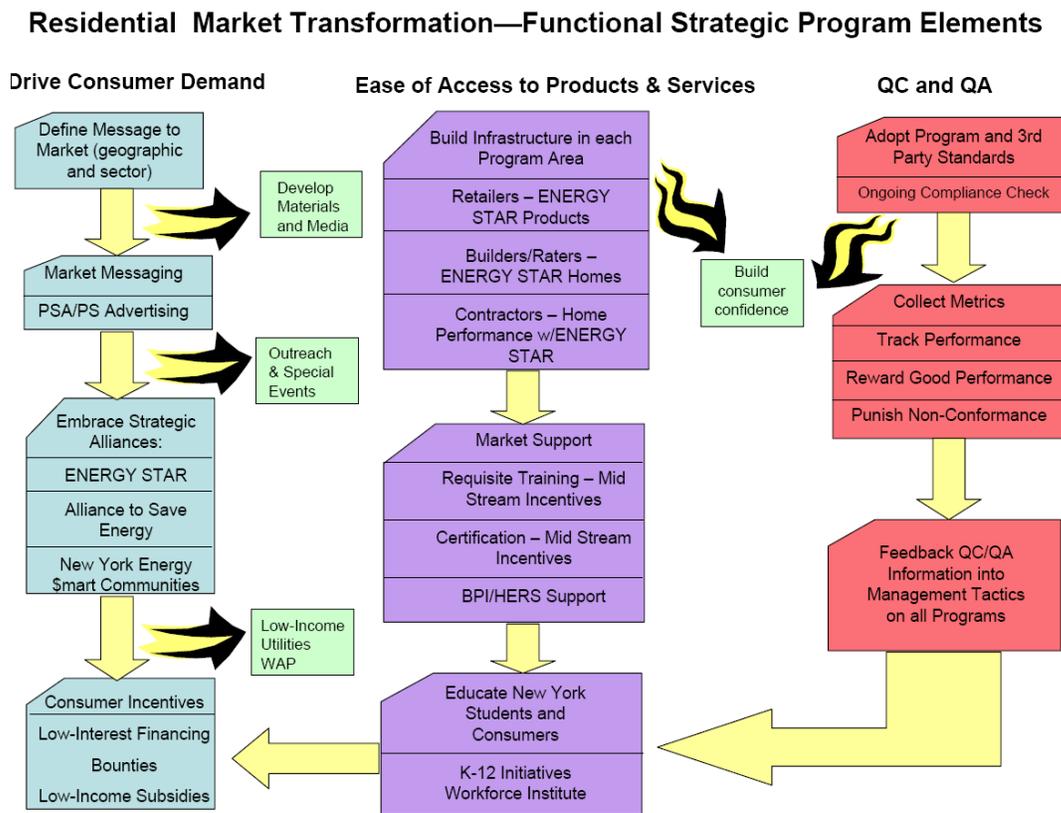
- 3) Discounts on the cost of obtaining the BPI certification.

These activities all focused on making the contractor successful.

CRITICAL MESSAGES/THEMES

NYSERDA develops a variety of residential programs all designed to achieve lasting market transformation. As Figure 1 shows, the HPwES program is just one program in NYSERDA’s residential portfolio. This figure explains the messaging process used for each NYSERDA program. It also builds in quality control mechanisms as way to ensure that these program messages stay relevant for the target audiences and achieve their objectives.

Figure 2. Residential Market Transformation Approach



As Figure 2 shows, the HPwES program focuses primarily on reaching customers indirectly by building relationships with third-party contractors.

NYSERDA developed its marketing plan after establishing a solid understanding that the traditional drivers in the home improvement market are function and appearance for reasons of comfort, aesthetics, and increased home value. NYSERDA learned that most home owners consider home improvements as an added one-time cost paid for through savings or financing, and rarely consider the opportunity to make one-time improvements that are energy efficiency related that might reduce their monthly home operating costs. Further, they learned that most home improvement

contractors tend to focus along product lines and rarely take a comprehensive “whole house” approach, with the exception of home remodelers/builders which often act as the general contractor for other specialties. The program was launched after completing a series of contractor focus groups which identified the importance of creating messages that focused on delivering services from credible and trusted sources.

The focus groups also identified the critical messages that NYSERDA incorporated in its marketing campaign:

1. Health/Safety/Comfort
2. Environmental Benefits
3. Energy Savings

The marketing campaign for this program focuses on:

1. Educating the customer about the benefits of home improvements, using the themes identified previously.
2. Demonstrating to the contractor that NYSERDA has a long-term commitment to the market by creating and maintaining advertising and outreach.
3. Creating an action step that has the customer visit the website for more information or contact a local participating contractor.
4. Relying on the contractors to do the direct marketing to customers, leveraging the awareness created through NYSERDA’s television spots and promotional activities.

As a program staff member observed, “Marketing creates awareness... the public will come so you have to balance the needs of creating a program targeting and building an infrastructure to support contractors and creating the customer interest...There is a balancing act between balancing the needs of the contractor and the customer.”

Promotional Strategies

To stimulate the market, NYSERDA developed and deployed an aggressive marketing campaign, including paid broadcast media with the goal both of increasing consumer awareness and demand for whole house services and of attracting more contractor participation.

The promotional mix has evolved during the five years of program operation. Initially the focus was to generate “buzz” and excitement about this new activity, so NYSERDA devoted most of its promotional budgets to build awareness. Now that has changed to more of a supporting role to

demonstrate NYSERDA's long-term commitment to the program, more as a signal to contractors rather than to customers.

A program staff member summarized how this program has changed, as the market has developed.

The promotional budget is about 50 percent of what it was at program launch. In the beginning, we focused on building awareness and creating an understanding and demand in the customer segment. We used a celebrity spokesman, Steve Thomas of This Old House. ... but as the program has expanded, now the focus is on televised testimonials from customers in different regional areas.

Promotional Methods

The program's promotional methods had changed from an event orientation to a heavier emphasis on local TV spots. Some of the more savvy home improvement contractors leverage NYSERDA's advertising activities by piggybacking onto the television spots. For example, these contractors will "book end," that is, buy the spots immediately before and after the NYSERDA TV ads.

This activity illustrates the importance of coordinating with the channel partners, so they can leverage the program's marketing activities and supplement them with their own.

Some contractors also focus on doing targeted telemarketing in the neighborhoods where they are already performing home energy audits and making home improvements. These contractors have learned how to successfully leverage a state-wide program and translate that into local lead generation.

Residential Marketing, Education, and Awareness Activities

NYSERDA maintains an active website designed to promote its variety of energy programs to residential customers. This website (www.getenergysmart.org) focuses on providing information for residential customers.

For the HPwES program, the information provided includes:

- Education about the importance of making home repairs
- Case studies documenting energy savings and non-energy benefits
- Participation guidelines and requirements
- Loan information and forms
- Referrals to BPI-qualified contractors

RESULTS

The HPwES has achieved impressive results in reducing energy usage while also creating a self-sustaining market in the residential retrofit sector. These results were achieved because the NYSERDA staff established tough standards to ensure high quality contractors would deliver the program, and included measurement and verification to identify those contractors who did not meet NYSERDA's quality control standards. This is an important element to the program success, because it lets the contractors know that NYSERDA was paying attention to the program, and also made this program a "level playing field."

The program staff member explained that without the standard quality control and enforcement, the program loses credibility. It is also an important mechanism that lets contractors know NYSERDA has a serious and lasting commitment to this activity.

Program Results

NYSERDA has reported the results from its HPwES to date:

- **Number and Size of Jobs:** Over 10,000 jobs have been completed at an average job cost to date of over \$7,000 per job. Customers have invested more than \$50 million of their own money in home energy improvements. NYSERDA has also subsidized over 3,500 income-eligible households for installation of eligible measures under the New York Assisted HPwES Program (Gerardi & Fisk 2006).
- **Average Electricity and Gas Savings:** Estimates of the per home average annual savings are as high as 800 kWh and 33 MMBtus (gas or oil) over the life of the program, with trends over the past two years showing higher average savings. (Gerardi & Fisk 2006)
- **Program is Cost-Effective:** The benefit-cost ratio is greater than one, based on energy-savings alone. When non-energy benefits are added, the ratio is as high as 5 (NYSERDA 2005).
- **Contractor Participation:** More than 100 technicians have been certified, and more than 100 contracting firms have been accredited by BPI (Gerardi & Fisk 2006).

Energy and Demand Savings

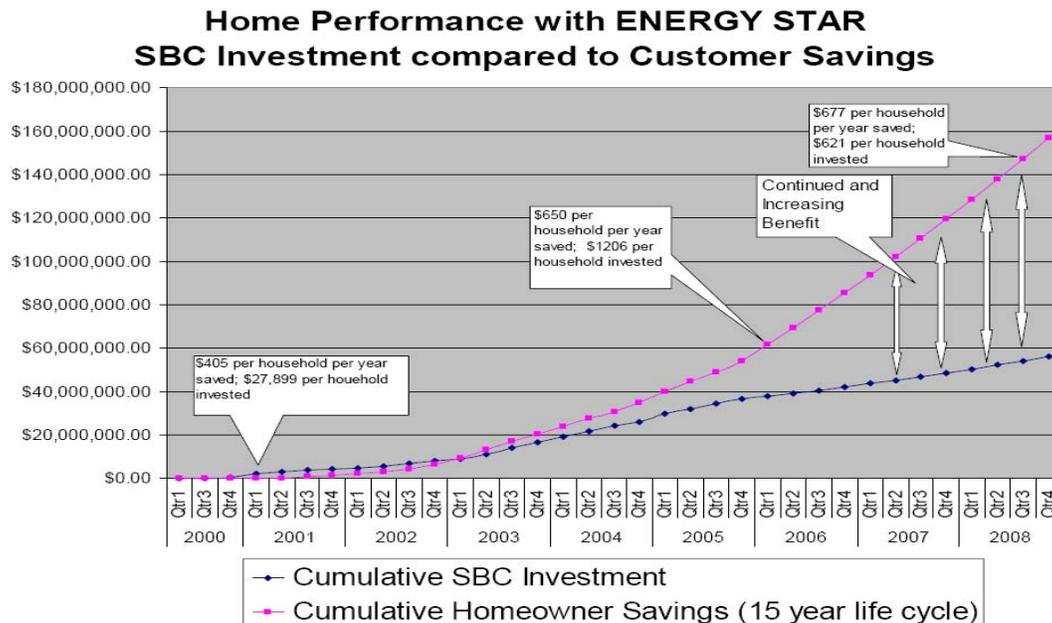
To date, this program has achieved a total of 1.3 aMW of electricity savings, 2 Megawatts of demand reductions, and 424,421 MMBtu of natural gas savings. These energy savings have been achieved at a cost of approximately \$3.0 million per aMW (including both electricity and natural gas savings).¹

¹ The cost per aMW was converting the natural gas savings from MMBtu to aMW, then dividing the total program costs to date (\$46.3 million) by the sum of the electricity and natural gas savings in aMW. Note that

Other Savings

As Figure 3 illustrates, savings for home owners participating in the HPwES program have seen a steady increase in the savings achieved. The loan buy-downs have proven to be an effective way to encourage home owners to invest in cost-effective improvements using their own funds, rather than relying on traditional rebate programs, which cover nearly the entire incremental premium associated with these energy efficiency improvements.

Figure 3. Comparison of System Benefit Charges vs Customer Savings



Cost-Effectiveness Test Results

For this program, NYSERDA calculates two cost-effectiveness tests under three scenarios. The two tests are the Total Market Effects Test (TMET) and the Program Efficiency Test (PET). The difference is that TMET includes participant costs and the PET does not. The three scenarios tested are as follows:

- Scenario #1: Only the avoided costs associated with energy, capacity, natural gas, oil, propane, and water savings arising from participant actions and from market spillover were used as benefits.

the program includes a large low-income component, which likely raises the average cost per aMW. Even with the low-income component, however, the program still passes NYSERDA's benefit-cost tests.

- Scenario #2: The energy and capacity market price benefits that accrue to all ratepayers from lowering the requirements for energy and capacity, given available supplies, were added to the resource benefits.
- Scenario #3: Non-energy benefits were calculated and added to the resource and market price benefits.

Table 1. Home Performance with Energy Star Program Benefit/Cost Ratios

	Total Market Effects Test (TMET)	Program Efficiency Test (PET)
Scenario 1	1.4	2.7
Scenario 2	1.5	2.7
Scenario 3	2.7	5.0

LESSONS LEARNED

The following summarizes the critical lessons NYSERDA learned in designing, implementing, and evaluating its HPwES program. The most important lesson that NYSERDA learned was that “Marketing works – it grabs people’s attention, so the staff must be prepared to develop the infrastructure to support this type of state-wide activity.”

This critical lesson resonates in the other “Lessons Learned” summarized below:

- 1. Start at a level where you can provide market-by-market focus.** Rather than diluting funds across the entire state, NYSERDA launched this program successively in discrete markets. This allowed them to quickly reach a critical mass of contractors, and to strategically create awareness and demand (Rogers, Edmunds, & Fisk 2005; USEPA 2005).
- 2. Significant spending on marketing and advertising can stimulate demand for whole-house services.** A robust marketing campaign was crucial to the success of their program. The program demonstrated that they could stimulate demand beyond what contractors could provide, and had to strike a balance between consumer demand and contractor infrastructure. Their marketing campaign also demonstrated the serious program commitment, which helps recruit contractors (Rogers, Edmunds, & Fisk 2005).
- 3. Quality Assurance, Quality Control.** Quality assurance systems are important in delivering results to homeowners. It will be necessary to provide a strong, market-based QA system, such as a strong BPI accreditation program and a strong M&V component, to continue to deliver the program message of quality and results (Gerardi & Fisk 2006; Rogers, Edmunds, & Fisk 2005).
- 4. There is a market for home performance contracting.** Consumers are willing to pay for a comprehensive whole-house approach to improving the performance of their homes. Contractors use building science to differentiate themselves based on added value, high quality, and solutions that deliver results. This increases homeowners’ trust and confidence in contractors, and leads to comprehensive job scopes.
- 5. Consumer marketing needs to address non-energy benefits.** Although the primary program goals focus on energy savings, many consumers are more interested in—and willing to pay for—comfort, health and safety, building durability, and indoor air quality (Fisk & Knight 2005; Gerardi & Fisk 2006; James 2004c; Home Energy 2006).
- 6. Home performance contracting is a sustainable business opportunity for contractors.** Contractors report that using home performance can lead to higher closing rates, expanded jobs, and higher margins, all of which increase profitability (James 2004a; James 2004b; James 2004c; Home Energy 2006).

- 7. Contractors need to “own” this innovation.** Third party program support and marketing helps. However, to be successful, contractors must make this their business—not just mount a half-hearted attempt to pick up some government- or utility-subsidized work (James 2004a; James 2004b; James 2004c; Home Energy 2006).
- 8. There is a variety of successful business models.** From pure consultants to one-stop shop contractors, with many variations in between, different business models can succeed. Programs should recognize this in their design (James 2004a; James 2004b; James 2004c; Rogers 2005a; Home Energy 2006).
- 9. Financing is important.** With larger, more comprehensive job scopes, financing is necessary to ensure that a maximum number of homeowners can get the work done. Lower interest rates help, but more important is ease of access. Qualification should be simple, quick, and as hassle-free as possible (Fisk, et al 2003; Fisk & Knight 2005; James 2004a).
- 10. Program support can speed adoption.** Home performance contracting is going to happen—it is just a matter of how long it will take. It is clear that funding programs can help to greatly accelerate this process by providing quality training and mentoring; serving as a trusted third party messenger to increase market awareness; helping secure preferred financing; and helping provide quality assurance. Conversely, increased interest and investment by the private sector that is already being observed should help speed future program deployment, and improve TRC and other benefit/cost tests for comprehensive programs such as Home Performance with ENERGY STAR® (Gerardi & Fisk 2006; NYSERDA 2005; USEPA 2005).

PROGRAM IMPLEMENTATION STRATEGIES

NYSERDA and other leading programs nationwide contract with a program administrator to manage their role as Program Sponsor within the program guidelines defined by ENERGY STAR. Alternatively, BPA could fund these activities as part of its larger commitment to residential programs via the Energy Trust of Oregon or the Northwest Energy Efficiency Alliance. This program design is most successful when it is administered from a single point of contact for a specific geographic region. The key deliverables in such a contract relationship would include:

- Developing a detailed program design
- Recruiting contractors
- Developing and delivering contractor training
- Providing contractors with access to certification and accreditation
- Providing contractors with mentoring and field support
- Developing and conducting customer education and marketing
- Integrating program quality assurance in conjunction with BPI quality assurance activities
- Conducting program evaluation
- Providing program management

Fortunately, many of the program planning components already exist from the U.S. Environmental Protection Agency and are highly suitable for scalability by BPA. To support this program, EPA maintains staff to assist Program Sponsors and provides resources such as the ENERGY STAR® Contractors Tool Kit to help BPA, utilities, and participating contractors develop customized communications materials. EPA, DOE, and HUD also provide major funding to Building Performance Institute for a national infrastructure to establish quality assurance standards for home performance contractor training and certification.

Another key implementation requirement will be to establish quality assurance standards for reporting between home performance contractors and consumers. NYSERDA relies on Performance System Development's TREAT building performance software for the preparation of consumer reports by contractors with an upload component to the program administrator. The TREAT software calculates and presents energy savings as well as non-energy benefits for a full range of improvements along with "cash flow" financial analysis and a proposal to install home improvements. Since TREAT creates an editable and customizable report, contractors can use TREAT to help maintain a consultative selling relationship with the customer. TREAT is integrated into both the building science and business processes of the contractor training, providing contractors with an analysis tool that helps close home improvement installation sales with custom

reports and financing options. The same data set that creates the customer reports is then uploaded to the program administrator's online database. For quality assurance, contractors provide copies of TREAT report findings and agree to follow up with consumers by phone and on-site evaluations.

The integration of concurrent consumer and contractor awareness campaigns creates a balance by demonstrating a consumer need to contractors who are recruited to modify their business practices to participate in the program. This requires strategic alliances with trade ally organizations and targeted outreach to community leaders to explain the program and to solicit help in recruiting contractors and creating awareness among the general public.

BPA would need to consider conducting a request for proposals from local and national finance providers to identify specialty financing products that could support the program. These could, but would not have to, require financial incentives to the loan program providers.

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Light Bulb Fund Raiser

This program profile features an in-depth analysis of a Light Bulb Fund Raiser Program - an innovative campaign that combined energy efficiency and demand side management goals with community outreach. This campaign reaped both environmental and economic benefits by promoting the purchase of high-quality, energy-efficient compact fluorescent light bulbs (CFLs) at the full retail sales price. This program, as implemented by Delta-Montrose Electric Association (DMEA), was honored by ENERGY STAR® for excellence in energy efficiency outreach.

This program was selected for inclusion as part of the larger set of case studies for the following reasons:

- It is part of a national effort with ENERGY STAR.
- It focused on a critical target market for BPA: the residential retrofit market.
- It demonstrates an effective way to leverage community groups to deliver energy efficiency messaging.
- Program delivery can be accomplished with or without “buy down” incentives.
- It is replicable for BPA.

The program information presented here is a compilation of both primary and secondary sources, including a review of reports and presentations, and interviews with program implementers, community groups, and utility staff.

PROGRAM BACKGROUND

Based on the findings from a 2004 study of efficient lighting, DMEA became convinced that installing CFLs in a home's most-used lighting fixtures is among the best ways for its members to save money on monthly electricity bills. Further, DMEA identified that a Lions Club in Maine had achieved success by selling CFLs as part of a fund-raising drive. DMEA believed that this fund raising campaign approach would encourage customers to purchase a few bulbs from local community groups as a fund raiser, and then motivate customers further to buy a full range of high-quality CFLs from local retailers.



DMEA decided to use community organizations as a sales channel to promote energy-efficient lighting products. This method has been used successfully in the past by other utilities that have partnered with local community or civic groups.

DMEA had already identified a lighting vendor, TCP, which offered high-quality energy-efficient light bulbs in a variety of wattages and styles. TCP has strong utility experience, and therefore was selected to be the vendor.

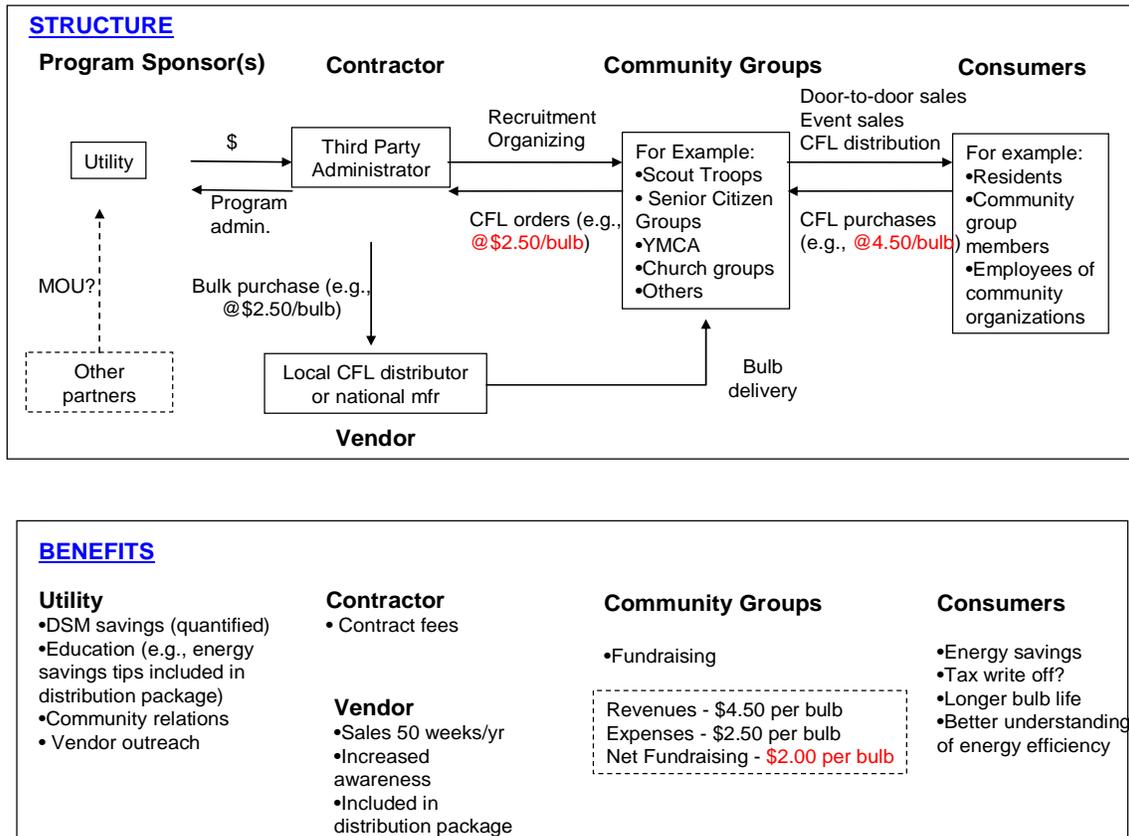
Design and Operation

DMEA contracted with its subsidiary, Intermountain Energy, to develop and implement the program. Intermountain Energy was responsible for developing the program design, including meeting all legal requirements for fund raisers in Colorado, developing the supporting promotional materials and training scripts, recruiting and training the community organizations, ordering the light bulbs from TCP, coordinating the delivery with participating community organizations, and promoting the light bulb fund raiser in DMEA's service territory.

The goal of this program was to encourage the sale and installation of energy-efficient light bulbs. The key message of the program was to encourage utility customers to replace the five most frequently used light bulbs with equivalent energy-efficient light bulbs. This message was presented in all sales and training materials.

Community organizations were recruited during the summer months. The light bulbs were sold from October 1 to 14 to coincide with the Environmental Protection Agency's (EPA) national ENERGY STAR Campaign: *"Change A Light, Change the World."*

Figure 4. Structure of the Light Bulb Fund Raiser



Program Incentives

DMEA negotiated a competitive price with TCP to provide light bulbs in single and four-pack combinations in the three most common wattage-equivalents: 60, 75, and 100 watts. Then, Intermountain marked up the price \$2.00 plus applicable sales tax. However, the community organization received \$2.00 for each light bulb it sold.

In 2006, DMEA expanded the product offerings to include holiday LEDs. The holiday LEDs were available in two types: strings of 50-bulbs in either multi-colored LEDs for \$16.50 or all white for \$18.50. Groups received a larger incentive to sell holiday strings, since this was a higher priced item. The groups received \$6.00 per string sold.

The utility paid for all program administration costs but the CFLs were sold at full retail price, with the group keeping \$2.00 per bulb as their profit and forwarding the remainder to pay for the wholesale cost of the CFLs plus applicable sales tax.

Program Launch

In order to be successful, the Light Bulb Fund Raiser required coordination with the sponsoring organization, DMEA, the program implementation team, and the participating community organizations. The following figure summarizes the major milestones in this process.

Figure 5. The Light Bulb Fund Raiser Time Line

Major Fundraiser Milestones												
Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec			
Draft Program Outline			Recruit Prospective Groups			Distribute Promotional Plan Outline		Conduct Promotional Campaign		Distribute Bulbs to Group		Summary Report
Conduct Roundtable with Staff/Allies			Prepare Promotional Materials			Conduct Pre-Launch Sales Training		Launch Sales Campaign		Coordinators		
Finalize Promotional Plans			Distribute insert in area newspapers			Place flyers, and group listings		Collect Bulb Orders from		Distribute Movie Incentive Passes		
Identify Participating Groups						Front page article in newsletter		Group Coordinators		Conduct Program Evaluation		
Draft Promotional Materials												

Since the community groups recruited for this program were not “energy experts,” it was also critical to provide proper sales training and support. It was also necessary to provide these groups with the promotional materials necessary to support them in their fund raising activities.

TARGET AUDIENCES

Homeowners were the key audience for the message to change out their five most-used light bulbs with CFLs. This program did also appeal to home renters because CFLs are an improvement that renters can take them with them should they move.

PROGRAM DELIVERY CHANNELS

Channel Strategies

Any locally-based, non-profit group was allowed to participate. In fact, the program attracted a disproportionate amount of senior citizen groups. These groups had no ongoing means of fund-raising, unlike the youth groups who are approached regularly by “professional” fund raisers to sell candy, cookie dough, wrapping paper, etc. Further, the senior citizens better appreciate the value of lower energy bills. Church and environmental groups were another segment that were attracted to the concept of selling energy-saving bulbs as a fund raiser for special projects.

The critical element for success in this lighting program was to recruit, train, and motivate local community organizations to sell energy-efficient light bulbs. Since this product is a departure from the usual fund raising activities of selling candy or gift wrap, it was important to answer the following key questions:

- Did the community organizations receive the support and training needed to make this a successful fund raiser?
- Was the effort worth it?
- Would they participate in future light bulb fundraisers?
- What areas need to change or improve in the future?

The kinds of groups that participated in the Light Bulb Fund Raiser represented the diversity of this rural community and included:

- 21st Century After School Program
- Alpine Children's Environmental Services
- Black Canyon Veterans of Foreign Wars Auxiliary 9333
- Cedar Mesa Club, Cedaredge
- Center of Religious Science, Delta
- Daughters of American Revolution, Uncompaghre Valley
- Delta Barracuda Swim Team
- Delta United Methodist and Presbyterian Churches
- Faith Baptist Church
- Head Start RMSE, Delta
- Montessori School, Delta County
- Montrose High School French Class
- Oak Grove Jolly Rancher 4-H Club
- Olathe High School Band
- Paonia Public Library Foundation
- San Juan Photo Club
- Sweet Adeline's
- United Methodist Youth Foundation

- Western Colorado Congress

The light bulb fund raiser provided a unique way to raise funds. It was much different from their current fund raising activities which relied heavily on selling candy, gift wraps, or having a bake sale. One respondent indicated that this fund raiser was much less labor intensive compared to organizing merchandise for a yard sale.

One community organization representative summarized his interest in participating in this light bulb fund raiser as follows:

“I saw the fund raiser as a three-way win: good for the community, good for the customer, and help us raise money.”

Other comments from community organizations included:

“This was easier (than previous fundraisers). I enjoyed this more and did not have to fool around with much.”

“The product was useful. People wanted that and they were also getting a good value and not just spending money on a fund raiser.”

Table 1 summarizes the implementation steps that were required in order to make this fund raiser a success.

Table 2. Summary of Implementation Steps for the Light Bulb Fund Raiser

Step	Action	Description
1	Recruit Local Non-Profit Groups	Intermountain Energy identified prospective fund-raising groups and invited them to attend an Orientation Meeting. At the meeting, groups received promotional materials and forms.
2	Group Coordinator Trains Members to Sell Bulbs	Participating Group Coordinators were provided with sales/educational materials, including suggested scripts and answers to frequently asked questions.
3	Group Members Take Orders	The Fund Raising Campaign lasted from October 1-14 in coordination with a publicity campaign. At this time, the group member took orders for CFLs and collected payment at time of ordering.
4	Group Coordinator Collects Order Forms and Places Group Order	Within 1 week after the sales campaign's conclusion, the Group Coordinator placed bulb lamp order with Intermountain Energy.
5	Intermountain Energy Place Orders With Supplier	Intermountain Energy placed the bulb order with Service Concepts, a TCP Distributor.
6	Intermountain Energy Receives Bulbs	Upon receipt of lamps by Intermountain Energy, the orders were "broken down" by group and the Group Coordinator was notified to pick up their bulbs at Intermountain Energy headquarters.
7	Group Coordinator Picks-up and Pays for Bulbs	Payment for the bulbs by the group was due at time of pick-up. When the Coordinators picked up their bulb orders they were provided with printed material that: <ul style="list-style-type: none"> - Explained the ENERGY STAR lighting program overall. - Urged buyers to begin saving energy and money immediately by install these new bulbs now BEFORE their old bulbs burn out.. - Invited them to a DMEA Home Energy Efficiency Workshop on Saturday, November 12.
8	Groups Deliver Bulbs With Workshop Flyer	

Strategic Allies/Partners

Retailers became a key ally in this program. The utility notified each local retailer in advance of the program plans with details on the product specifications, manufacturer, distributor and wholesale price points. Emphasis was given to the fact that this was a short-term program of just two weeks and that only a narrow selection of CFL types were to be available. Retailers were assured that the utility's intent was to drive consumers to the retailers for the other 50 weeks of the year and for the wider range of CFL types that are commercial available but rarely stocked and promoted locally. The \$5.00 retail price premium gave retailers plenty of room to discount their bulbs after the campaign to leverage the program awareness. However, at least one retailer was inundated with returns of an inferior bulb that didn't match the no flicker, instant start, warm light performance of the CFLs sold through the fund raiser.

Sales Delivery

Orders for the light bulbs were taken by the community groups in early October to coincide with the Environmental Protection Agency's (EPA) national ENERGY STAR Campaign: *"Change A Light, Change the World."* All light bulb orders were placed by the end of the month. Community organizations received their light bulbs in early November and were responsible for delivering the light bulbs to their members.

This sales delivery channel resonated well within this community. Overall, the participants were satisfied with all aspects of the program, but especially with the high quality product and the unique delivery channel.

"I would buy again at those prices."

"Compared to the other bulbs, they were a good deal."

"I just loved the little girl who sold the bulbs. She was very knowledgeable. I think this is a great idea."

CRITICAL MESSAGES/THEMES

The goal of the program was to encourage the sale and installation of energy-efficient light bulbs. The key message of the program was to encourage DMEA members to replace the five most frequently used light bulbs with equivalent energy-efficient light bulbs. This message was presented in all sales and training materials.

Secondary messages about the economic and environmental benefits of CFLs were integrated into the message with a key message being that the sale would benefit the fund-raising objectives of the local group.

Sales scripts provided to the groups reinforced that they should lead with the reason why the group was raising money and follow with the value of CFLs to save energy, money, and power plant emissions.

The local community organizations were pleased with both the commitment that the utility provided in offering this fund raiser, and the training and support they received during the sales period.

"It was a very wonderful thing for DMEA to do. It made money for the organization. We always have trouble raising funds."

"I am very pleased that DMEA is behind something like this. The sample was helpful and so was the training session."



Promotional Strategies

One month prior to the Sales Campaign Launch, utility employees were invited to purchase the bulbs for their personal use. During this timeframe, local light bulb retailers were approached in-person to explain the product features, pricing, and program goals.

Every opportunity was taken to leverage and integrate existing DMEA energy education activities, including the DMEA newsletter, newspaper advertising, and Doug Rye's "Home Remedies" radio show advertising that would have otherwise been used for generic messaging.

Promotional Methods

DMEA aggressively promoted the value of replacing standard light bulbs with compact fluorescent bulbs (CFLs). DMEA ads appeared in several publications in September and October. Plus, DMEA

dedicated the front page of its September bill insert newsletter to the topic. All promotions clearly recognized the ENERGY STAR “Change a Light, Change the World” campaign which is a national challenge to encourage every American to help change the world, one light - one step - at a time. The campaign culminated in the fall around ENERGY STAR Change a Light, Change the World Day on October 5th, with promotions running locally and nationally beginning October 1. Details are at http://energystar.gov/index.cfm?c=change_light.join_changealight.

The program administrator created a variety of promotional materials including newspaper inserts, four-color flyers, and advertisements which promoted the light bulb fund raiser. The materials included pictures of the light bulbs, prices, and wattage equivalencies.

RESULTS

This program was successful on many levels. It raised customer awareness, helped transform the market for the CFLs among local retailers, and demonstrated the effectiveness of using community groups as a sales delivery channel.

Program Results

The utility conducted process and impact evaluations in 2005 and 2006 to measure program success, identify areas for improvement, and establish the market transformation that had occurred within this rural community.

In 2005, 15 community groups sold 3,044 light bulbs that were installed in DMEA's service territory. More importantly, they raised more than \$6,000 for their charitable organizations. The results for 2006 were slightly lower, in terms of bulb sales, but overall reflected the continuing interest customers have in using energy-efficient lighting. Table 3 compares the results from 2005 and 2006.

Table 3. Comparison of Fund Raiser Sales Results from 2005 to 2006

	Results in 2005	Results in 2006
Number of Participating Community Groups	15	19
Total Sales	3,044 light bulbs	2,158 light bulbs 310 holiday strings
Amount of Money Raised by Groups	\$6,000	\$6,100
Annual Avoided Net Power Purchases	\$5,400	\$3,346
Annual kilowatt hours (kWh) saved	219,000	142,000
Annual kilowatts saved (kW)	2,200	616
Amount of Carbon Metric Tons of Emissions Avoided	139	90

Cumulatively, the effects of the Light Bulb Fund Raiser are as follows:

- Achieved a 17 percent market penetration of energy-efficient lighting products; a total of 5,202 light bulbs and 310 holiday strings have been installed in DMEA's territory.
- Fund raising groups raised than \$12,000 in contributions.
- DMEA will avoid more than \$43,000 in net power purchases during the next five years.

- Customers will save more than 1,800,000 kilowatt hours (kWh) during the next five years and 14,080 in peak kilowatts (kW).
- Approximately 1,145 metric tons of carbon emission reductions will be achieved during the next five years.

Net First Year Savings

As the following two tables show, the utility's savings were more than offset by any lost revenues due to customer savings.

Table 4: Estimated Net First Year Savings for DMEA-2005

Wattage Installed	14 W	20 W	23 W	Total
Number of Light Bulbs Installed	1,365	780	857	3,002
"Lost" Revenue	(\$6,758.85)	(\$4,617.85)	(\$7,103.20)	(\$18,479.90)
Avoided kWh Cost	\$1,649.20	\$1,126.79	\$1,733.23	\$4,509.22
Total Avoided Coincident Peak Demand Charges (kW)	\$7,100.29	\$4,851.14	\$7,462.04	\$19,413.46
Net First Year Savings to DMEA	\$1,990.65	\$1,360.07	\$2,092.07	\$5,442.78

Table 5: Estimated Net First Year Savings for DMEA-2006

Wattage Installed	14 W	20 W	23 W	4 W	Total
Number Installed	905	554	388	310	2157
"Lost" Revenue	(\$26,806.15)	(\$19,620.10)	(\$19,237.60)	(\$315.01)	(\$65,978.86)
Avoided kWh Cost	\$6,853.85	\$5,016.50	\$4,918.70	\$80.54	\$16,869.59
Avoided Tri-State Peak Period Member kW Cost	\$26,693.15	\$19,537.35	\$19,156.50	\$454.34	\$65,841.34
Net First Year Savings to DMEA	\$6,740.80	\$4,933.75	\$4,837.60	\$219.87	\$16,732.02

Energy and Demand Savings

Table 4 shows that DMEA achieved its goal of reducing peak load reductions for both 2005 and 2006 through this fund raiser program. These are the net effects, after accounting for free ridership and spillover, based on feedback from customer surveys.

Table 6: Summary of Energy (kWh) and Demand (kW) Net Effects to DMEA 2005 and 2006

2005 Installed Wattage	14 W	20 W	23 W	Total
Number of Light Bulbs	1,365	780	857	3,002
Annual kWh Savings to members	80,214	54,805	84,301	219,320
Avoided Peak KW	816.27	557.7	857.85	2231.82

2006 Installed Wattage	14 W	20 W	23 W	4W	Total
Number Sold	905	554	388	310	
Total kWh Savings to members	288,705	211,310	207,190	3,393	710,598
Total Tri-State Peak Period Member kW to DMEA	1,249	914	896	25	3,084

The total kWh savings from the 2005 and 2006 programs is the equivalent of 0.1 aMW, achieved at a cost of approximately \$659,000 per aMW. The 2005 program budget was approximately \$50,000, including such start-up costs as the initial assessment and developing a calculator. The 2006 program budget was approximately \$20,000, which mainly went towards the third-party administrator fees and the program evaluation.

LESSONS LEARNED

The Light Bulb Fund Raiser Pilot Program was successful based on the incorporating the following “Best Practices.” These are areas that must be addressed by any organization interested in creating their own light bulb fund raiser program.

1. **Use a quality product:** Not all CFLs are created equal. As a program sponsor, it is important to select a high quality lighting product that will reflect favorably on the organization’s image. Also, the light bulbs offered by TCP were of higher quality than typically found in the local retail outlets, and therefore not perceived as a direct threat by local retailers.
2. **Recruit a diverse group of non profits:** Rather than focusing on youth groups, this fund raiser succeeded by recruiting organizations that represented the larger community as a whole. In many cases, these organizations did not have any other fund raising opportunities, and therefore were dedicated to promoting the light bulbs as a way to generate revenues for their group. This also allowed the utility to reach out to all demographic groups within its community, especially those that may be overlooked such as senior citizens.
3. **Incorporated successful fund raiser models into the program design:** Before developing this program, the program designers “went to school” on professional fund raising organizations. The designers identified the best practices used by other fund raisers, such as group incentives, sales training, and product demonstrations, and adapted these strategies to the Light Bulb Fund Raiser’s product offerings.
4. **Used a third-party program administrator:** DMEA hired a third party to design, implement, and evaluate this fund raiser because it did not have the internal resources, experience, or flexibility to administer this program on its own. DMEA provided the dollar support to the third-party administrator, who in turn provided the hands-on support, training, and feedback necessary to ensure success.
5. **Built evaluation metrics into program design:** Evaluation was built into the design of this program. Therefore, critical program evaluation components, like customer contact information, types of bulbs sold, and other crucial data were captured in the initial order form and tracked in the program database. This simplified the evaluation process and made it easier to track program results and make improvements.
6. **Focused sales campaign to leverage ENERGY STAR:** The timing of the Light Bulb Fund Raiser was designed to coordinate with the regional and national press that would be generated during the “*Change the Light, Change the World*” campaign. By tying this activity

into a larger national event, DMEA was able to generate additional press and awareness within the local community.

7. **Engaged retailers in planning:** The local retailers who sold energy-efficient light bulbs were included in this process. They were notified about the fund raising program, kept apprised of the results, and benefited from increased awareness among the utility customers. Because they were invited to the table with the utility, they were supportive allies who realized that the utility had created a market for their unsold inventory!
8. **Created a replicable program:** The Light Bulb Fund Raiser Program was designed to be an intensive, two-week campaign that generated sales and awareness, and then *went away*. The short duration, intense focus, and program model are designed to be replicated by energy organizations of any size in any type of community.

PROGRAM IMPLEMENTATION STRATEGIES

The Light Bulb Fund Raiser program provides an excellent opportunity for turnkey implementation by a third-party program administrator due to the transitory nature of the program timing. This program model is successful because it focuses on a relatively simple product—light bulbs—in a short time frame. In that way it mimics many good community-based fundraising opportunities and is best suited to move products that are simple to understand and easy to transport.

Given the strong community focus of this program, BPA could provide training and support to its smaller utility partners and third-party implementers, such as NEEA and the Energy Trust. The flexibility of this program design allows BPA and its partners to provide a range of program support from a full turnkey solution to offering more limited activities, such as training, sales support, or coordinating the advertising and promotional activities.

The key steps in the Light Bulb Fundraiser program implementation for BPA are summarized as follows:

1. **Project Kick Off** establishes baseline parameters for defining program parameters, defines the roles and responsibilities for the sponsoring organization, the third-party implementer, and BPA. The other critical deliverable is a timeline that outlines the due dates for critical activities, such as community group recruitment, program promotion, and outreach activities.
2. **Establish a Utility Employee “Pilot Program”** as a way to engage all utility staff and model the program for fund raising groups. This step allows the sponsoring organizations to gain first-hand knowledge of the sales process required, and also allows employees the opportunity to recommend additional community groups that may want to participate.
3. **Retailer Outreach** is a critical step. As this case study points out, retailers must be made aware of the plans for this program, so they will be prepared to sell additional CFL and energy efficiency products at the conclusion of the fund raiser. Therefore, time must be set aside to notify retailers, invite them to meetings, and discuss specific opportunities for promotional tie-ins. This retailer outreach also provides an opportunity to gather baseline information regarding CFL product attributes with price points already offered in the marketplace.
4. **Fund Raiser Group Recruitment** with outreach to community groups and “sales training” for group coordinators. This step includes providing the fund raising groups with sales scripts, a list of frequently asked questions, and other tools to help them sell these products.
5. **Targeted Sales Campaign** during the weeks immediately before the light bulb fund raiser begins. This could include developing newspaper inserts in the local papers and signage and flyers in the utility office. However, this is a direct marketing campaign that involves one-

on-one selling, so most program awareness is generated by word-of-mouth through the community groups.

6. **Group Order Collection and Delivery** that involves creating master order forms for each group, totaling the orders, and then breaking down the orders once they arrive. This model is identical to those used by other fund raising organizations and requires coordinating delivery at central locations that are accessible to community groups at nights and weekends.
7. **Program Evaluation** begins within two weeks after the light bulbs have been delivered. The evaluation includes interviews with retailers, group coordinators, community leaders, utility staff and bulb purchasers, as well as impact analysis of program effects with regard to determining the kilowatt-hour (kWh) and kilowatt (kW) savings net of free ridership and spillover and calculating the carbon emissions reductions attributable to program activities.

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Home Energy Makeover Contest

This program profile features an in-depth analysis of Home Energy Makeover Contests conducted by various utilities.

This program was selected for inclusion as part of the larger set of case studies for the following reasons:

- It is focused on a critical target market for BPA: the residential retrofit market.
- It demonstrates an effective way to leverage third-parties to deliver energy efficiency programs.
- Program delivery can be accomplished with or without “buy down” incentives.
- It is replicable for BPA.

The program information is a compilation of both primary and secondary sources, including a review of program reports and presentations, and interviews with program implementers.

PROGRAM BACKGROUND

The Energy Makeover Contest is a creative way to promote energy efficiency and collaborate with home improvement contractors. Contest organizers award a major energy efficiency retrofit to the winning contest participant in a highly visible demonstration. The home, chosen for its inefficiency, produces dramatic energy savings.

Several recent Energy Makeover Contests were reviewed in preparing this document:

- Xcel Energy and the Colorado Energy Science Center (CESC) have completed two contests and are beginning a third. Last year's contest attracted 16,000 applications and the winning homes reduced natural gas use by over 70 percent.
- The Colorado Springs Utilities conducted a contest in 2005 to spur interest in their new Home Performance with ENERGY STAR program.
- Delta Montrose Electric Association (DMEA), in Western Colorado, worked with partners to conduct an Energy Makeover Contest designed to build consumer interest in energy efficiency.
- Otter Tail Power Company, which serves parts of Minnesota, North Dakota and South Dakota, recently selected the winners for their first Energy Makeover Contest.²
- TRICON, a union construction industry association in Central Illinois, announced a Home Energy Makeover Contest in April.³



Xcel Energy is often credited with the original concept for the Energy Makeover Contest. Xcel Energy was looking for ways to better communicate energy efficiency opportunities to their customers. CESC has run a middle and high school contest since 2001 in which student teams analyzed home energy bills. CESC installed energy efficiency measures in the least efficient homes analyzed by the winning student teams. CESC was looking for a way to apply the idea in its consumer education program.

Xcel Energy's Melissa Wood, the Director of Strategic Marketing, said the utility invested in the new idea because it would be a great way of "showing, not just telling" the energy efficiency message. Xcel Energy wants customers to know they can exercise control over their energy bills and the

² Personal correspondence with Chris Dierker, Market Manager, Xcel Energy, christopher.j.dierker@xcelenergy.com

³ Personal correspondence with Ginger Johnson, Executive Director, Tricon, gingerj@triconpeoria.org

contest provides an opportunity to reinforce that message every month or two as more energy savings are realized.⁴

Design and Operation

Contest Planning and Preparation Planning includes developing rules, a selection process, and a schedule. Laws governing consumer-oriented contests vary by state and should be reviewed when developing Energy Makeover Contest rules. Other areas that need to be addressed during the planning stage include eligibility, application deadlines and process, winner selection criteria, prize packages, and promotional efforts.

Application Process. To attract the highest possible number of applicants for a contest, the application process should be simple for the homeowner. Homeowners should be given the opportunity to either mail in an application form that has been included in their utility bill, provided directly by sponsors, or at local retailers, or to apply online. If print advertising is within the promotional budget, entry forms can be included in newspaper and magazine advertisements. Application forms should include a few fields in addition to contact information (e.g., the size and age of the home).

Most of the Energy Makeover Contests selected winners based, at least partly, on energy use. In these cases, the application notes that the homeowner gives the utility and the third-party administrator permission to use their energy bill data or another estimate of energy usage, such as the ENERGY STAR Home Energy Yardstick, as a part of the selection process. By law, applicants must be able to choose not to be contacted in the future or sent any additional information.

Selection Process. The selection process is designed to select winning entries that need major energy efficiency measures and can serve as a showcase for each sponsor. The process can be tailored to meet different needs and different types of housing. Some of the criteria that have been used include:

- Size of home (homes too small or too large will not be seen as replicable).
- Age of home (homes too new will not need heating or cooling equipment replaced, and may open up issues with the home builder).
- Number of occupants (homes with too few or too many may not be viewed as 'typical').

Additional information will need to be gathered in subsequent telephone interviews with selected "semifinalist" homeowners. These interviews can screen for other important factors, such as:

⁴ Personal correspondence with Chris Dierker, Market Manager, Xcel Energy, christopher.j.dierker@xcelenergy.com

- Unusual energy sources or uses.
- Behavioral reasons for high energy use (windows kept open).
- Homeowners who are uncooperative or intend to move.

Audit and Installation. Once the contest winners have been selected, implementation begins with a thorough diagnosis of the home's energy problems by an energy rater, energy auditor or home performance contractor. The energy rater or auditor (often with a General Contractor) should explain the measures to the homeowner in detail, and provide the homeowner a written summary of the work to be done, along with the schedule of work. It generally takes at least three weeks to complete installation. Once the retrofit is complete, a post-installation audit should be performed.

Marketing and Promotion. Each participating organization can play an important role in the promotional effort. Leading up to the contest, a marketing plan can be developed to capitalize on the strengths of each organization. Utilities, sponsors, and third party administrators can develop newspaper ads, media releases, and radio ads to publicize the contest. The utility can use an insert or newsletter in the utility bill to promote applications. Sponsors can also distribute contest flyers and publicize the contest to their customers through other avenues, such as invoice inserts and in-store promotion.

The "prizes" for the Home Energy Makeover contest are energy efficiency improvements designed to demonstrate cost-effective home energy improvements. The individual package for each winning home varies, depending upon the improvements needed. All of these "prizes" have been donated by local contractors and may include items such as weather stripping, energy efficient lighting, window replacements, furnace replacements, insulation, and programmable thermostats. The goal is to provide the winner with the most cost-effective set of home energy improvements that will reduce overall energy usage and increase occupant comfort, health, and safety.

Once a winner is selected, some of the contests have used a "prize patrol" approach to inform winners, which creates great pictures of excited homeowners and often generates media coverage for the contest.

After the work is completed, satisfied homeowners also can be great resources for media outreach in the months following the contest, helping to keep energy efficiency in the minds of area consumers. Sponsors have paid for brochures and promotion of workshops. Utilities have included stories about the impressive energy savings in their customer newsletters (Keegan 2005).

Program Incentives

Because the products and services donated by contest sponsors are what attract homeowners to the contest, sponsor recruitment is key to having a successful contest. Generally, there are two

methods for building a prize package: sponsors can donate all goods and services, or the contest organizer can purchase the measures outright. Both methods have been successful. However, when funding is available, purchasing the measures outright gives greater control over what is included in the package and installation quality.

Program Launch

In 2005, Intermountain Energy developed and implemented for DMEA a Home Energy Makeover Contest that partnered DMEA with the Colorado Energy Science Center and 14 area businesses. The Contest offered up to \$45,000 in energy-related home improvements. Contest entry forms and rules are distributed in local newspapers. Two local banks placed entry forms in their lobbies as well. Contest details were available online at www.homeenergymakeover.com with links to www.dmea.com and www.energyscience.org.⁵

Ten DMEA members with higher-than-average home energy bills were chosen from among contest entries received online and via mail. Each Contest Finalist home received an extensive energy use analysis with a blower door test and data input into the TREAT software application. The software allowed Intermountain Energy to model the home's total energy use based on the building shell and appliances, then "true up" the model using the homeowner's 12 months of actual use and local weather data. Then they input local contractor bids to determine which cost-effective improvements that we might "package" into good (up to \$2,500), better (up to \$10,000) and best (up to \$25,000) groupings.

Each of the 10 Contest Finalists received a customized report titled "Home Energy Performance Analysis with Improvement Package Recommendations." The member with the greatest potential to demonstrate home energy savings was awarded over \$25,000 in energy-related home improvements. The two runners-up received up to \$10,000 in energy-related home improvements. The seven remaining members received a comprehensive energy analysis of their home with specific recommendations on how best to cut their utility bills.

A "Home Energy Savings" workshop was presented with direct invitations to all the contest entrants as well as the general public. The workshop was a group presentation by contest co-sponsors who discussed how they improved the winners' homes and what they recommended as

⁵ Personal correspondence with Ed Thomas, Marketing Director at Intermountain Energy (subsidiary of DMEA), ed.thomas@dmea.com.

improvements in the other finalists' homes. At the workshop, DMEA introduced the *Home Energy Makeover Guide*, a web-based suite of self-audit tools. ⁶

⁶ Personal correspondence with Ed Thomas, Marketing Director at Intermountain Energy (subsidiary of DMEA), ed.thomas@dmea.com.

TARGET AUDIENCES

All homeowners are the target for this program, regardless of the age of the structure. It is critical to select a contest winning home that is typical of the area. It is also important to select a homeowner who will represent the utility and other contest sponsors well in media interviews and subsequent publicity.

PROGRAM DELIVERY CHANNELS

The Home Energy Makeover Contests featured in this case study, although they have individual differences, do have the following program components in common:

The Utility: The utility has a unique ability to deliver a promotional message to every local customer in their service area. The willingness of the utility to promote the contest often can be critical to attracting sponsors. Generally, utilities play the following roles in Energy Makeover Contests:

- Promote the contest in their energy bill insert and elsewhere.
- Provide funding for the third party administrator and sometimes for the efficiency measures.
- Provide, with applicant's permission, the energy bill data to the 3rd party administrator.
- Publicize the energy savings being realized by the winning homes.

Sponsors: Product manufacturers and retailers may donate their services and/or products, and bring additional promotional or marketing muscle to the table. The total value of the package catches the attention of prospective applicants, so when sponsors donate big-ticket measures, such as a new furnace or air conditioning system, appliances, or replacement windows, more homeowners enter the contest.

Contractors: In addition to sponsors who provide equipment and products, a number of service contractors are needed to identify and install selected energy efficiency measures. Again, these contractors can be approached to donate their services or the contest organizers can pay directly for the work.

- An energy auditor, rater, or home performance contractor who will perform diagnostics and develop a recommended energy upgrade package for the winning homeowner.
- A general contractor to obtain the necessary building permits and serve as the point of contact for the homeowner while overseeing the work of the other contractors.
- Insulation and air sealing contractors.
- HVAC contractors to install equipment and clean and seal ductwork.
- An electrician to upgrade the electrical service (if needed).

A Third Party Administrator: A third party administrator, especially if they have good contacts with potential sponsors and contractors, can be a critical partner in the contest effort. The third party administrator can assist with sponsor recruitment, application review and winner selection (which can be extremely time-consuming), and promotion coordination. (Keegan 2005)

Channel Strategies

A key success factor is to leverage the contest process to motivate the contest losers to make improvements on their own.

The Energy Makeover Contest generates a list of pre-screened homeowners. Homeowners, by entering the contest, have shown that they are interested in energy efficiency. They can be a receptive audience for other home energy efficiency offerings, such as additional guidance on efficiency measures or energy efficient products and announcements of workshops and classes for do-it-yourself improvements.

The Energy Makeover Contest generates leads for home performance contractors. The contest generates interest in home energy analyses and energy efficiency workshops. Contest sponsors and home performance contractors often attract inquiries directly from consumers who have entered the contest. Most Energy Makeover Contests have included some type of consumer workshop, which gives attendees an opportunity to meet sponsors and contractors. A CESC workshop in the Denver area generated 93 leads for Energy Makeover sponsors.

Strategic Allies/Partners

Sponsors, including product manufacturers, retailers, and local energy efficiency companies, all work together to give the winning homeowners a whole-house makeover that produces the best results. The collaboration can also be extended to promotion and marketing.



Sales Delivery

Contractors work in close coordination to install the improvements in the winning home in a timely fashion so as to leverage the momentum gained by the winner's selection into added publicity about the "before and after" home and how the homeowners are benefiting from the improvements.

CRITICAL MESSAGES/THEMES

Typically, the primary goal of the Energy Makeover Contest is to disseminate an energy efficiency message. The contest helps attract media attention to home energy efficiency. Once the improvements are made, the added comfort and the often dramatic energy savings extend the story with a powerful and compelling energy efficiency message to area consumers.

In an economic environment where utility rates are climbing, some homeowners believe that there is nothing to do but pay the bigger utility bills. However, energy-related home improvements are a one-time cost that can save homeowners money every month for as long as they own their homes. The utilities conducted **Home Energy Makeover Contests** to dramatically demonstrate how people with higher-than-average home energy costs could save by making the “right” home energy improvements. This taught all interested utility customers how best to improve their homes in ways that reduce their overall energy bills.

Other key messages can be to:

- Show homeowners how to reduce energy bills on their own without a free on-site utility audit.
- Benchmark what is a high home energy (not just electricity) bill and most cost-effective ways to save.
- Demonstrate measures that a homeowner could do that have a positive cash flow for energy savings.
- Demonstrate how to conduct a comprehensive whole house energy analysis.
- Maintain utility’s leadership position as trusted energy savings information broker (Keegan 2005).

Promotional Strategies

Emphasis should be on “disrupting” the traditional home improvement marketplace to refocus buyers on the value of considering energy-saving improvements. Forward-looking and niche home improvement providers value how the contest differentiates them while aligning them with the utility’s promotional resources and expertise.

Promotional Methods

Home Energy Makeover Contests have used various methods to advertise the contest and attract homeowners. Utility bills often provide a cost-effective opportunity to solicit applications and to promote the contest results. This can be done with a special insert or with an article and application form in the utility newsletter that accompanies the bill. A variety of other promotional tools can

augment the utility bill, including print and television advertisements, magazine articles, and placing content about the contest on utility and sponsor Web sites.

RESULTS

Overall, the results for these diverse Home Energy Makeover Contests have been quite successful, in both creating awareness among the hard-to-reach residential retrofit customers and providing sales opportunities to encourage contractors to focus on energy efficiency improvements.

Program Results

Marketing staff at Xcel Energy carefully measured the effectiveness of the 2004 pilot effort in terms of “views”: the number of times information on the Energy Makeover Program was in front of a customer. Several key outreach tools were used, including the utility’s monthly bill-insert newsletter, newspaper advertisements, and free television appearances. Xcel Energy concluded that the Energy Makeover produced 3.3 million views, making it a very cost-effective way to spread the energy efficiency message. The reach grew in 2005 to about 4.5 million.⁷

The energy analysis and diagnostic work uncovered serious energy and comfort issues. More than \$25,000 worth of energy efficiency measures were installed during a 3 week period. Work was completed in November 2005 and the energy savings have been exceptional. Energy use in the two 2005 winning homes dropped by 65% to 70% during the November through February time period.

The **Colorado Springs Utilities** version of the Contest reached a wide audience, using an insert and a newsletter announcement in the utility bills, news coverage, newspaper print ads, and the utilities’ website. The Colorado Energy Science Center, a local non-profit CESC helped promote using their website, the Smart Energy Living magazine, an email newsletter, direct mail newsletter and a homeowner workshop. The outreach disseminated about one million “impressions” which is an average of five impressions for each of the utilities’ 200,000 customers. CESC conducted over 100 telephone interviews to narrow the field down to six finalists. The winning home, built in 1992, had a pre-installation home energy rating of 74, but had serious comfort issues. The sponsors improved the HERS score to 88, earning the home an ENERGY STAR qualification. Winter energy use dropped about 30%. (Keegan 2005)

Delta-Montrose Electric Association designed their version of the contest to include the launch of a new website (www.homeenergymakeover.com) in conjunction with the Contest with tools available to DMEA members to aid them in conducting self-audits and energy analysis on their

⁷ Personal correspondence with Chris Dierker, Market Manager, Xcel Energy, christopher.j.dierker@xcelenergy.com.

homes. DMEA wanted to promote the whole-house approach and the collaborative, team effort in increasing a home's energy efficiency.

The utility wanted to demonstrate a specific approach to analyzing homes and selecting measures and chose to fund the analysis and many of the energy efficiency measures themselves. The utility was able to provide prizes to ten winners. The Grand Prize winner received about \$25,000 in energy efficiency measures. The two runners-up each received up to \$10,000 in measures. The final seven additional winners each received a comprehensive energy audit of their homes. They conducted a wide-ranging promotional campaign:

- An announcement and application form in the DMEA newsletter.
- A 4-page insert was included in 2-3 different issues of the three main newspapers in the service territory.
- Advertisements were run on the radio and on television.
- Booths were set-up at a few local fairs.

The utility organized a workshop shortly after winners were selected. About 50 people attended, and heard details about the energy analysis that was being done for all ten of the selected homes. Contest co-sponsors talked about the measures they installed. As a result of the workshop, nine people have expressed interest in paying \$300 for a home energy analysis, so they would know how to go about their own energy makeover. Fourteen home improvement product and service providers participated with in-kind donations.⁸

Energy and Demand Savings

These contests were conducted as part of the utilities' energy efficiency education activities with no intent to measure savings beyond the one home improved with donated materials from contest sponsors.

⁸ Personal correspondence with Ed Thomas, Marketing Director at Intermountain Energy (subsidiary of DMEA), ed.thomas@dmea.com.

LESSONS LEARNED

The following summarizes the critical lessons the utilities learned in designing, implementing, and evaluating the Contests.

1. **Select a typical home** that can best demonstrate energy savings based on building science, rather than the economic hardship of the home owner.
2. **Use a whole house, fuel neutral** approach and do not underestimate promotional value of non-energy benefits.
3. **Involve wide range of home improvement contractors** offering readily-available, higher efficiency products.
4. **Mimic others**-- the key success factors of commercial home improvement contest and television shows.
5. **Use the contest as a platform** to promote a larger portfolio of utility and community-sponsored energy saving programs.
6. **Focus on creating happy losers** motivated to do their own energy makeover at their own expense.
7. **Focus attention on ability to “cash flow” energy savings** improvements in a traditional home equity loan or mortgage refinance.

PROGRAM IMPLEMENTATION STRATEGIES

Since the Home Energy Makeover contests are often done as a one-time only event that spans just a few months, they are ideally suited to be outsourced to a third-party program administrator. Alternatively, they could be implemented through BPA's regional partners, such as the Oregon Energy Trust, as a precursor to launching an energy efficiency program targeting existing home owners (see Home Performance with Energy Star case study). Many of the on-site home energy saving analyses skills may be accomplished via locally-based weatherization agencies while coordination of the local home improvement providers may be best provided by a local builder's association or chamber group.

The key tasks for successful program implementation are to:

- Plan contest promotion and structure
- Recruit co-sponsors and prize donations
- Pre-launch communication to utility employees, media and co-sponsors
- Launch contest and collect entries
- Screen entries and select possible finalists
- Screen finalists and select winners
- Announce winners
- Install improvements
- Conduct follow-on Home Energy Savings Workshops and/or Prize Winner Open Houses

The supporting program materials that must be developed and produced include:

- Contest Marketing Materials with Entry Form and Contest Rules
- Co-Sponsor, Finalist and Winner's Agreements
- Workshop Materials
- Prize Winner Case Study Documentation

The primary program components are described in Table 7.

Table 7. Home Energy Makeover Contest Program Components

Step	Action	Description
1	Program Consultation	Review overall program portfolio and objectives in order to customize the contest to integrate with and showcase other utility initiatives and third-party relationships.
2	Contest Marketing/Publicity	Develop Marketing Plan that leverages existing utility communication channels and relationships with trade allies.
3	Contest Administration	Establish criteria for entrants, finalists and winners, ideally through a consensus process with community leaders and trade allies. Draft contest rules and conduct legal review to confirm with local and state regulations, if applicable. Develop and implement process for receiving, screening and scoring entrants and finalists as well as winner selection with notification to all parties.
4	Contest Prizes	Identify scope and budget for potential energy efficiency improvements, then solicit trade allies for in-kind donations of products and services in exchange for promotional consideration.
5	General Contracting for Audits and Improvement Installation	Identify an organization to serve as the home energy auditor and general contractor for coordinating installation of improvements.
6	Case Study Documentation and Publication	Document the before and after condition of contest winners homes and draft case studies that emphasize the energy efficiency as well as non-energy benefits for publication by local media and trade allies in addition to utility web site, newsletters, bill inserts, etc.
7	Workshop Presentation and Publicity	Conduct a consumer-oriented workshop to detail how the winning homes were selected and improved by utility working in partnership with trade allies. Invite trade allies to co-present and/or display during the workshop. Consider following the workshop with an “open house” where general public can drive to the homes to see the improvements and meet the homeowners.

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NYSERDA's Small Commercial Lighting Program

This program profile features an in-depth analysis of New York State Energy Research and Development Authority's (NYSERDA's) successful Small Commercial Lighting Program (SCLP). This program was selected for inclusion as part of the larger set of case studies for the following reasons:

- The program is part of larger portfolio of programs targeting commercial building owners and operators.
- It focuses on a critical target market for BPA: small commercial buildings.
- It has achieved significant energy savings and peak demand reduction.
- The program demonstrates an effective way to improve the technical skills and capabilities of trade allies and deputize them to deliver energy efficiency programs.
- It is replicable for BPA.

The program information contained in this case study is a compilation of both primary and secondary sources, including a review of conference proceedings, reports, and presentations and interviews with program staff.

PROGRAM DESCRIPTION

NYSERDA developed its Small Commercial Lighting Program in 1999 as a way to develop a trade ally infrastructure to support small commercial building owners and operators. The program works to establish a trained network of manufacturers, distributors, contractors, and designers who are committed to delivering effective, energy-efficient lighting designs.

According to NYSERDA staff, this program was designed to fill a hole in the small commercial market that was being ignored by traditional trade allies:

We saw some big opportunities in lighting and realized that a good lighting program just wasn't being done (in the small commercial market)...Strategically, we are looking at ways to reach out to the smaller commercial buildings because the other lighting savings opportunities were being swept up by the major new construction programs.

NYSERDA operates a large portfolio of programs that serve the commercial markets, and this program falls under that umbrella, which also includes its technical assistance programs, financial incentive offerings, marketing and general awareness initiatives, and research and development (R&D).

Lighting improvements are an effective way to reduce peak demand, but the goal of this program is to reduce peak demand while also enhancing the visual environment of persons working in the affected spaces.

This program is designed to create a market push towards energy-efficient lighting by targeting the critical trade allies who deliver lighting services. The program offers a mix of both training and incentives designed to encourage lighting designers, electrical contractors, and others to install effective, energy-efficient lighting in small commercial buildings.

The primary emphasis of this program is on proper lighting design and deployment, thereby avoiding the pitfalls of over- or under-lighting, uneven lighting, uncomfortable glare, and poor color rendition common in other prescriptive rebate lighting programs.

NYSERDA worked closely with the Lighting Research Center at Rensselaer Polytechnic Institute in program design, and the program is administered thorough a third-party contractor, ICF International.

Program Goals and Objectives

This is a multi-year program. Its current goals are to achieve 9,600 megawatt-hours (MWh) of energy savings, 2 megawatts (MW) of peak demand reduction, and influence lighting decisions in

1.25 million square feet of small commercial building space in NYSERDA's service territory. (CEE). More generally, the program's overarching goal is to increase awareness and knowledge of the benefits of effective, energy-efficient lighting.

The total budget for the program was \$10.6 million through 2006, including more than \$1.6 million in incentives. The remaining budget goes towards program implementation and other supporting projects and initiatives.

TARGET AUDIENCE

Perhaps the most unique aspect of this program was the decision to target small commercial building owners and operators using trade allies. This is traditionally a difficult audience to meet, because it is too small to interest most lighting contractors.

This was a deliberate decision on NYSERDA's part as a way to provide small building owners and operators the same level of lighting quality typically found in larger buildings. As a NYSERDA staff member explained:

We wanted to focus on improving the lighting parameters including the lighting quality and color and features that would benefit a small facility and we wanted to look at facilities that are typically overlooked by ESCOs, the small commercial market...we wanted to work with smaller customers...and we wanted to get the developers to target the smaller customers.

The target market for SCLP is the hard-to-reach small commercial sector, where end users tend to be less familiar with energy efficiency measures. The definition of "small commercial" is liberal; it is based on the size of the project (from about 1,000 to about 25,000 affected square feet), not on the size of the building or the size of the end-user's space within the building. It can also include almost any type of commercial space, except those used exclusively as residential spaces; however, the common areas of multifamily residential buildings are eligible.

Technologies

SCLP is technology independent. While certain types of lighting equipment are inherently more energy-efficient than others, SCLP looks at the entire lighting design, not just the energy savings or load reduction.

The program promotes a variety of energy efficient technologies, such as High Performance T8s as specified by the Consortium for Energy Efficiency. But the real focus is on teaching lighting contractors to incorporate effective, energy-efficient lighting in a way that improves the overall quality of the indoor environment.

This was reiterated in the following comment made by a NYSERDA staff member, "We focus more on quality lighting and work on ways to reduce glare and improve performance of lighting system. We work with our (trade allies) and they love the focus on the performance factor," rather than a specific energy efficiency technology.

Specifically, SCLP projects must conform to the specific requirements for on-task light levels, lighting uniformity, glare, and color rendering, and the project lighting power density must be 10% below that allowed by New York State regulations.

PROGRAM DELIVERY CHANNELS

Another hallmark of this program implementation is its flexibility. The program changes over time to adapt to the needs of the market and the market players who participate in the program. These changes, more evolutionary than revolutionary, have been implemented as a result of both formal and informal market research and program assessment activities. Changes in incentive offerings and amounts, training media employed, participant classification and focus, and a pilot marketing campaign to increase end-user awareness of high-quality lighting have been made during the last five years (Dare & Applebaum, 2006).

Channel Strategies

A major component of SCLP was recruiting and educating the lighting practitioners who would participate in the program – and overcoming their preconceived notions that this would be just another prescriptive rebate program. This program breaks the mold because of the various strategies used to reach contractors, including training, outreach, direct contact, and marketing and technical tools.

This strategy of targeting trade allies was not without its challenges. As one NYSERDA staff member explained, “As the first program of its type, it was difficult to get practitioners to think about quality, not just technology. (These) mid-market players in New York are used to years of prescriptive rebate types of programs: buy an energy-efficient product, get a check.”

Another staff member indicated that traditionally this is a hard audience to reach because these contractors are not interested in focusing on the small commercial market. “Initially, we had some problems in pushing the contractors towards these projects because they tend to gravitate towards the easy stuff and this was harder...and some contractors were not willing to do this.”

This is a different type of contractor program. While it provides incentives, it also relies heavily on training contractors to develop a qualified trade ally infrastructure. The incentives, which are only available to qualified contractors, serve as a reward to those trade allies that are willing to commit themselves to installing effective, energy-efficient lighting projects according to the program standards.

This approach, while unconventional, has been quite successful. In the first five years, the program trained more than 1,300 lighting professionals. The infrastructure was so well established that NYSERDA shifted its focus away from recruiting trade allies into the program to providing more in-depth training in an effort to continue raising the bar in this market. Now that the contractor infrastructure is in place, NYSERDA can again shift some program resources to generate awareness among end-users.

Strategic Allies/Partners

SCLP participants are drawn from the lighting industry in New York (and those doing business in the state). SCLP “Allies” are classified according to their main line of business in the following ways:

- **Ally Distributors** are electrical or lighting supply businesses, which must have a lighting specialist on its staff.
- **Ally Contractors** are electrical contractors or other businesses performing lighting installations.
- **Other Allies** include manufacturers, manufacturer representatives, or other lighting professionals supplying lighting equipment or services.
- **Ally Designers** are businesses that employ at least one individual to provide lighting design services for a fee. This class of allies includes lighting designers, specifiers, architects and architect/engineering firms.

Trade allies were recruited into the program in a number of ways. Originally, the model was to identify and recruit key electrical distributors throughout the state to become Ally Distributors. The intent was that these distributors would then provide access to their electrical contractor customers and assist in recruiting and training them. A “hosted training” incentive (since withdrawn) was offered to Ally Distributors sponsoring a training session for prospective Ally Contractors, with a minimum attendance required.

Since few distributors took advantage of this incentive opportunity, SCLP transitioned to regional recruiting and training activities (“mass trainings”) organized by the Program Administrator, often in conjunction with electric utilities or professional associations.

Sales Delivery

Since it was hard to get the contractors’ attention, the program went to them. As a staff member explained, “We took the program on a road show and got some interest from the smaller lighting supply houses and then we got attention from the mid-level suppliers.”

The program was successful in making in-roads at these suppliers by providing them displays of effective, energy-efficient lighting and teaching them to focus on providing a higher quality of light.

The program manager also explained that as the trade ally network was established it was important to change its focus as it moved from the rural areas of upstate New York to New York City.

“We weren’t getting any traction in the New York City market, because that market is dominated by a different group of trade allies—the designers and architects. So we had to use a different focus” to attract those trade allies.

Training

Most allies were trained through a two-hour “live” session, offered through Ally Distributors, in conjunction with trade or professional societies, or those organized solely by the Program Administrator. Alternatively, trade allies could complete a self-qualification training process that allowed these allies to complete the training at their own pace, and to demonstrate their understanding of the program by completing a 20-question examination. The training program includes:

- An introduction to NYSERDA and the **New York Energy \$martSM** program;
- A description of SCLP incentives available;
- A definition of effective, energy-efficient lighting design, along with examples;
- Detailed descriptions of each of the design criteria;
- Instructions on submitting projects for incentives;
- Guidance on how to market effective, energy-efficient lighting to end-users; and
- Descriptions of technical and marketing tools and resources available to Allies, including end-user incentive opportunities.

The lighting professionals also see a value in receiving this training, so much so that 100 contractors enrolled in an advanced lighting training class developed and presented by the Lighting Research Center (LRC). These sessions, which included a technical guide developed by the LRC, were available at both regional meetings and through the SCLP website.

Incentives

Program incentives are based on the square footage of participating projects. The incentives are paid to program allies upon submission of an application and verification that a project implemented by the ally meets all of the mandatory design criteria. The three-tiered incentive ranges from \$500 (for projects less than 5,000 square feet) to \$1,000 (for projects up to about 25,000 square feet).

Design incentives are available only to Ally Designers. An incentive of \$300 is paid to an Ally Designer upon submission of an application and verification that a project design meets all six of the SCLP design criteria (Phase I). If the project is subsequently built as designed (regardless of whether an SCLP Ally is involved in the construction phase), the Ally Designer is eligible for an additional \$500 incentive (Phase II).

The “Break the Ice” incentive is relatively new and is designed to attract trained Ally Contractors to become active in the program. Ally Contractors who submit their first qualifying project are eligible for this \$300 incentive.

During the past five years, the program's incentive structure has changed and evolved to better meet these diverse trade allies' needs and thus further transform the market.

Originally, many trade allies did not believe that the flat fee of \$500, regardless of project size, was sufficient to justify the additional design work or incentive paperwork associated with larger projects. As a result, the program structure changed to a three-tiered incentive, with a maximum of \$1,000 for the larger projects.

Other incentives that did not generate enough response were eventually withdrawn. For example, the co-op advertising incentive was withdrawn after a year when only two allies took advantage of it.

Similarly, an incentive offered to Ally Distributors to reward them for their assistance in recruiting and training of new Ally Contractors was withdrawn because of lack of interest. Instead, the program developed a "Break the Ice" incentive for Ally Contractors submitting their first qualified project.

The program manager explained the reasoning behind changing the incentive structure as the program progressed. "We wanted to keep the incentives low. The real costs to the program are setting up the implementation network and targeting the contractors. But it still has a positive benefit to cost ratio."

Awards and Recognition

SCLP staff actively review completed projects to identify those worth profiling in a case study. The staff selects "Demonstration Projects" because of their potential to promote effective, energy-efficient lighting design on a number of levels. These projects are then featured as one-page case studies in support of the program. The case studies show how local lighting practitioners have used SCLP's tools and resources to implement superior lighting projects for their customers in a wide range of applications.

"We did success stories to show successes so we can recruit others...The case studies did give a pat on the back for contractors....the case studies were a great marketing opportunity for the contractors," explained a NYSERDA staff member.

Demonstration projects are selected quarterly. The ally contractors and distributors who are featured in these case studies are selected based on their involvement in SCLP with the greatest number or square footage of qualified lighting projects during each competition period. There are six competition categories each quarter, depending on the size and type of the participating allies,

with each category winner eligible for a \$1,000 award. Examples of these case studies are included in the appendix.

CRITICAL MESSAGES/THEMES

The SCLP focuses on bringing effective, energy-efficient lighting education and support to its participating contractors. The key messages reinforced in all program materials include:

- Showcase the effective use of energy-efficient lighting designs
- Quantify the benefits of effective, energy-efficient lighting in terms of:
 - Increased sales
 - Visual comfort
 - Customer/employee satisfaction
 - Employee productivity

Promotional Strategies

The program relies on various strategies to reach its trade allies through TV/radio advertising, case studies, and printed material.

An account manager is assigned to each participating ally. The account manager helps identify qualifying project opportunities, assists allies with the application submittals, and delivers additional training on lighting design.

A two-page monthly newsletter is sent to each trade ally by broadcast fax or email. The newsletter includes program announcements and news (e.g., changes in incentives or participation requirements, announcement of competition winners), a marketing or technical tip, and an “Allies in Action” section highlighting recently completed projects. The monthly newsletter is supplemented by ad hoc faxes or emails as needed; these are sometimes targeted to specific types of allies in selected regions of New York. The SCLP website (www.nyserda.org/sclp) stores all program news, information, tools, and resources.

The SCLP website also provides another way for interested end-users to locate SCLP Allies in their area through a searchable directory by zip code. In addition, a separate website page for business owners and operators provides information about SCLP and how the lighting design model can help their business.

More recently, SCLP initiated a pilot end-user marketing campaign in three markets using **The Right LightSM** as a tag line. The purpose of the marketing campaign is to increase end-user awareness of the benefits of quality lighting design as they anticipate relocation or renovation projects. The marketing campaign includes a 60 second radio spot, print advertising in local media, a brochure that Allies have been sending to their customers, by-line “advertorials”, and contacts with end-user organizations.

RESULTS

The SCLP design model has been accepted by the small commercial sector. To date, participating trade allies have implemented approximately 580 qualifying projects representing over 4 million square feet of commercial buildings. These projects have resulted in annual end-user energy savings of nearly 3 aMW, at a cost of approximately \$2.5 million per aMW. The critical program benchmarks are summarized in the following table.

Table 8. Summary of SCLP Results from Program Inception (1999) through May 1, 2006

Program Benchmarks	Total
Electricity Savings	2.9 aMW
Peak Demand Reduction	6 MW
Enrolled Ally Companies	700
Trained Ally Personnel	1,400
# of Projects	580
Square Feet Covered	4.2 million
Incentives Paid	\$500,000

Source: Dare, Marilyn, and Applebaum, Bruce, "The New York Energy SmartSM Small Commercial Lighting Program: A New Model for Lighting Market Transformation Programs." In *Proceedings for ACEEE Summer Study on Efficiency in Buildings*, August 2006.

However, this is just the beginning. As a NYSERDA staff member explained, "We continue to build on the earlier success. This is a market transformation process and we wanted to capture kW reductions and also meet needs for upstate New York customers."

The program also passed NYSERDA's cost effectiveness tests under three scenarios. NYSERDA uses the Total Market Effects Test (TMET) and the Program Efficiency Test (PET). The difference is that TMET includes participant costs and the PET does not. The three scenarios tested are as follows:

- Scenario #1: Only the avoided costs associated with energy, capacity, natural gas, oil, propane, and water savings arising from participant actions and from market spillover were used as benefits.
- Scenario #2: The energy and capacity market price benefits that accrue to all ratepayers from lowering the requirements for energy and capacity, given available supplies, were added to the resource benefits.
- Scenario #3: Non-energy benefits were calculated and added to the resource and market price benefits.

Table 9. Small Commercial Lighting Program Benefit/Cost Ratios

	Total Market Effects Test (TMET)	Program Efficiency Test (PET)
Scenario 1	2.3	2.7
Scenario 2	3.0	3.4
Scenario 3	4.3	5.0

Source: *NYSERDA New York Energy \$martSM Program Evaluation and Status Report*. Final Report. May 2006

LESSONS LEARNED

The following section summarizes the critical lessons that NYSERDA has learned during the past five years.

1. **Incentive offerings need to be flexible.** The project incentives have evolved from a flat fee to a three-tiered structure to better meet the needs of program allies.
2. **Review program criteria periodically to ensure relevance without compromising quality.** The SCLP criteria have been revised during the past five years to reflect changes in marketplace conditions and based on feedback from program participants and allies. The program criteria have been modified to reflect changes in equipment availability and quality. Some criteria, such as the luminous intensity criterion, many Allies found difficult to apply so it was made optional.
3. **The 80-20 Rule applies.** The program will be dominated by a few contractors who comprise most of the projects. A few allies have embraced the design model, are successful at marketing the concept to their clients, and implement several qualifying project every month. They account for the majority of all projects in the program. There is also a second group of trade allies, who are less active and less successful, but who still seem to try to make SCLP work for them and their clients. This was surprising, given that allies “self-select” into this program and must participate in a training session.

PROGRAM IMPLEMENTATION STRATEGIES

BPA could implement this type of program successfully if it develops the right blend between incentives and recruitment. The trade allies are critical to the success of the program, but they must perceive sufficient rewards such as higher margin sales in order to be willing to comply with the program's requirements. NYSERDA sweetened the pot by providing additional specialized training and a more focused incentive structure that encouraged trade allies to become more aware of emerging energy efficient technologies while also rewarding them with incentives and recognition.

This program illustrates the importance of demonstrating a long-term commitment to trade allies, by offering advanced training, targeted incentives, and recognition. Too often, trade allies become discouraged because utility programs change without warning or are de-funded, and therefore they are unwilling to "play the utility's game" and sign up. NYSERDA demonstrated an ongoing commitment and willingness to meet the needs of its trade allies, even to the point of changing program incentives and criteria to reflect market realities.

BPA could successfully adapt this program template to meet its utility member needs for both urban and rural locations. Steps to successful program implementation include:

1. Identify a technical partner to provide the certification and training these types of programs require.
2. Hire a third-party administrator to provide trade ally recruitment, training sessions, contractor outreach and support, and the development of supporting marketing materials such as case studies and a program website.
3. Conduct trade ally focus groups to determine current industry practices, to identify incentive levels, and to determine the differences in lighting practices in geographic regions.
4. Review current lighting practices to identify the most commonly used lighting applications in the target market, such as T-8's in office buildings.
5. Make program specifications consistent with other national and regional specifications to avoid trade ally confusion.
6. Stage program launches in regions, perhaps working in smaller markets and then moving into adjoining service territories.
7. Review program standards, conditions, and incentive levels quarterly to determine their effectiveness in reaching critical target markets.

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PG&E's Local Government Partnership Programs

This program profile features an in-depth analysis of Pacific Gas & Electric's (PG&E)'s innovative Local Government Partnerships program. This program was selected for inclusion as part of the larger set of case studies for the following reasons:

- The program demonstrates an interesting marketing approach to reaching traditionally hard-to-reach customer groups such as residential and small business customers.
- It demonstrated an effective way to educate local community stakeholders about the value of energy efficiency and conservation.
- It provides a model that BPA could adapt for working with various communities to achieve its megawatt reduction goals.
- It is replicable for BPA.

The program information contained in this case study is a compilation of both primary and secondary sources, including a review of evaluation reports and interviews with program staff.

PROGRAM BACKGROUND

The 2004-05 PG&E Local Government Partnership (LGP) programs were designed to provide energy efficiency information and direct installation of energy efficient equipment to targeted local communities. The programs target market segments that are traditionally hard to reach via traditional energy efficiency programs, including small businesses, renters, low-income residential customers, and non-English speakers.

The local government partnerships include:

1. Bakersfield/Kern Energy Watch Partnership
2. City of Fresno
3. City of Stockton
4. East Bay Energy Partnership
5. El Dorado County
6. Silicon Valley Energy Partnership
7. San Francisco Peak Energy Program (SFPEP)

Services offered vary from partnership to partnership, but include some combination of the following elements:

1. Direct install services
2. Free energy audits
3. Marketing and outreach to encourage participation in statewide energy efficiency programs
4. Municipal building energy efficiency retrofits
5. New construction energy efficiency design and installation assistance
6. Support for codes and standards enforcement
7. Local training seminars for residential contractors, design/build firms, architects, and engineers.

As the largest and most successful of the local government partnerships, the San Francisco Peak Energy Program (SFPEP) will be the focus of the remainder of this case study, although some details and results from the other partnerships are included as well.

SFPEP grew out of the need to reduce the electricity peak as required within the City of San Francisco due to the impending shutdown of two power plants and the transmission constraints to and within the peninsula. The San Francisco Office of Environment (SFE) requested program funds specifically to reduce peak loads in the city, and partnered with PG&E to offer a program to meet load reduction targets.

In April 2003 the CPUC approved the partnership concept for San Francisco, and PG&E and SFE developed implementation plans soon thereafter. These plans were submitted as the San Francisco Peak

Energy Program (SFPEP) in June 2003. The partnership was designed to create new ways to capture energy savings opportunities that might otherwise be lost. The San Francisco Peak Energy Program was formally rolled out in December 2003 at City Hall by the Mayor of San Francisco and the CEO of PG&E.

The partnership estimated that a total of 24.4 MW was achievable through the program, with the majority of the potential in the commercial sector. The program has projected savings of 22.8 MW gross peak reductions in the summer, and 16.1 MW during the winter peak. The primary goal of the program is to achieve a minimum of a 16 MW (gross) load reduction coincident with the city's summer daytime peak, and to achieve similar reductions in winter evening peaks by 2005 (Summit Blue, 2006, pp 8-9).

Program Operation

The SFPEP program budget of \$16 million was based on PG&E's overall estimate of program costs relative to historical experience: about \$1million per MW against a program impact goal of 16 MW peak impact. The budget for the San Francisco Peak Energy Program (SFPEP) work that SFE was responsible for was about 10% (\$1.56 million) of the total SFPEP budget, with the rest directed through PG&E's program structure. Of that 10%, about \$200,000 was designated specifically for outreach efforts.

Since so many stakeholders were involved, the program's design evolved into a compromise between the program's original intent of obtaining peak energy resources and providing community economic and social assistance (Summit Blue, 2006, p 89).

However, the stakeholders' ability to work effectively together was critical to the program's success. As PG&E staff commented, their interpersonal rapport with SFE staff was established quickly and was seen as key to successfully planning for and managing a large program portfolio, despite overarching organizational differences regarding efficiency program administration (state-versus utility-run efficiency programs, for example).

"...Considering the circumstances, the political sensitivity and the bureaucracy...we have an excellent relationship...we just fit and we all have the same objective in mind, we want to close down that power plant, serve the community, have happy customers...we want this to be a success. [PG&E staff] couldn't run this partnership without [SFE staff], it's too big, and there are so many programs.... I can't say enough about the partnership."

SFE staff commented, "...[All] of us got along fine. Everybody wanted this to happen, so at the table there was that going forward. At that stage, the general planning stage, where you get the megawatts, we were all serious about how you do that and everybody came to the table with that...So from that standpoint you could say [the partnership] was very successful."

The roles among the partners took a long time to evolve, and could not be specified fully in the contract. The partnership took a long time to gel as organizational relationships were not effectively cemented until late in the program. It took about a year before there was effective communication and coordination on planning issues (Summit Blue, 2006, p. 91).

TARGET AUDIENCE

PG&E's Local Government Partnerships Program was designed to provide energy efficiency information and direct installation of energy efficient equipment to targeted local communities. The partnerships target market segments that are traditionally hard to reach via traditional energy efficiency programs, including small businesses, renters, low-income residential customers, and non-English speakers.

While the services offered varied from partnership to partnership, the major services offered to these customer groups were:

- Cash Rebates for Business Customers
- Standard Performance Contract
- Single Family Direct Install
- Torchiere Exchange
- Multi-Family Rebate
- Commercial Turnkey Services (CTS) for Small Business
- New construction energy efficiency design and installation assistance
- Support for codes and standards enforcement
- Local training seminars for residential contractors, design/build firms, architects, and engineers

PROGRAM DELIVERY CHANNELS

Critical to SFPEP's success was the ability of the program to creatively market its various elements to key market segments. SFPEP had to achieve its 16 MW goal by 2005 to enable the power plant shutdown that is a central issue in the city's electric resource plan. The program's marketing and outreach also had to address the added objective to provide lighting retrofits to the Bay View/Hunters Point neighborhood (a high priority for the involved community groups), and to conduct an exchange effort for torchiere lamps and holiday lights. Thus, the program's marketing and outreach efforts had to be expedited as much as possible, which meant numerous meetings in the community with residential and business organizations and individuals.

PG&E was responsible for developing all of the printed collateral materials and the website, and the City was responsible for developing the marketing and outreach plan. SFE and PG&E worked together within this arrangement to develop the program's promotional materials, again with PG&E doing the production work for most of the materials while SFE focused on outreach planning. Once the program was in the field, PG&E staff led the marketing efforts for the Multifamily Rebate, Single Family Direct Installation, and SPC elements, and also some larger customer contact work for the Cash Rebates element. SFE staff led the marketing and field services effort for Commercial Turnkey Services (CTS), and the effort to promote the Cash Rebates element to the small business segment.

Both organizations performed a variety of outreach efforts across the program's target market segments. SFE concentrated more on community groups and neighborhoods, while PG&E concentrated more on business associations, though SFE also worked with those groups as well. On occasion joint promotional meetings and events were held with both partners participating, such as meeting with the San Francisco Hotel Association (Summit Blue, 2006, p. 97).

The various program elements that used PG&E's statewide programs as their basis – Single Family Direct Install, Multifamily Rebate, Cash Rebates for Business and Standard Performance Contracting – also used many of the same marketing strategies and tactics as the statewide programs. The mailings and other promotional tactics used in the statewide programs were augmented by a variety of community and business outreach efforts that helped promote the program elements to targeted market segments including small businesses and the Bay View/Hunters Point neighborhood.

The Commercial Turnkey Services (CTS) program element, unique to SFPEP, had its own marketing strategy and tactics. Initially, target market segments for CTS were not clear, though staff knew the food service market would be important.

The strategy and tactics were documented in a marketing and outreach plan which SFE developed. It was viewed as a living document and underwent constant change and updating as the program ran its course through various marketing and outreach successes and failures.

PROGRAM DELIVERY CHANNELS

Channel Strategies

The SFPEP partnership involved a blend of market actors in the San Francisco bay area. PG&E and SFE were the primary partners, but there were several secondary partners as well who were engaged to help carry out the program efforts. There were no formal partner agreements with other organizations that were involved with SFPEP, except the existing contracts for the installation contractors SFPEP used that had been in place previously with PG&E. PG&E staff noted that initially they were unsure how other organizations would specifically be used, so leaving those relationships informal was somewhat intentional. (Summit Blue, 2006, p. 71)

Strategic Partners/Allies

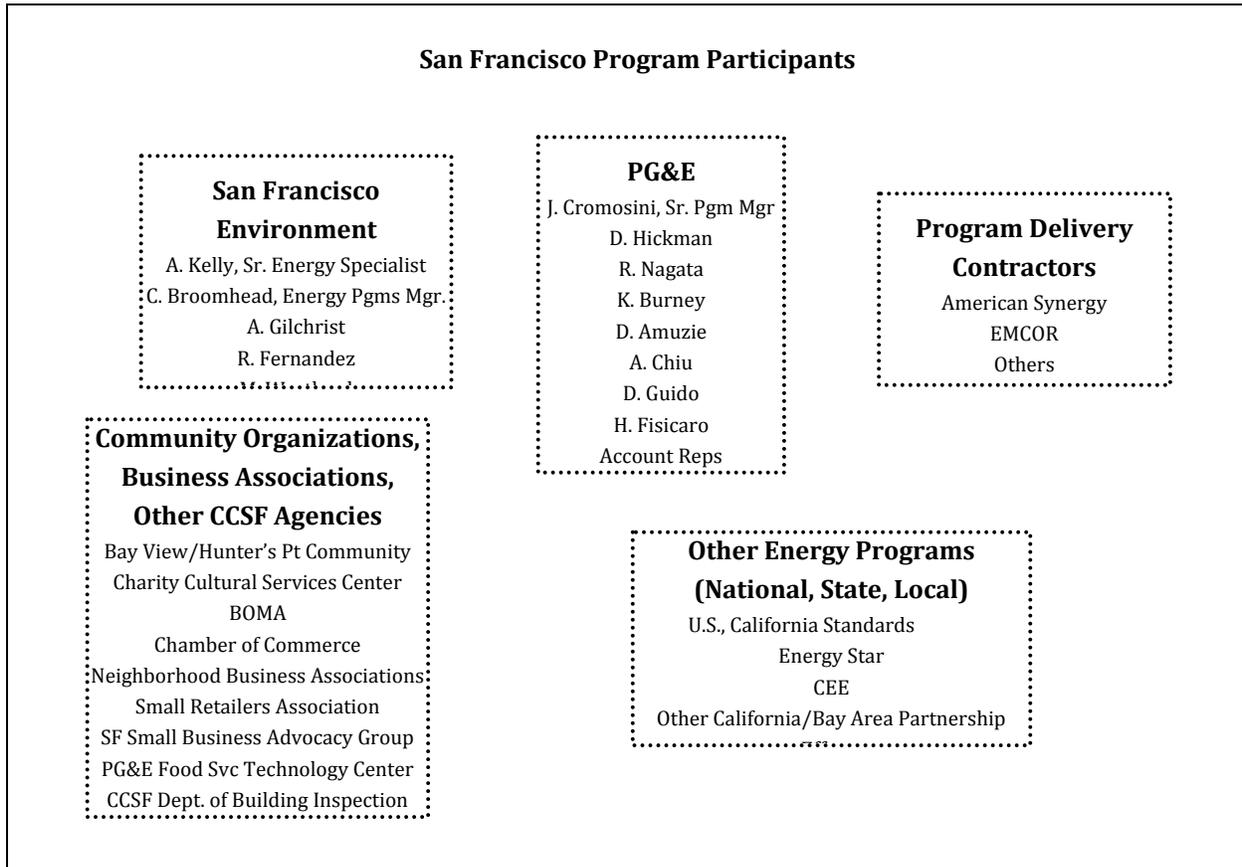
All of these programs by their nature are partnerships between PG&E and local government entities. Many of them also partner with other statewide energy efficiency programs or local organizations and agencies.

Many of the partnerships include coordination with the statewide Low Income Energy Efficiency (LIEE) and California Alternative Rates for Energy (CARE) programs to identify potential participants. Many of the partnerships partner with local planning and building organizations to identify potential commercial participants.

The Bakersfield/Kern partnership used local realtors to offer homebuyers free energy audits, programmable thermostats, and CFLs, along with information on statewide energy efficiency programs. The City of Fresno partnered with the local Economic Development Department to assist in the marketing of the small and medium size business direct install program.

Figure 6 shows all of the partnerships involved with the SFPEP program.

Figure 6. San Francisco Peak Energy Program Partner Relationships



Sales Delivery

PG&E already had the infrastructure in place to process program applications and incentives, as well as (in many cases) having existing contracts in place with local contractors who could be deployed to provide similar efficiency services for the local partnerships. PG&E also had existing relationships with large customers through their key account reps that could be leveraged to promote the SPC program element.

For SFPEP, SFE had established relationships with many small business owners, cultural groups, and neighborhood associations that could be leveraged to provide outreach to key market sectors.

Community organizations provided marketing and outreach assistance, facilitated workshops, helped exchange equipment, and otherwise catalyzed the program effort.

CRITICAL MESSAGES/THEMES

Promotional Strategies

From January through October 2004, some 65 community outreach meetings and other activities were conducted to promote SFPEP generally, in addition to mailings and media coverage to distribute program flyers and other information. These meetings and activities included press conferences, meetings with a variety of business organizations, professional associations, and community organizations, and participation in various community events and festivals.

Promotional Methods

SFPEP

The Commercial Turnkey Services element reported 871 customer contact attempts, plus an additional 900 direct-mail contacts in May specifically with restaurants. The CTS program element, being independent of PG&E's intake process, relied more on cold calls and public presentations to generate participation.

PG&E staff felt the promotional tactics for the SFDI and Multifamily elements worked the best, where those elements used an existing low-income authorization program as an outreach vehicle, used the existing statewide program channels for the multifamily program, and involved localized publicity and promotion, including door-to-door, in-person promotional efforts.

Another marketing approach cited by PG&E staff as being effective was using energy audits for small businesses to generate interest in the Cash Rebates element. A "foot-in-the-door" twist on this tactic was to offer a one-to-one exchange of old for new, efficient LED "OPEN" signs for small businesses, to generate interest in an energy audit from which other efficiency measures could subsequently be identified and promoted to the business.

These tactics were supplemented by inexpensive, quick-to-produce flyers and events that SFE staff produced, which increased the effectiveness of the general promotional effort. Outreach to the Asian-American community for the torchiere lamp exchange was more successful when multi-lingual flyers were used and a small gift offered to entice attendance at the events. Multi-lingual flyers also helped promote the Cash Rebates element to a multi-ethnic small business community.

Promoting measures in a targeted manner, versus a "shotgun" approach promoting all measures equally, helped get the greatest impact for the money. This worked even better when focusing marketing resources to work with trade associations and vendors instead of using mass-market promotional means. For example, three vendors were recruited to work with the program to

promote and install refrigeration gaskets. The vendors called on customers through direct cold-call contacts and were supported by two direct mailings of 3,000 pieces each to target customers, which generated about a 5% response rate to the mailings. Over 800 installations were achieved as a result of this integrated marketing effort. (Summit Blue, 2006, pp. 98-100).

Other Partnerships

The most common promotional methods include attendance at tradeshow and local events, direct mailings/bill inserts, holiday lighting events, and local newspaper articles/ads. These are the promotional activities by partnership:

- **Bakersfield/Kern:** attendance at industry trade shows and the County Fair; a program website; television and radio promotions in English and Spanish; news releases and press conferences; mail brochures; in-store promotional displays (e.g., hardware stores).
- **City of Fresno:** informational pamphlets and flyers; energy efficiency workshops and demonstration projects; radio news announcements; updates to PG&E's and the City's websites; television coverage of an installation at a local community-based organization; bill inserts; special promotional events; direct promotion by City building and health inspectors.
- **City of Stockton:** local government television channel promotions; mailed flyers in English and Spanish; attendance at industry tradeshow; project area kick-off events; updates to CAT websites; a winter Holiday Lighting Event utilizing LED lights.
- **East Bay:** program brochures; direct telephone solicitations; inserts in city business license mailings; attendance at city business-oriented symposiums; PG&E energy efficiency workshops for existing customers; holiday lighting events and exchanges.
- **El Dorado County:** local newspaper articles; program fact sheets; presentations to the El Dorado County Chamber of Commerce; sponsorship of the El Dorado Hills Community exposition, and participation in holiday (LED) lighting events.
- **Silicon Valley:** program brochures; PG&E and City website updates; PEC training notices in the San Jose Chamber of Commerce newsletters; class promotions at the Green Buildings Fair and Santa Clara Home and Garden Show; participation in holiday (LED) lighting events; distributing energy efficiency information to other environmental improvement programs (e.g., pollution prevention, water technology, green building, and recycling).

RESULTS

SFPEP

The stated summer and winter demand reduction target was a minimum 16 MW gross demand reduction; the program achieved 71% of that goal in the summer, and about 76% in the winter – for the 2004 program year. (Summit Blue, 2006, p. 65)

Table 10. SFPEP Net Savings Results

Energy Savings (Electricity & Natural Gas)	6.7 aMW
Summer Peak Demand Savings	9.1 MW

Other Partnerships

Table 11. aMW Savings

Partnership	Residential	Commercial	Total
Bakersfield/Kern	0.4	0.1	0.5
East Bay	0.03	1.0	1.0
El Dorado	0.1	0.2	0.3
Fresno	0.1	0.3	0.4
Stockton	0.2	0.2	0.3
Silicon Valley	--	0.4	0.4

Table 12. kW Savings

Partnership	Residential	Commercial	Total
Bakersfield/Kern	706.3	265.0	971.3
East Bay	76.1	2,000.6	2,076.7
El Dorado	193.0	343.7	536.7
Fresno	333.4	722.4	1,055.8
Stockton	262.7	442.7	705.3
Silicon Valley	--	1,075.2	1,075.2

Table 13. Benefit/Cost Ratios

Partnership	Levelized Cost (\$/aMW)	TRC Test
Bakersfield/Kern	\$613,200	1.16
East Bay	\$613,200	1.20
El Dorado	\$700,800	1.47
Fresno	\$700,800	1.25
Stockton	\$525,600	1.28
Silicon Valley	\$613,200	1.33

LESSONS LEARNED

1. ***Benefits of the Local Partnerships.*** Local governments are in the best position to understand the needs of local industries, businesses, and institutions, and thus can offer a range of services to meet the specific needs of their community. These partnerships may help cities and counties create lasting infrastructures for providing energy efficiency services that will continue after the term of the partnership. Partnerships offer an excellent opportunity for promoting improvements in energy policies (e.g., codes and standards) at the local level as well as at the regional, state, and federal levels.
2. ***Knowing the Customer.*** Partners often understand the industrial, commercial, institutional, and special needs groups better than the utility. They may already have strong relationships with potential customers through Chambers of Commerce. They may already have economic development programs which are complemented by DSM.
3. ***Complements Current Efforts.*** Cities who are especially interested in efficiency, sustainability, and greenhouse gas reduction can use the partnership to jumpstart or supplement their own approaches.
4. ***Expanded Expertise.*** Partners can create long-lasting programs, knowledge, and expertise through the work. For example, some cities hire a director of DSM services who then learns the intricate details of successful programs. This then resides in the City and not at PG&E.
5. ***Sharing War Stories.*** Best practices can be shared among partners. There are usually existing organizations that bring like-partners together (like organizations of city managers or mayors), and this creates a ready-made venue for presentations, case studies, and war stories.
6. ***Customer Satisfaction.*** There were high levels of customer satisfaction across the programs. Program staff believe that the key drivers of customer satisfaction are the financial incentives and lowered energy bills, as well as an appreciation that the utility is working in conjunction with the local government.
7. ***Program Branding.*** The number of stakeholders can make branding the programs difficult and contribute to customer confusion.

PROGRAM IMPLEMENTATION STRATEGIES

The following strategies are based on the experiences of this partnership program and are designed to identify the critical steps that other organizations must consider in implementing a similar program.

Planning and Program Design

1. Recognize that truly equal partnerships are difficult to achieve, and effective partnerships take time. Work to manage expectations about what can be achieved in a short timeframe. Inevitably, one organization will be the dominant player for legal, financial, or leadership reasons. This is not a sign of fundamental weakness in the SFPEP partnership or of its constituents but simply something inherent about relationships between institutions and individuals (p. 125).
2. Develop contingency plans and define an efficient process for deciding when to implement them. When planned program achievements are lagging in specific markets, have alternative approaches outlined and ready to go, and/or shift funding to program areas that are achieving targets. A predefined process that streamlines decision making will allow mid-stream program corrections to be implemented in a timely manner. Similarly, be ready to exploit unanticipated opportunities that may arise. Contingency budgets should be developed and held in reserve for this purpose.
3. Address community-development needs in dedicated programs instead of attempting to piggyback them on resource acquisition programs. The split responsibilities and dilution of effort that result from attempting multi-purpose programs risk achieving the goals of neither purpose effectively. Determine which organization is best suited to lead these programs.
4. Bundle program elements more effectively. A package of energy audits, turnkey installation services, and measure incentives can be more effective than operating such elements individually. EE measures that have low savings impact may still be helpful “*loss leaders*” in gaining community and individual participant support. Use of an LED exit sign exchange as an enticement to small businesses for subsequent energy audits and turnkey services is just one example.
5. Use the DSM programs as a springboard for other new options that go well beyond rebates. This may include better codes and standards, green building practices, GHG mitigation strategies, and

local energy policies. These local policies may then become statewide policies as they become better known and as local politicians rise to the state and even national level.

6. Recognize that some barriers to program success may be insurmountable for certain market and customers. These barriers include:
 - a. Energy remains a relatively small fraction of customers' cost of living and doing business, and there is no energy crisis at present.
 - b. Simple payback for efficiency measures, even with incentives, continues to be outweighed by perceived risks associated with taking energy efficiency actions. This is especially true for small businesses, who have little spare capital or ability to deal with the difficulties of equipment that does not work properly.
 - c. Split decision making authority in rental facilities (both residential and C&I) will continue to dilute the motivational power of financial incentives.

Roles and Staffing

1. Keep agreements as simple as possible without being vague about roles. Contractual agreements should be kept simple, but be clear about specific responsibilities. This will focus limited resources, improve clarity of tasks, and reduce administrative burdens. Clearly define and communicate *each* partner's role up front if possible (this includes other organizations that interact with the partnership informally). This is critical for marketing and outreach in particular.
2. Assemble and support a high-chemistry mix of dedicated individuals in each organization for the duration of the program. Staff the program with people who are willing, able, and have been successful in the past in taking on the multitude of barriers and constraints inherent in a high visibility and large-scale program effort. Also, be selective about who to recruit as informal partners in the community to promote the program. Look for those who are experienced at delivering similar messages and activities, and who are excited about energy efficiency.
3. Maintain staff continuity as much as possible throughout the program. Building and maintaining relations between the program and various market actors such as community groups and business associations depends greatly on the trust built between people. Staff turnover not only means having to train the new people but also means having to rebuild the individual trust that is central to relationships with market actors.
4. Cultivate long-term relationships with potential partners and program associates. This includes community and business organizations, and also implementation contractors who

made need to be asked to flex their operations beyond the strict confines of their program contract to meet unique program needs, market challenges, and opportunities.

5. Communicate, communicate, communicate! Communicate frequently—on a daily basis if needed—at all levels of the partnership and with all parties involved, including informal partners. Personal communications in real time, including phone calls, in-person meetings and email exchanges, are far more important than periodic status reports for raising and resolving issues that arise. Formal status reports are more appropriate for documenting program performance and the resolution of problems.

Marketing and Outreach

1. Develop marketing and outreach plans as early as possible, because developing, reviewing, approving, and implementing those plans will likely take significantly longer than might be expected. The development effort should include recruiting appropriate community organizations early on, to engage their support and ideas for outreach to their constituents.
2. Focus over time on a few channels and offerings that produce the most “bang for the buck.” While reliance on a limited number of marketing and outreach channels and program offerings can be risky, the successfully adaptive program will plan to try a variety of channels and offerings that have potential for success, but be ready to cull poor performing channels [be clear about performance metrics] to focus program resources as cost- and time-effectively as possible.

Other Program Implementation Issues

1. Clearly define data collection and reporting requirements to support program tracking and evaluation for all contractors and partners. For example, tenant names and measure counts were not recorded for the Multi-family program element.
2. Keep monthly report filings up to date. The availability of the updated, accurate data for all program partners and stakeholders is important to making mid-stream program corrections. (Summit Blue, 2006, pp. 125-127)

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Focus on Energy Pulp and Paper Initiative Case Study

This program profile features an in-depth analysis of Focus on Energy's (FOE) innovative Industrial Sector program targeting energy intensive industries like the pulp and paper industry. This program was selected for inclusion as part of the larger set of case studies for the following reasons:

- This program design targets energy intensive industrial applications.
- It focused on a critical target market for BPA: the pulp and paper industry.
- It achieved significant savings.
- The program demonstrates an effective way to convince industrial decision-makers to invest in energy efficient capital improvements.
- It is replicable for BPA.

The program information contained in this case study is a compilation of both primary and secondary sources, including a review of conference proceedings, reports, presentations and interviews with program staff and consultants.

PROGRAM BACKGROUND

Focus on Energy is a public-private partnership offering energy information and services. It was created as a way to administer and deliver the programs established by the Wisconsin Energy Benefits Fund created by the Wisconsin legislature in 1999. Focus on Energy administers programs serving residential, business, industrial, and agricultural customers.

Pulp and paper is Wisconsin's largest manufacturing sector and is extremely energy intensive. Wisconsin is home to the largest pulp and paper industry in the nation, employing 7.3 percent of the state's total manufacturing workforce. It accounts for 30 percent of electric and 18 percent of natural gas use by Wisconsin's industrial customers. Electric use is for pumps, fans, blowers, and conveyors and natural gas use is primarily for boilers used in the drying process.

The paper industry has struggled since 1997, closing plants and cutting jobs, but Wisconsin weathered the decline better than other states. However, they are still affected by the economic pressures that have resulted in a serious lack of available capital for purchasing new equipment and this affects the amount of funds available for energy efficiency improvements.

Program Description

This program is designed to provide strategic interventions in the market place that accelerate growth in both the demand (through customers) and the availability (through providers) of energy efficiency products and services. The programs are designed to increase customer understanding and influence how they make energy efficiency decisions and choices.

Focus on Energy has grouped all the industrial programs together to provide specialized best practice support for the pulp and paper, metal casting, plastics, food/dairy and water/wastewater industries. The program offers a variety of services to improve the energy efficiency of manufacturing processes including measure identification, technical review, and financial support.

The programs offered under the Industrial General sub sector are designed to achieve the following objectives:

- 1) reduce energy intensity;
- 2) increase the number of these industries that develop and implement an energy management plan;
- 3) provide comprehensive training and education programs to help these industries achieve their energy efficiency and pollution prevention goals; and

- 4) work with participants to implement energy efficiency projects and document program services delivered to customers.

A program consultant explained the rationale behind the program design as follows:

“The Paper/Pulp sector started out to as part of an overall emphasis on DSM. Focus on Energy set up the program to be cross-cutting--- to target a number of industries with similar processes – do metal castings, printing, and pulp and paper... and we developed energy efficiency sector leaders in each sub sector to provide specialize expertise.”.

The program components include co-funding feasibility studies, providing equipment buy-downs, and other strategies designed to lower the paybacks for the targeted equipment. As the program consultant explained:

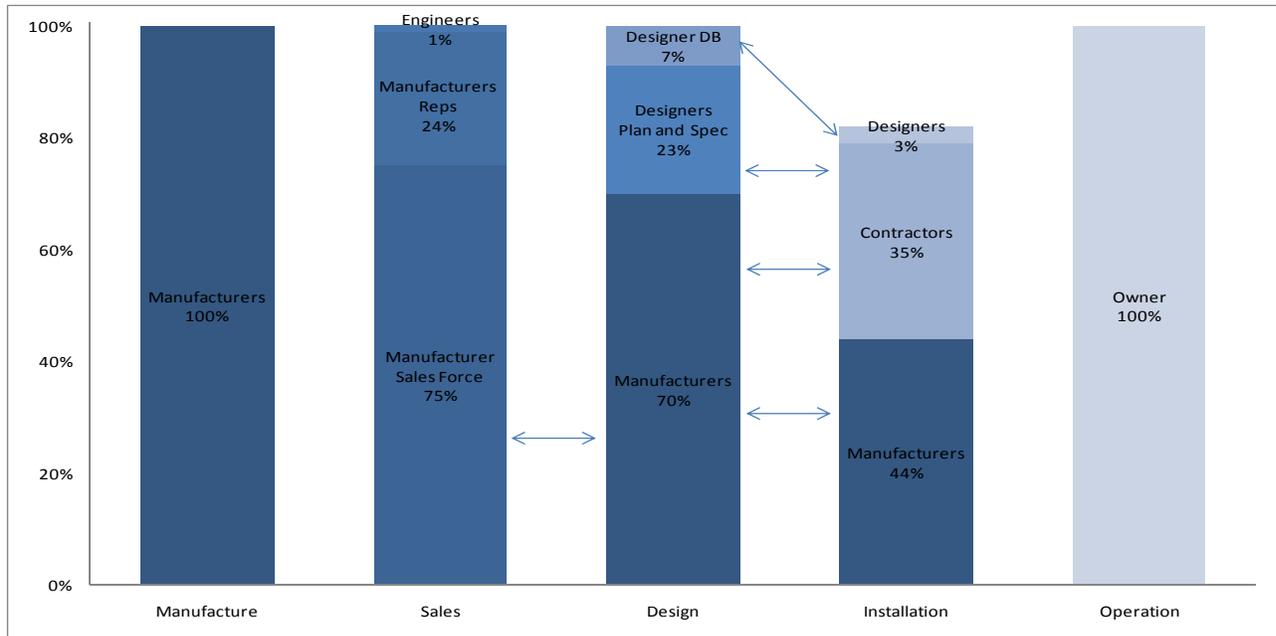
“We try to get a 10:1 investment ratio for Focus on Energy funds, and our focus is on first-year savings... The equipment receiving incentives need to have a two year payback or less. Focus on Energy will give up to \$100,000 in incentives for equipment that reduces energy intensity. For example, we had one project that saved 8,000,000 kwh – almost a megawatt of reductions...we paid \$100,000 but the savings were \$900,000, so that was a huge payback.”

To conserve resources, the program has grouped incentives together to target the entire range of applications in the industrial market. This also allowed the program to create a pool of funds that would pay for industry-specific experts to assist in identifying and facilitating high cost energy efficiency improvements.

TARGET AUDIENCE

The target audience is pulp and paper mills in Wisconsin. Figure 1 identifies the critical market players in Wisconsin.

Figure 7: Market Composition in WI's Paper and Pulp Industry



Source: ECW Market Assessment, 2002.

The equipment manufacturers are the most important market actors, playing major roles in equipment sales, design and installation. Most sales are made through the manufacturers’ own sales force and through manufacturers representatives; a few sales are made through design engineers.

Most often, design services are also provided by manufacturers, who design approximately two-thirds of all the systems they install. Design firms account for the remaining 30 percent of designs, mostly on plan-and-specification contracts where they are hired by the mill owners, but sometimes through design-build contracts where either designers or a large construction company have responsibility for both designing and providing the equipment.

With regard to installation, the manufacturers we interviewed reported that they install an average of 44 percent of the equipment they sell. Even when they do not perform the actual installation, manufacturers will often send engineers to supervise the installation and start-up of new equipment. (ECW Industry Assessment, 2002)

PROGRAM DELIVERY CHANNELS

The program's marketing activities include direct mail, breakfast meetings, targeted advertisements, and on-site visits. The goal is to foster relationships between program participants and trade allies.

The program uses a targeted marketing approach that appears to be having a positive cumulative effect. Customers are sending back a larger percentage of the bounce-back cards that accompany initial solicitations. However, one-on-one contact is still viewed as absolutely required for success in this program.

Other marketing activities include a program website (PA Consulting 2001)

Channel Strategies

The program works directly with pulp and paper mills by providing financial incentives and technical assistance, funding feasibility studies, and offering training and best practices support. Focus on Energy also partners with trade allies to support promising new technologies.

As the program consultant explained: "The program process focuses on identifying projects for co-funding...Focus on Energy will pay up to 50 percent for the cost of a study.

Strategic Partners/Allies

The broad objectives of the Energy Intensive Industries subsector are to create partnerships among industry; trade groups; government; supporting laboratories; universities; and non-governmental organizations; to research, develop and deliver advanced energy efficiency, renewable energy and pollution prevention technologies to industrial customers.

Focus on Energy has also developed strategic alliances with other Wisconsin industry players including consultants in the pulp and paper industry, nonprofit organizations, such as the Center for Technology Transfer, equipment designers and manufacturers. These alliances provide the FOE staff with the technical resources they need to identify opportunities for energy savings in these operations.

"Many mill managers and their staff don't have the time to investigate potential energy efficiency opportunities," explained the program manager.

One particularly strong partnership has been to sponsor technical conferences in conjunction with the trade associations serving the pulp and paper industry. For the past several years, FOE has sponsored a technical forum that highlights recent project successes as part of the annual Lake

State Trade Association for the Pulp and Paper Industry (TAPPI), a national organization with regional chapters. FOE also works closely with the Wisconsin Paper Council as a way to bridge relationships within this close-knit industry.

Sales Delivery

This program relies heavily on personal contacts and relationship selling. As the program consultant explained,

“The key is the personal contacts. None of the paper mills are overstaffed anymore... and you can't do this type of program over the phone...The focus is on plant visits in specific mills. We want to do energy efficiency at the plant and talk about energy concerns, but the plant managers are worried if we started monkeying around with a specific process. Rather we focus on fine-tuning the process and focus on identifying those processes that are the least disruptive (to the manufacturing of paper products). We focus on areas that are energy intensive, but are not going to have a negative impact on plant operations.”

The pulp and paper industry is technically complex, involving 22 different processes to complete a manufacturing operation. Therefore, as the program consultant explained,

“You need to have an industry expert so you are aware of the market, aware of the projects, and get the mill people coming and asking about the program. The best selling point is having somebody who knows the pros and cons of a project from the industry...somebody who speaks the same language.”

CRITICAL MESSAGES/THEMES

Energy efficiency without plant disruption is the critical message of the program. FOE recognizes that this is a highly competitive market that has both capital and resource constraints. Therefore, the program focuses on ways to “change the processes but the critical issue that we still have to change people and that is challenging,” explained the program consultant.

Promotional Strategies

The program’s primary promotion focuses on establishing one-on-one contacts within the mill operations, and highlighting successful programs through case studies. These case studies are featured on the program’s website, and also in technical papers and presentations at local and regional conferences.

The critical issue is to “get ahead of the decision-making process... and be willing to sign confidentiality statements if need be... You need to take a targeted approach. We had the utilities involved in these projects, but they don’t have the expertise in house to understand this market,” explained the program consultant.

Promotional Methods

Focus on Energy also produced a best practices guidebook for the pulp and paper industry, and highlights some of those best practices and case studies on their website. The technologies highlighted throughout the guidebook, such as dryer management systems and energy efficient repulper rotors, have been a successful tool for a variety of pulp and paper mills

The program manager viewed the guidebook as a “working document that can be updated continually with new best practices and case studies provided by the Focus on Energy program.”

The “Pulp and Paper Energy Best Practice Guidebook,” published by FOE and its strategic partners, explains to industrial customers the importance of benchmarking and performing a gap analysis, and provides an overview of the mill operations that are most likely to achieve the greatest energy savings. It also provides a clear and checklist of the top energy “best practices’ with a range of expected Return on Investments (ROI)—all as a part to further encourage mill owners and operators to take the first step necessary to identify potential energy efficiency improvements.

RESULTS

Since July 2001, the program has helped Wisconsin's businesses and residents cut their utility bills by more than \$74 million – reducing their energy consumption by more than 703 million kilowatt-hours and more than 32 million therms of natural gas.

In 2006, the total savings from the industrial program was 5.4 Last year the industrial program saved 5.4 million therms, 49 million kWh and 9.6 MW. The pulp and paper cluster savings were 700,000 therms, 6,900,000 kWh, and 1.2 MW.

According to the program manager, the Pulp and Paper cluster accounted for approximately 12 percent of the 2006 annual budget; a total of \$5.1 million spent in the industrial program areas of which \$600,000 was spent on program labor and incentives for the pulp and paper cluster.

LESSONS LEARNED

This case study highlights the complexity of selling to industrial customers. The most important lessons learned include:

1. Recruit industry experts. This is the most critical element in FOE's overall program design focusing on the industrial market. Given the complexity of the pulp and paper industry, the only way to gain any market acceptance is to by approaching mill operators with recognized industry experts. The program manager stressed the importance of developing a "cluster approach" to help guide the program and identify savings opportunities.
2. Industrial customers require specialized approaches even though they share common energy applications. Another key reason this program has been successful is that while the manufacturing operations are similar in terms of end uses, FOE staff wisely recognized that the end uses are used differently, and therefore "one size did not fit all." Instead of treating all industrial customers the same, FOE created a network of experts for each critical industry group. This provided additional credibility for the program staff and accelerated market acceptance of the program.
3. Build strategic alliances within the targeted industry. Through their conferences and relationship with the critical trade organizations, FOE staff and consultants were able to gain the access required in a relatively short amount of time. Access meant that the staff was able to get ahead of the decision-making cycle and identify opportunities for energy efficiency much earlier on in the purchase process.
4. Showcase savings at forums where industry decision-makers gather. This step adds another layer of credibility to the program and assurances to other mill owners and operators. Given the competitive nature of this business, no mill wants to either jeopardize their standing by trying something unproven, or conversely, lose market share because another mill has been able to reduce its operating costs. This is a delicate balancing act that FOE has been able to achieve by providing objective opportunities for information sharing among industry insiders that yield additional energy efficiency projects.
5. Prepare a guidebook that summarizes the key areas of opportunity for energy best practices. This short guide book spells out in simple language the rationale for participating in the FOE program through examples, case studies, and checklists. It becomes a valuable selling tool for the staff and consultant to use when going on-site.

PROGRAM IMPLEMENTATION STRATEGIES

Through BPA's previous efforts in evaluating the pulp and paper industry operations in the Pacific Northwest, it would be possible to inaugurate a similar type of program focusing specifically on this high energy use sector. However, the best approach may be to adopt the practices employed both in NYSERDA's Technical Assistance/FlexTech Program with the outreach strategies documented in this case study.

For BPA to implement a similar type of industry-focused energy management program, requires implementing the following steps:

1. Determine program structure and critical targets

The critical decision for BPA to determine is if it wants to take a focused industry specific approach, like FOE did, or if it wants to create a more cross-cutting broader program. Since industrial customers require specialized solutions, a focused approach, like the one described in this case study may be an ideal first choice. This specialized approach would also allow BPA to slowly roll out the program to selected industrial targets based on identified energy needs and intensities. In this way, the program could start slowly and build momentum as it expands both regionally and by customer sector.

2. Recruit specialized industry experts who understand energy efficiency projects.

FOE hired former paper mill engineers, who worked as energy managers or advisors, and therefore had the in-depth knowledge and credibility required to reach customers. BPA should take a similar approach, given the close-knit nature of this industry. FOE's program also relied heavily on several selected consultants to market the program rather than relying on NYSERDA's broader approach. Cultivating a stable of qualified engineers may make sense, after the program has been running a few years.

3. Determine the level of administrative support.

The FOE program is run with relatively few staff dedicated to serving several sectors. This type of structure could make sense for BPA to establish, either via one of its third-party affiliates or through a centralized structure similar to the NYSERDA staffing. In any case, this type of program could be delivered effectively through third-parties which would make the program scalable and flexible enough to meet BPA's needs.

4. Create marketing events showcasing energy savings in the targeted industries.

This is an effective way to demonstrate energy savings, through conferences and workshops that also provide another way to reach critical decision-makers. FOE has demonstrated that in this pulp and paper sector, everyone keeps a close eye on their competitors' activities. Providing information forums, both formally and informally, will help to bolster program participation, since there is a "me-too" attitude that permeates this industry.

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NYSERDA's Technical Assistance Program

This program profile features an in-depth analysis of the New York State Energy Research and Development Authority (NYSERDA's) successful Technical Assistance Program. This program was selected for inclusion as part of the larger set of case studies for the following reasons:

- The program is part of larger portfolio of programs targeting industrial facility owners and operators.
- It achieved significant savings.
- It demonstrates a way to work with specialized industry experts to reach critical decision-makers.
- It is replicable for BPA.

The program information contained in this case study is a compilation of both primary and secondary sources, including a review of conference proceedings, reports, and presentations and interviews with program staff.

PROGRAM DESCRIPTION

The Technical Assistance (TA) Program targets industrial, commercial, and institutional customers in New York State. This program is part of a larger effort funded by the New York State Research and Development Authority (NYSERDA) to help customers in the commercial and industrial sectors identify and implement cost-effective energy efficiency improvements. The focus of this case study is on the way the program operates within the industrial sector; however, there are other program components that are designed to serve the commercial and institutional sectors.

This program, which began in 1996 under a different funding mechanism, was included as part of NYSERDA's portfolio of programs funded by the System Benefits Charge (SBC) in 1998. According to program staff:

“The program started in 1998 in its current form, but this type of program has been offered by NYSERDA since 1996- it has been around 10-15 years, and this has led to awareness among plant managers... which helps to penetrate the difficult process of reaching industrial customers.”

Eligible and interested industrial customers can access the program in two ways:

- 1) Through the FlexTech program in which the customer works with a pre-selected NYSERDA consultant or
- 2) Through the Technical Assistance (TA) program in which the customer works with its own consultant.

NYSERDA developed this two-pronged approach specifically to meet the needs of industrial customers. As a program staff member explained,

“The process is to focus on flexibility because we knew early on, that we can't tell an industrial customer what to look at... They are in charge.”

Allowing them to use their own consultants adds to the industrial customers' comfort level and assurance that the project will not interrupt plant operations.

Either way, NYSERDA provides the funds necessary to complete an objective and detailed energy study designed to identify energy efficiency opportunities at the customer's facility. NYSERDA will fund up to 50 percent of the study costs, up to the lesser of either \$50,000 or 10% of the applicant's annual energy costs.

“NYSERDA pays 50% on all energy related costs – and 100% on any permitting consulting that may be necessary...The average cost to NYSERDA is \$20,000 which represents a \$40,000 project, but it can go higher.” (Program Staff Member)

NYSERDA staff emphasized the importance of having the industrial customers contribute some portion of the cost of the initial energy study. As one staff member explained, *“This cuts down on free ridership because they have to invest some money too... they have some skin in the game.”*

The TA/FlexTech Program also feeds projects into other NYSERDA programs including the Commercial/Industrial Performance Program, the Loan Fund, and the Smart Equipment Choice Program. Approximately 19 percent of the TA/FlexTech projects receive funding through another NYSERDA program to implement the recommended measures. (Quantec et al, 2007, p. 13)

The types of studies funded include:

- Energy feasibility studies, which identify energy-efficient capital improvements and energy-related operational improvements
- Industrial process energy analysis studies, which assess and modify industrial processes to increase their energy efficiency
- Energy efficiency retro-commissioning
- Energy procurement studies
- Long-term energy management projects
- Project development services
- Peak-load reduction and load management studies
- Combined heat and power (CHP) feasibility studies
- Renewable generation feasibility studies

The program’s overarching goal is to increase the productivity and economic competitiveness of participating facilities through the implementation of cost-effective energy efficiency measures, peak-load curtailment, and related projects.

“The focus of the TA program is to do detailed studies and the flexibility allows them to select their own consultant or work with a consultant in NYSERDA’s stable... We try to help people target as much as they can and invest in finding improvements that will be important to them...”

The eight-year budget for this program is \$37 million, of which \$24 million has been spent through 2006.

TARGET AUDIENCE

The TA/FlexTech program targets existing industrial facilities, not-for-profit institutions, public and private schools, colleges, health-care facilities, and state and local governments in the **New York Energy \$martSM** service territory.

PROGRAM DELIVERY CHANNELS

This program relies on developing a tailored response based on each industrial customer's unique needs and situation. A NYSERDA staff member explained the process:

"The process is to develop a scope of work after conducting a site visit with the consultant that is going to do the work...The consultant develops a scope of work and we negotiate that with the customer to determine what the study will focus on in terms of energy and non-energy applications."

Channel Strategies

NYSERDA has a stable of engineering firms and technical consultants that influence commercial and industrial decision-making regarding capital investment and equipment upgrades. The program also works directly with industrial facility owners and managers to overcome some of the market barriers they face, particularly:

- Lack of time and competing priorities
- Lack of awareness, knowledge, and understanding of energy efficiency
- Lack of information to support energy efficiency investment
- Lack of funding to support analysis
- Competing needs for capital
- Uncertainty about savings
- Volatility and risk related to energy prices and business environment

The most critical element of program delivery is the site visit. As a staff member said:

"We learned that a walk-through of the facility and face-to-face interaction is really what is important for the industrial customer."

Strategic Allies/Partners

NYSERDA recruits participating contractors through competitive solicitations for the Flex Tech and Energy Audit programs. End-use customers select their own contractors for the TA program.

Sales Delivery

Program staff ensures the quality of the studies conducted through the program by reviewing the scope of work prior to the study as well as the contractor's final report on the results of the study. The oversight and quality control provided by NYSERDA staff is a significant component of the program and aids in the contractors' professional development. Contractors gain knowledge and experience with energy efficiency measures, thereby helping to overcome several key market barriers. Energy savings are confirmed through the M&V process, thus raising end-use customers' confidence and satisfaction with the contractors and the program itself.

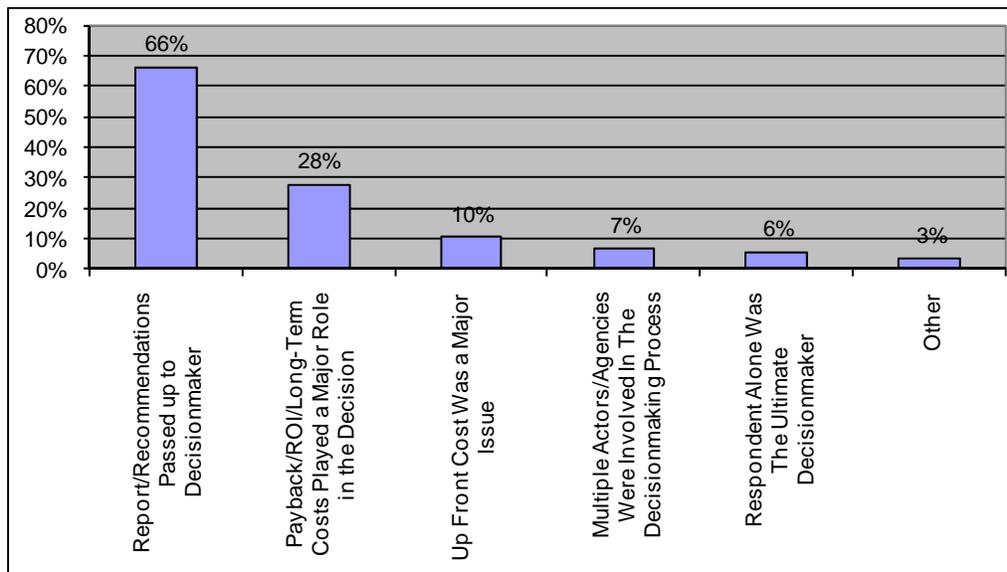
It is important to note that these energy savings reports play a crucial role in program success. These studies almost "take a life of their own" as they are circulated among critical decision-makers within an organization. Moreover, it may take several years before the study results translate into an actual project.

A program evaluation, conducted in July 2006, explored more fully the impact of these energy studies and recommendations on persuading customers to actually implement energy efficiency improvements. This evaluation found the following results:

1. Multiple decision-makers are involved, and often the energy study is just the first step towards getting project approved.
2. Payback is the most important determinant for project approval, even if funds are available. Projects will not be approved unless they meet acceptable payback criteria.
3. These studies provide the end-use customers with the objective information they need to sell a project internally to critical decision-makers.

Figure 1 illustrates the different ways these energy studies are used at customer organizations.

Figure 8. Elements of End-Use Customer's Decision-Making Process Regarding Whether to Pursue Recommendations.



Source: Quantec, LLC & Summit Blue Consulting, LLC. *Technical Assistance Program, Market Characterization, Market Assessment and Causality Evaluation, Draft Report*. January 2007. Telephone interviews with 91 participating end-use customers.

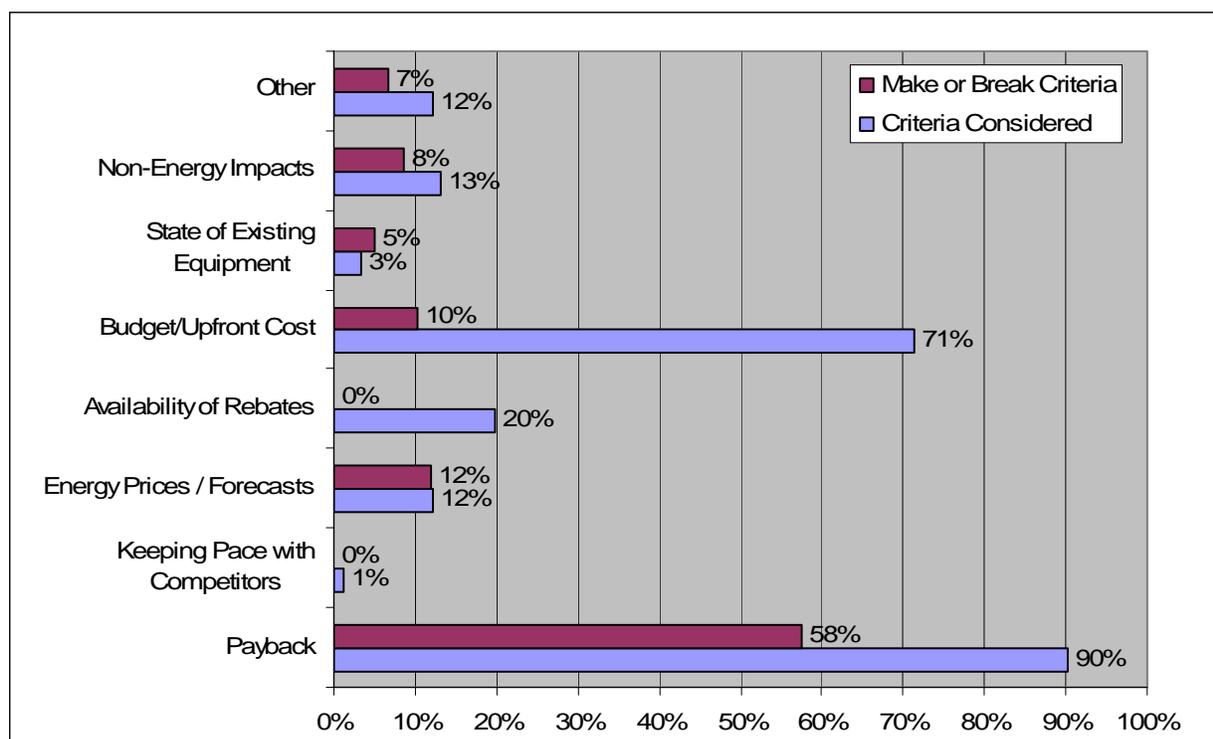
When asked about the decision making process, some characteristic responses included the following:

"[We] went with measures with the lowest payback, prioritized by implementation cost and selected those within our budget."

"Engineering put forth recommendations, [then the] VP of Operations brought it to our management for final approval"

"I took recommendations to the president and then the decision making went to the top of the organization - the board of directors. We ultimately decided to go with the measures after realizing that they would pay for themselves via their respective energy savings over time."

Figure 2 summarizes the customers' criteria for deciding to implement a recommended energy efficiency project.

Figure 9. Criteria for Deciding to Undertake Project

Source: Quantec, LLC & Summit Blue Consulting, LLC. *Technical Assistance Program, Market Characterization, Market Assessment and Causality Evaluation, Draft Report*. January 2007. Telephone interviews with 91 participating end-use customers.

Although these end-users are often aware of the measures recommended, in order to proceed with installation they rely heavily on the independent, objective, and credible reports they receive through the program. The TA program is also highly effective not just at increasing awareness of energy efficiency measures, but at accelerating the timeframe in which those measures are installed. Responses include:

"[The Program] confirmed and pushed our original assessment of our energy efficiency options."

"Our in-house staff knew VSD's were a good alternative, but the study drove home the benefit."

Another customer was thrilled to be able to demonstrate, through an independent and credible party's analysis, that the measure he had known would be a huge savings for his facility was in fact cost-effective. He reported, "For ten years I [had] been preaching for a CoGen. [When the] VP of finance saw the actual estimated savings, it was full steam ahead."

While some customers are using the study as an objective analysis of their own ideas of how energy costs can be reduced, others rely on the study to identify the available options and essentially use the audit report as a check-list or as the basis of a multi-year energy and cost savings plan. The

report is often used or revisited on a regular basis in order to prioritize efforts, and identify the next “low-hanging fruit.” This point is clearly demonstrated by one customer who said that, “We have been using report as guide to get projects approved for capital every year... [it has become] part of our capital delivery process...” (Quantec et al, 2007, pp. 34-35)

The following table highlights that these energy studies are the critical first-step required in implementing energy efficiency projects among these customers.

Table 14. TA Program Influence on Decisions to Incorporate High Efficiency Measures

Mean	Retrospective Surveys	
	End-Use Customers	Contractors
TA Program influenced type/efficiency of equipment or amount of high-efficiency measures <i>Share of respondents</i>	65%	42%
TA Program influence on decision to install high-efficiency measures (interviewer assessment) <i>4 or 5 on 5-point scale</i>	70%	64%
Importance of TA rogram in decision to install high-efficiency measures (Respondent assessment) <i>4 or 5 on 5-point scale</i>	76%	73%

Source: Quantec, LLC & Summit Blue Consulting, LLC. *Technical Assistance Program, Market Characterization, Market Assessment and Causality Evaluation, Draft Report*. January 2007. Telephone interviews with 91 participating end-use customers.

CRITICAL MESSAGES/THEMES

Industrial customers are an especially difficult market sector to serve and they are constantly facing challenges to increase operational efficiencies while reducing or minimizing costs. The TA/FlexTech program’s primary message is that these plant improvements will lead to better overall operations, rather than just focusing on energy savings.

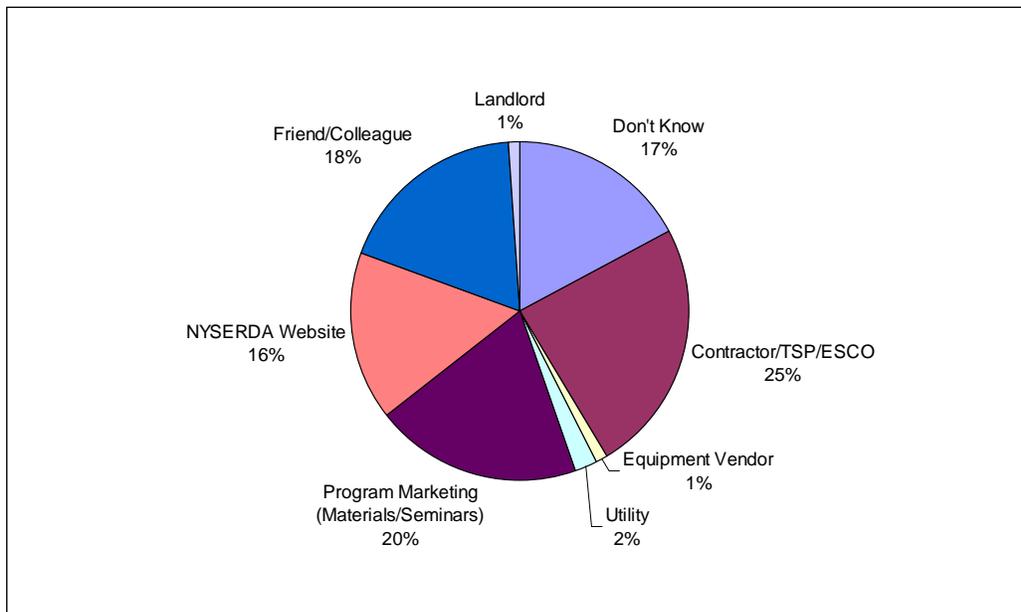
The industrial customer faces particular concerns and barriers. The program focus is to help our customers do their core business better. The major selling point for the program is to focus on energy efficiency improvements that will improve the overall operational efficiency of the facility...Energy savings is a secondary message. (NYSERDA staff member)

Promotional Strategies

The program’s primary promotional vehicle has been, and continues to be, word-of-mouth through its stable of energy consultants, although the program is also marketed through other methods, including on its website, through program opportunity notices, announcements, and program materials. NYSERDA also distributes marketing brochures to end-use customers at trade shows, energy events, and through service providers.

Figure 3 summarizes the various ways that end-use customers learned about the TA/FlexTech program across all sectors. As this illustrates, the consultants are the primary delivery channel.

Figure 10. Source of Initial Information on the TA Program



Source: Quantec, LLC & Summit Blue Consulting, LLC. *Technical Assistance Program, Market Characterization, Market Assessment and Causality Evaluation, Draft Report*. January 2007. Telephone interviews with 91 participating end-use customers.

Even though this program has been well-established, the NYSERDA staff is committed to continuing its outreach activities especially in the industrial sector. By far, the most effective method remains the targeted one-on-one approach.

“The focus on outreach (for the industrial sector) is going out and meeting with customers and finding how best to help them improve their operations.”

RESULTS

Table 2 summarizes the programs' accomplishments through July 2006. The table includes the results from the Technical Assistance and FlexTech programs. As of July 2006, 969 projects had completed energy studies through the TA Program. These projects have total gross estimated savings for all the recommended measures of 1,014 GWh. The split between Technical Assistance and FlexTech projects is very close with 45% of all projects being TA Program projects and 55% being FlexTech. The TA (customer-selected contractor) projects, however, tend to be larger and represent 62% of the expected savings. (Quantec et al, 2007, p. 1-6)

Table 15. Number of Projects and Expected Savings by TA vs. FlexTech

Program	Number of projects	% of Projects	Total Expected Savings (aMW) ⁹	% of Savings
TA (customer-selected contractor)	432	45%	71.2	62%
FlexTech (pre-approved contractor)	537	55%	44.4	38%
Total	969	100%	115.8	100%

Source: Quantec, LLC & Summit Blue Consulting, LLC. *Technical Assistance Program, Market Characterization, Market Assessment and Causality Evaluation, Draft Report*. January 2007.

Table 3 summarizes the cumulative program results since 1998. Note that this table includes TA, FlexTech, and the Energy Audits program.

⁹ Note that Table 15 shows the expected savings from all recommended measures, whereas Table 16 shows installed savings as verified by the NYSERDA's M&V contractor.

Table 16. TA Program Results to Date

Number of studies completed	2,700
Total co-funding provided	\$24 million
Participating Allies	275
Annual Electricity Savings	69.1 aMW
Peak Demand Savings	111.5 MW
Annual Natural Gas Savings	3,164,334 MMBtu
Program Benefit-Cost Ratio (TMET Scenario 1)	5.4
Cost per aMW ¹⁰	\$137,196

Source: *New York Energy \$martSM Program Evaluation and Status Report*. May 2006.

Overall, the staff views this program as a success, citing a 17:1 return for their investment in energy studies. *“Our average study cost is \$20,000 and from that investment, we expect to see an installed project worth about \$340,000.”*

However, the program staff cautions that these investments take time, as they require significant capital expenditures.

“But it takes time for the customer to digest the study findings and work with the capital budgets to find the funding..... it takes a long time because of the decision-making process and there are a lot of stakeholders. We see about 20-25% of the benefits if the first year, and within 4 years, 75% of the projects have been completed.”

This highlights the importance of building an accurate tracking system for calculating program savings over time.

¹⁰ Cost per aMW includes both electricity and natural gas savings. Note that this is not the method by which NYSERDA calculates cost-effectiveness; this value was obtained by converting the kWh and MMBtu savings to aMW and dividing by the total program expenditures by date.

LESSONS LEARNED

1. Industrial customers require specialized expertise that is best handled by industry-recognized consultants and engineers.
2. The most effective way to reach industrial customers is to meet with them face-to-face, at their plant location. This type of “hand-holding” is necessary to assure the customer that any energy efficiency recommendations will not interfere with their plant operations.
3. The cost-sharing requirement of the TA/FlexTech programs is a critical component in that it weeds out customers that are unlikely to take action on the recommendations.
4. The simplicity and flexibility of the FlexTech program is one of its key strengths. There are virtually no forms or paperwork for a customer to complete, just a one-page application consisting of mainly contact information, an estimation of yearly energy costs, and an open-ended question about the type of assistance requested. By using NYSERDA’s pre-approved contractors, the time to complete a study can be reduced by six months or more.
5. NYSERDA’s quality control reviews of contractors’ scopes of work and final reports both ensures the quality of the studies conducted and aids in the contractors’ professional development. Contractors gain knowledge and experience with energy efficiency measures, thereby helping to overcome several key market barriers.

PROGRAM IMPLEMENTATION STRATEGIES

BPA's Technical Services Provider (TSP) Program shares some similarities with NYSERDA's Technical Assistance Program; however, the TSP program does not offer any cost-sharing for the technical audits it provides, and NYSERDA considers the cost-sharing a critical element of program success because it attracts customers who might otherwise not pursue an audit while effectively weeding out freeriders who are unlikely to take action on the recommendations.

BPA could modify its existing program to take into account some of NYSERDA's lessons learned, such as adding a cost-sharing element. The long decision-making cycle for industrial customers and the need to cultivate a core of respected industry experts to provide consulting and engineering advice requires time. However, the program administration and application process can be relatively simple, as NYSERDA demonstrates, so that this program could be effectively outsourced to a third-party or run primarily via the selected contractors.

The other critical area for BPA to consider is program structure. NYSERDA considered organizing this program around industrial sectors, following Focus on Energy's model, but found that was too difficult given the numerous stakeholders involved. Instead, they opted for a cross-cutting approach targeting all types of commercial and industrial customers. The critical difference came in the level of assistance provided: commercial customers received more generic energy audits while large industrial customers received customized energy studies.

The steps to program implementation for BPA to consider include the following:

- 1) Identifying the optimal program structure and focus;
- 2) Determining the funding levels (one option is to reimburse a greater percentage of the audit cost *if* the recommended measures are implemented; NYSERDA did this in the early years of the TA program) ;
- 3) Selecting a pool of qualified industry experts for each sector;
- 4) Developing an outreach program incorporating these industry experts including:
 - a. Developing case studies that focus on best practices in energy efficiency in selected industrial locations
 - b. Holding regional workshops or forums focusing on industrial energy efficiency improvements

- c. Publishing and highlighting program results and information on a dedicated website.

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Marketing Method: Develop and deliver workshops for residential customers who want to build or remodel with energy efficiency and green features.

Company: Austin Energy

Program: Green by Design Workshops

Austin Energy has won numerous awards for their Green Building programs. The Green by Design Workshops series has been a surprise hit for their marketing of the programs.

Goal of the Program: Wants anyone building a new home, or doing major remodels, to include green building components, and know how to get them.

They did some initial market research to determine the best messages to use: The top messages were: 1) utility cost savings, and 2) comfort/health/safety. Then other more minor messages were: reducing outgassing and odors, reducing mold and dust mites, and humidity control.

Austin tried several methods to promote this program. The best results are through one-on-one contact at events, such as home shows and environmental fairs. They have an attractive booth that brings people in, and then they talk about green building.

The best overall results come from the workshops, however. These are full day workshops, held on Saturdays about once per quarter. The workshop includes information on building shell, materials, high efficiency appliances and HVAC, etc.

The market for this workshop keeps growing; it has not been saturated.

They charge \$35 per attendee, and they have sponsors underwrite additional costs.

Austin has also tested other media methods. Print ads have worked better than radio and TV (expensive and no response). They choose very targeted and narrow publication, with special focus on Lifestyle magazines (family, food, pets, home, health, environment, wellness/fitness).

The program has been around for many years, and word of mouth accounts for over 50% of business.

They are working on a video project that will highlight many of the benefits discussed in the workshop.

Transferable Concepts for BPA:

1. BPA could develop a workshop similar to Austin's and take it on the road around the service territory where growth and remodeling is greatest. BPA could help promote the workshops by having a booth at trade shows, and by finding appropriate print ads.
2. BPA could develop a video that highlights the benefits of green building and distribute that to all the utilities for their use.

Marketing Method: On Site audits and real time energy efficiency recommendations through use of the Palm Audit tool**Implementer: Clean Air Foundation, a not-for-profit organization in Canada. (SCE also uses the Palm Pilot for small commercial sectors with very strong results.)****Program: Cool Shops**

The Cool Shops program uses “street teams” to go directly to small businesses to promote energy efficiency. They can immediately install a few CFLs and LED Exit signs just to get the foot in the door and demonstrate that savings can be easily achieved. But the main product of the visit is an audit using the Palm Pilot. The Palm allows the results of the audit to be presented to the small business within 2 weeks. (Summit Blue believes that this 2 week lag is problematic, and the Palm can be used to create the audit results immediately, as it is done at SCE.) They can see what should be done, what savings are available, and then what equipment can be purchased with discounts and rebates. Audits should NOT be comprehensive, but be focused on certain technologies that are appropriate for that business type. In addition, the audits should be tailored to owner versus lease, so that only the most appropriate measures are then offered.

The discounts on products are available through retail partners such as Home Depot.

This is a third party program that is implemented through a non profit agency and a program implementation group. (The SCE program is implemented by SCE directly through their small business account reps.) Cool Shops partnered with 9 electric utilities and 2 gas utilities in 2006.

Cool Shops is promoting a brand, which initially meant that “our doors are closed to save Coolth, but we’re open for business...Come on In!” But has evolved to mean “We are an energy conscious store, shop with us.”

Cool Shops held launch events in seven cities, and they were able to get free media coverage from these events. Businesses that had participated were showcased in the events, creating a competitive atmosphere for other businesses to follow.

Case studies work as a way to get the word out.

Marketing materials had some local (city) flavor, highlighting local companies and partners/retailers. This made the program feel cozy and home grown.

Cool Shops partners with Business Improvement Areas, Chambers of Commerce, and community organizations to promote the program through direct mail, membership newsletters, websites, and speaking events.

Marketing Method: Use of Trade Allies to Sell Commercial DSM Program**Company: National Grid****Program: Project Expeditors**

- Project Expeditors (PEs) are energy engineering firms that are qualified by NGrid. They are chosen through competitive bids. There is a team of about 15 PEs.
- NGrid provides sales leads to PEs.
- NGrid also does quality control on the projects. PEs know if they don't do a good job they will be out of the program.
- PEs are responsible for most aspects of the program from beginning to end.
- They do all of the legwork, including getting in the door, doing a comprehensive audit, then working with the customer to install appropriate upgrades, and making sure all the paperwork is done correctly.
- PEs are not paid by NGrid. So they are like a staff extension without cost.

The real benefit for the PEs are the qualified sales leads. These leads primarily come from the NGrid field reps/account managers. Most customers are larger, above 200kW or so. At the project's start, customers were smaller (as a proof of concept). There is marketing to back up the promotion of the efficiency program as well.

Customers can sometimes bypass a competitive bid process because the PEs are pre-qualified. Customers get a turnkey solution and their search costs are low.

Transferable Lessons for BPA:

There are several lessons that could be used by BPA and the utilities:

1. BPA could create a regional program (possibly the Puget Sound area) in which BPA worked to find a group of PEs, conducted the solicitation, helped train the PEs, and conducted quality assurance and measurement on results. The sales leads would likely need to come through the utilities.
2. BPA could work with utilities to create such a program to manage on their own. BPA could bring the benefits to the utilities and work to help launch the programs.

INTRODUCTION

In order to give BPA non-industry context for the development of a new Strategic Marketing Plan, a number of examples have been fused together from work conducted by Radar Communications with some of the top consumer brands in today's marketplace. Traditionally, concerns over channel marketing have been more prevalent in the business to business marketplace, where companies, such as Intel, must rely on their channel partners to work with their consumer. Yet today, business to consumer brands struggle with many of the same issues. Insights garnered from a number of strategic planning and in-depth qualitative research projects for B-to-B clients, such as Intel, Herman Miller and Hewlett-Packard, and business to consumer brands, such as Levi's, Sprint, Sony and WD-40, are included in this review of pertinent marketing practices.

In each case, these brands have become more dependent on their channel partners to understand and sell their products and services. More often than not, the channel partners have many competing agendas and lack the resources to help every brand they work with implement strategic marketing programs.

This universal trend means that companies must take the responsibility of the relationship with their end-user consumers and help their channel partners extend their reach with not only marketing programs but also provide deeper knowledge about consumers to their channel partners. Unfortunately, traditional marketing is not as effective as it once was in accomplishing these goals.

THE SHIFT TO A NEW MARKETING PARADIGM

Today in both B-to-B and B-to-C markets the power of branding has lost some of its magic. The declining effectiveness of top-down branding techniques has been fueled by many factors including:

1. Global social trends
2. Government regulations
3. Unstable macro-economic conditions
4. Disruptive technologies

These factors have the power to impart real damage on companies that remain disconnected from their ultimate consumers and the communities in which they work. Additional factors, including the *rising power of channel partners* and the prevalence of risk adversity, interject still more uncertainty into the marketing process.

Compounding marketing challenges, consumer behavior is radically changing. Customers now want to act as both consumers and producers, working creatively on things they purchase to make them their own. Factors driving this trend include:

1. Too much information
2. Too many choices
3. A lack of time

Today consumers are more unwilling to buy products from brands that are not prepared to *engage them in a dialogue*. Likewise, channel partners are demanding that brands bring a *new level of knowledge and established relationships* with consumers to the table.

While these uncertainties are difficult to predict and prepare for, the best way to operate in this environment is to accept the presence of uncertainty and actively work to gain a deeper understanding of the context in which a company's products and services work. Companies must continually strive to ***act like a local merchant***, a citizen of a community. Today, to identify with and be relevant to their customers, companies must first become trusted, committed community members. They can then begin to create more long-term and sustainable relationships.

The Importance of Learning and Flexibility

With the changes in the marketplace, many companies act like a deer caught in the headlights of an oncoming car. It is hard to get out of the habit of doing what has always been done and shift gears to be proactive in the face of an evolving environment. For many companies it is typical to resist

Best Practices Case Studies: Non-Energy Sector

change with tenacity; yet the changing environment and changing customer needs require – or demand – that the corporate status quo must change. Companies must place their brand within a deeper context of their customer’s lives, including channel partners and end-user consumers.

Quite often, they get so wrapped up in finding that right, distinctive marketing message or developing the perfect marketing strategy that they lose touch with the communities or context in which they exist. Often times, brands exist in several overlapping communities, some made up of consumers and others of channel partners. Hence, it is critical for brands to broaden their view and understand that they are part of these larger communities instead of becoming defined by their own self-imposed boundaries from a lack of connectivity.

Case Study: Levi Strauss and the Challenges of Context

Levi Strauss & Co. highlights the challenges in becoming a part of the community. When Levi’s launched their new value channel brand, Levi Strauss Signature in 2003, starting with a relationship with Wal-Mart, the team did a wonderful job of building a thoughtful business and marketing plan. In the process, they took several trips to Wal-Mart’s headquarters to discuss the relationship. Yet six months into the project, no one from Levi’s had ever been to a Wal-Mart store. It was hard for the Levi’s team to not only understand the context of the consumer, the value shopper, but also the challenges Wal-Mart had selling apparel.

LESSON for BPA – Staff at all levels need to get out *in the field* to see how customers actually function

Likewise, in work that Radar was conducting with the Levi’s design team in February 2007 with value customers, one of the Senior Vice Presidents said that it was the first time that the design team had ever met value consumers. The design team had always looked to the luxury fashion brands for inspiration and focused on driving down costs instead of understanding the community of their customers in the context of their lives.

Certainly, a large challenge for Levi’s is to garner enough attention from their value channel partners, including Wal-Mart, Kmart, and Target, to achieve their goals.

Think In Terms of Communities

A community is defined by its collective dialogue, whether it is geographically or

subject based, and, hence, has no boundaries. Instead, communities have horizons. A horizon is a place one never quite reaches. It is not a boundary or a goal. It is not defined as a final destination, but more as a relative journey. A company must recognize that in order to deal with the uncertainty

LESSON for BPA – *we’re all in this together* (to keep electricity prices down, and the environment clean)

Best Practices Case Studies: Non-Energy Sector

that the world presents they must strive to jump into the community become a part of the collective consciousness. By doing so, a company can develop more profitable long-term sustainable relationships built on mutual trust and understanding.

To accomplish this, brands must focus both on creativity and flexibility. Most businesses are isolated from the central experiences of their customers and the context of their lives, as Levi's was in the previous example. Marketing team members must be willing to get out of their offices and use their curiosity to rediscover the reality of their communities at the most basic level. This can be accomplished by adhering to more human values, including honesty and empathy, continually reframing and recontextualizing their current world-view. They must be willing to take the leap of faith, try and fail, and, most of all, use a flexible, in-context strategy to learn and become more competitive in today's dynamic world.

The Development of a New Strategic Thinking Focus

Even today, many companies focus their strategic thinking around current market needs by using an inside-out or top-down approach with the company at the center of the strategy.

In a reversal of this traditional process, leading B-to-B and B-to-C brands *use an outside-in strategy to focus their thinking on engaging in a dialogue with the other members of their community*, allowing them to not only stay ahead of their competition but also help define the market. Such a holistic strategy allows these companies to continually recontextualize and reframe their brand, making necessary adjustments as the community, channel partners, and customers evolve. A good example of outside-in strategic thinking is Linux and the open source movement. By allowing customers to join a community and help create an operating system, Linux may end up shifting the power of computing away from the powerful brands that exist today.

These dramatic changes in the relationships between companies, channel partners, and consumers also requires true corporate transparency, in everything from marketing to manufacturing, and a more long-term, sustainable outlook of the community in which they participate.

Creating a Learning Culture

In order to thrive in this new marketing world, a learning culture must be created. The one constant in these dynamic times is that change is happening faster than ever; thus, learning has to happen even more quickly. Part of the learning process requires knowing what to do with the intelligence you acquire and how to share that with your channel partners in order to overcome risk adversity and facilitate growth.

Shifting the Strategic Planning Process

Traditionally businesses often approach strategic planning as a top-down, structured process. Planning, in its nature, requires an acceptance of the unknown and receptiveness to new ideas. Unfortunately, many companies' reaction to an influx of new information is to fall into the 'paralysis by analysis' syndrome. Other companies react by panicking and making important decisions *too* quickly.

The ideal solution, but one that doesn't come easily to most companies, is to rely more heavily on intuition. This is a huge paradigm shift for many. People need the tools that give them the confidence to rely on their intuition when exploring their marketplace. They need fast, "real," and connected ways of making meaning of their quickly changing realities.

Real learning demands that companies are prepared to make mistakes when exploring their communities with their customers. It means that people inside companies need to be uninitiated, spontaneous, unconditioned, and expressive in these explorations. They need to *be allowed the space to learn through stories from their communities*. Companies need to revel in these stories and be creative in their interactions with other community members.

Pursuing an outside-in strategy means seeking enough inspiration and input to find the magic to drive innovation. It's hard work. It means breaking out of categories, words, and definitions.

Case Study: The Power of Learning at Nike

Many companies struggle with staying ahead of the competition with new product and marketing innovation, and might have great people who know how to innovate, yet they suffer from a lack of support from senior management in making learning and change a priority. Mark Parker recently took over as the CEO of Nike. Mark has been at Nike for his whole career and his ascension has been seen as putting learning at the center of Nike's future growth. His fearless approach is not to be content with stewardship of the brand. Instead, his focus has been on building the company in a way that changes the world in a positive way. The foundation of this focus is a commitment to learning.

In several conversations with Mark, he has explored the ideas of *learning from failure, reducing bureaucracy, encouraging communication*, and not getting stuck using only one method are all important in an effort to support the change, whether it be in evolving new products or channel strategies. Mark's journey to the leadership of Nike consisted of a career in the product design and development process. Hence, Mark's ability to solve product problems and tell compelling stories is in his blood.

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Some of the tools that Mark focuses on include:

1. Small Innovation Teams – Mark assembles small, diverse team around specific innovation issues, insulating them from the day-to-day demands of the business.

LESSON for BPA - Too often, annual reports profess the concept that upper management supports innovation, yet those trying to actually innovate are so weighed down by the bureaucracy of counting and tracking that they have no time to learn from their channel partner, consumers, or communities.

2. Team Chemistry – Mark has a real talent for understanding how to put together a dynamic team, bringing together a group of personalities that work well together.
3. Balance Between Structure and Creativity – To stay innovative, Mark has found that it is critical to constantly seek out balance between structure and chaos, especially for the teams trying to innovate.

Focus on Open Communication – One of the stumbling blocks to which many innovative teams fall victim is a feeling of disconnectedness from the rest of the company. Mark has found that the key is to appoint evangelists on the team whose job is communicating with the rest of the organization about what the team is doing. Such a management style is critical for the success of any company in today's uncertain business and cultural environment.

To stay ahead of the competition, businesses need to have a deep cultural commitment to learning-driven personal knowledge of their product, market, and customers, combined with ongoing support and the belief in the evolving nature of the conversation with channel partners and end-user consumers.

FURTHER STEPS TO WORK WITH CHANNEL PARTNERS IN EVOLVING THE MARKETPLACE

An outside-in strategy can provide a company with the flexibility to be successful. It can become a more prominent participant in its own communities and have deeper relationships with other community members, including channel partners. Other things to think about include:

Have a Dialogue with the Right Consumers

It's easy for companies to get stuck in thinking that their channel partners and even consumers see the same power of its brand as they do. As discussed earlier, it is imperative to have the right conversation about your brand, with the right customers, in context. Every company has a small set of customers that have a disproportionately great amount of power in the market conversation. You need to know who these customers are and ask them the *right* questions, which sometimes means the hardest ones.

Case Study: Intel

Intel excels in identifying the right customers to have the right conversation with. Because of the current low margin nature of the personal computer market, Intel has had to take on the mantle of growing the market and driving innovation not only for themselves but also for their channel partners in the PC market. Much of Intel's research and intelligence is focused on where innovative and early adoptive consumers are headed. Through trial and error they have built an expertise of distinguishing between these different diffusion segments. With the knowledge based on a dialogue with the right customers, Intel helps its channel partners not only understand these lead users but also design products to satisfy these needs.

This process of identifying the right consumer gives Intel not only the ability to be a community member but also take the leadership role in the community by constantly *reframing* and *recontextualizing* the computer business. By establishing the framework for where the business is going, Intel is able to accomplish two goals:

1. Stay ahead of the competition and not get dragged into a price battle for what could be perceived as a commodity.
2. The act of reframing with the right consumers helps Intel build more value in their brand.
3. Deep knowledge of the right consumers makes computer manufacturers more dependent on Intel. Intel sets the agenda for the industry with credible knowledge and everyone else follows.

Get the Right Story

The key in getting the stories from the street is to get deep enough into the lives of the people you want to reach so that a company can understand the underlying assumptions of their lives. Only at this level can the useful context and meaning behind outward actions and behaviors be fully understood. It is the primary source for new ideas and product innovation. And the only way to get to this level is by investing a lot of time and energy engaging in real, two-way conversations.

Case Study: WD-40

WD-40 is the master of developing an ongoing relationship with the right customers to get the right story. While the WD-40 brand has 80% market share, some of the company's other brands, like 2000 Flushes, 3 in 1 Lubricant, and Spot Shot, exist in a very competitive marketplace, full of much bigger competitors with much bigger marketing budgets. These products also exist in a world of very strong channel partners that drive many business and marketing decisions. To stay competitive in this turbulent market, WD40 has focused on relentless product and marketing innovation. To ensure that the resources spent on innovation are efficient, WD40 has developed a panel of lead-users. This panel allows a flow of constant iteration in the marketing and innovation process and allows them to take a leadership role with their channel partners in addressing the needs of end-user consumers.

BPA is commended for creating the Utility Sounding Board, and using this feedback mechanism to improve program delivery mechanisms.

Shed the Inability to Listen

At the core of any relationship, a level of trust is required. People feel most comfortable with those who take the time to listen to them in the context of their lives. This makes them feel important, respected, and empowered.

One of the biggest tasks any company faces is freeing itself from the anxiety of success. This is, possibly, the hardest thing for a company to do. It is hard not to always focus on the bottom line. It is also difficult not to be anxious about getting a product or service to market. Last year Radar was tasked to help a team in the consumer goods category develop a new marketing strategy for a line of shampoos.

In an effort to help the team listen to the right customers, Radar taught the team how to have an in-context conversation with consumers in the consumer's homes. One critical element that had been previously forgotten: context. While people working on the shampoo brand think about shampoo all day, every day, *the consumers think about*

Electricity is a low-involvement purchase for most customers – people only think about it when it fluctuates or they are paying.

Best Practices Case Studies: Non-Energy Sector

shampoo for a very short amount of time – only when they are using it in the shower or are in the act of buying it.

The brand team was very surprised that their consumers didn't have the same passion as they did for the brand and the conversations turned into interrogations. It is hard not to think about accomplishing specific goals when you are listening to consumers. This, however, is the only way to have a successful dialogue in which you are able to hear clearly.

Find Inspiration to Lead Channel Partners in Dynamic Change

It's important to look for places in the market that are beyond the periphery but can bring unexpected insights and inspiration. It takes getting out in the environment, listening at the fringes and understanding the power of networks in the community.

Case Study: Herman Miller

The furniture company, Herman Miller, is challenged by its evolving relationships with channel partners, which include architects, interior designers, and retailers. In order to stay ahead of these partners in discovering furniture trends, they need to find inspiration that will fuel new marketing and product ideas that are ahead of trends established by others.

In order to capture this inspiration, Herman Miller has set up a small group of people in an internal division called the "Kitchen." The Kitchen's primary job is to look beyond the vision of the day-to-day business and find inspiration that can drive marketing and product innovation and help their channel partners better satisfy consumer's needs.

Leverage the Power of Intuition with Channel Partners

When a company really gets to know its lead consumers, the ability to accomplish complicated marketing goals is greatly enhanced. Utilizing an outside-in strategy gives a marketing team the confidence to trust their gut.

Case Study: BMW's Launch of the Mini-Cooper

When BMW decided to launch the Mini-Cooper brand in the United States, it needed to find a marketing partner that would be the first to launch an automobile brand without television advertising, quite a task in today's crowded marketplace. BMW hired Crispin Porter + Bogusky to rethink automobile marketing. In order to accomplish this task, the CP+B team used their intuition

Best Practices Case Studies: Non-Energy Sector

to figure out that instead of a liability, the small size of the Mini-Cooper was an important place to start.

To work with Mini-Cooper's small budgets, CP+B leveraged the power of intuition to re-enforce Mini-Cooper's small size by putting Mini-Coopers on top of Chevrolet Suburbans. The Suburbans then drove around major cities highlighting the contrast of negotiating city streets with a Mini versus a Suburban. The success of the campaign, based on intuition, attracted enough attention to not only make the Mini brand a success but also shift the overall public's perception about the size of cars.

The Power of Telling the Consumer Story as a Catalyst for Channel Partner Evolution

Products and services today have become less important than *the stories they convey* and the way those stories are interpreted by their channel partners and consumers. Companies also need to have stories to tell internally – true stories that inspire action. They must themselves embody those stories with congruency and authenticity.

A cornerstone of good marketing is good storytelling and strategic narrative thinking. Companies must learn to go beyond telling their *own* stories to listening to and understanding and telling their customer's stories. By being more human and relying on storytelling and narrative strategic thinking, companies have the opportunity to be more relevant to other members of their community.

LESSON for BPA - Marketing strategy must be framed as a fluid, organic narrative instead of a static, immovable framework.

Case Study: Levi's Use of Strategic Narrative Thinking

As mentioned earlier, Levi's had significant challenges in launching their Signature brand into the value channel. One way of overcoming these challenges was to *show their knowledge of the consumer's needs and help partners* like Wal-Mart understand its customers better by providing stories of the Wal-Mart shopping experience as told by customers. These stories, told via video, allowed Levi's more flexibility in product design, product placement, and pricing. By leveraging the stories of Wal-Mart's customers, Levi's was able to build deeper credibility and trust with their channel partner. The end result was a higher level of success for the Signature brand than was anticipated.

APPENDIX D:

DATA COLLECTION INSTRUMENTS

BPA Staff Interview Guide

Large Utilities Interview Guide

Small & Medium Utilities Interview Guide

Utility Sounding Board Interview Guide

BPA STAFF INTERVIEW GUIDE

Set interviewee at ease. Our purpose is to better understand BPA's markets and the marketing side of BPA's role in the region, specifically as it relates to the energy efficiency function. For purposes of this effort we will define EE broadly to include all conservation efforts by BPA. The Strategic marketing plan that will be developed through this process may recommend changes to how existing/new programs are delivered to key customers and market sectors. We are not here to reorganize BPA's personnel and departments – the results of the recent EPIP project has determined the structure of the organization.

As indicated in the e-mail that was sent about this interview process, we are planning to record this interview, however we will not quote anyone in our report by name. The recording is meant solely to augment note-taking, and will be erased after notes are finalized.

Discussion Questions

1. What unique skills or unique influences can BPA bring to the market? [warm up looking for big picture broad statements, e.g. BPA is the best at....][Probe: why is BPA special? E.g. Federal entity?]
2. Where do you think (customer or program type) that BPA will get the most energy/demand savings per dollar?
3. Is there any difference in the role that customers think BPA is playing and the role that BPA sees itself playing?
4. As a follow on to that, do you think BPA should be playing a different role than the one you just mentioned? [push on issue of trying to be all things to all people....]
5. I am going to mention several different audiences that BPA serves in some capacity and then ask you questions about BPA's role with that audience, *though you may not have answers for each audience*. We'll use four audiences for the purposes of this conversation:

- 1) Larger utilities such as Seattle City Light, Tacoma, Eugene, which have staff that can plan and implement programs.
- 2) Smaller utilities, P.U.D.'s, co-ops, munis with limited staff capabilities.
- 3) Direct industrial customers to BPA.
- 4) Regional partners: i.e - Energy Trust of Oregon and NW Energy Efficiency Alliance, and other third party providers of EE/DR programs and services.

5.1. Larger Utilities

5.1.1. How does BPA market EE programs and services to this market today?

5.1.2. What kind of assistance does BPA provide today? What is your role?

5.1.3. Should BPA have a different approach to this [partner/market/audience]?

5.1.4. What do you think are the biggest needs of this [partner/market/audience]? What are they asking for?

5.1.5. What information about this [partner/market/audience] or their customers would help you market to them better? [Probe: Creative process...]

5.1.6. How could BPA help to enhance the effectiveness of existing or future EE programs?

5.1.7. What's working well in reaching out to the audience?

5.1.8. What's not working well?

5.1.9. What conflicts are there between BPA and this [partner/market/audience]? How significant are these conflicts in preventing BPA from reaching EE goals? How can they best be overcome?

5.1.10. What outside influences may be affecting BPA's interaction with these entities?

5.2. Smaller Utilities, Co-ops, smaller munis

5.2.1. How does BPA market EE programs and services to this market today?

5.2.2. What kind of assistance does BPA provide today? What is your role?

5.2.3. Should BPA have a different approach to this [partner/market/audience]?

5.2.4. What do you think are the biggest needs of this [partner/market/audience]? What are they asking for?

5.2.5. What information about this [partner/market/audience] or their customers would help you make better decisions? [Probe: Creative process...]

5.2.6. How could BPA help to enhance the effectiveness of existing or future EE programs?

5.2.7. What's working well in reaching out to the audience?

5.2.8. What's not working well?

5.2.9. What conflicts are there between BPA and this [partner/market/audience]? How significant are these conflicts in preventing BPA from reaching EE goals? How can they best be overcome?

5.2.10. What outside influences may be affecting BPA's interaction with these entities?

[note: The following 2 groupings will likely have limited involvement by most staff]

5.3. Direct Industrial Customers to BPA

5.3.1. How does BPA market EE programs and services to this market today?

5.3.2. What kind of assistance does BPA provide today? What is your role?

5.3.3. Should BPA have a different approach to this [partner/market/audience]?

5.3.4. What do you think are the biggest needs of this [partner/market/audience]? What are they asking for?

5.3.5. What information about this [partner/market/audience] or their customers would help you make better decisions? [Probe: Creative process...]

5.3.6. How could BPA help to enhance the effectiveness of existing or future EE programs?

5.3.7. What's working well in reaching out to the audience?

5.3.8. What's not working well?

5.3.9. What conflicts are there between BPA and this [partner/market/audience]? How significant are these conflicts in preventing BPA from reaching EE goals? How can they best be overcome?

5.3.10. What outside influences may be affecting BPA's interaction with these entities?

5.4. Regional Partners

5.4.1. How does BPA market EE programs and services to this market today?

- 5.4.2. What kind of assistance does BPA provide today? What is your role?
- 5.4.3. Should BPA have a different approach to this [partner/market/audience]?
- 5.4.4. What do you think are the biggest needs of this [partner/market/audience]? What are they asking for?
- 5.4.5. What information about this [partner/market/audience] or their customers would help you make better decisions? [Probe: Creative process...]
- 5.4.6. How could BPA help to enhance the effectiveness of existing or future EE programs?
- 5.4.7. What's working well in reaching out to the audience?
- 5.4.8. What's not working well?
- 5.4.9. What conflicts are there between BPA and this [partner/market/audience]? How significant are these conflicts in preventing BPA from reaching EE goals? How can they best be overcome?
- 5.4.10. What outside influences may be affecting BPA's interaction with these entities?
6. Should BPA play a "behind the scenes" role, or be prominent? [Explain. Probe re: a research role, incubator, source of funds, etc.]
7. Do you think that BPA is offering a consistent message to the players in the audience? Is there an internal audience as well? [Probe: do you know what the message is? Should it be consistent or should it be customized to each situation or customer/client?]

8. If you could provide suggestions for one or two changes that would enhance BPA's ability to successfully market conservation to the NW, what would those be?

Is there anything else you'd like to add? E.g. specific stakeholders you think we should contact?

LARGE UTILITIES INTERVIEW GUIDE

1. Warm Up: Describe their role at their utility.
2. What does BPA provide for you and your utility?
3. How do you interact with BPA?
4. Describe your relationship with BPA?
5. If you could ask BPA to do something more than they are doing today, what would that be?
[Continue with this question several times to get deeper answers]
6. Conversely, what is BPA doing today that is not really very effective?
7. Are BPA's programs appropriate for what your customers want and need? If not, what would you suggest?
8. What kind of marketing support do you need? [probe on data, market research, segmentation] Could BPA fill this need?
9. How do you see the regional players, including BPA, working best together?
10. If you were asked to substantially increase the amount of conservation you are getting by 50% over the next 2 years, how would you go about that? (probe on marketing effectiveness, outreach)
11. Do you currently coordinate your conservation activities with other groups? [this may lead to a discussion about trade allies, see next question]

12. Describe how you interact with trade allies to implement conservation programs.
13. Are there issues surrounding marketing of your programs that you could use assistance with? [probe on training, advertising, workshops, websites]
14. What are your motivations towards getting conservation?
15. In your opinion, what is BPA good at?
16. What role do you think BPA should be playing in the region for achieving conservation goals?
17. How do you see BPA's role compared NEEA's?
18. Should BPA be in the background or the foreground from a marketing standpoint?
19. Do you have confusion about who does what at BPA?
20. What kind of relationship management works for you?

MEDIUM AND SMALL UTILITIES INTERVIEW GUIDE

1. Warm Up: Describe their role at their utility.
2. What does BPA provide for you and your utility/association/company?
3. How do you interact with BPA?
4. Describe your relationship with BPA?
5. When it comes to implementing Conservation, what kind of support do you need?
6. Is BPA providing that to you or are you getting it elsewhere?
7. Conversely, what don't you need? Is BPA giving you things that are not necessary? Any processes that are too difficult or don't make sense?
8. Savings Targets:
9. If you are requested to increase savings by 30%, [or even double your savings] how would you go about getting it?
10. Do you think you can make these goals?
11. How do you think you can do it? Where is the most potential? [probe on market sectors, other ways of getting savings]
12. What help do you need to get there?
13. Are BPA's programs appropriate for what you customers want and need? If not, what would you suggest?

[IF the above questions are answered in a positive way, that is, they are satisfied with the programs, the level of assistance, and the BPA approach, you should then work to get more detail in the Tactical Assistance section. If not, these questions are unlikely to provide much information.]

Tactical Assistance

14. Marketing assistance? What helps you most? What else could you use?

15. How to make sure that they don't lose money with the conservation rate credit?

16. Did promotional materials work?

17. Did the manuals work?

18. How has the training been?

19. Would you like more or different training? What would be most beneficial?

20. Did you participate in 'Savings with a twist' (retail CFL program)? Does that [type of program] work? What did you like and not like about it?

21. Overall, does BPA require the right amount of M&V?

Communications and Expectations

22. Are you clear what your targets are?

23. Should groups of utilities work together? [probe on existing approaches to work with other utilities, how often they communicate, etc.]

24. What are your motivations towards getting conservation?

25. What happens when BPA gets involved with trade associations?

26. Can BPA help you look good to your customers?

27. Should BPA be in the background or the foreground.

28. How do you see BPA's role compared NEEA's?

29. [What are your fears?]

30. Do you have confusion about who does what at BPA?

31. What kind of relationship management works for you?

32. What do you think the ideal role is for BPA to play with regards to the region's energy efficiency needs?

UTILITY SOUNDING BOARD INTERVIEW GUIDE

1. Warm Up: Describe their role at their utility.
2. How do you interact with BPA?
3. Describe your relationship with BPA?
4. [What is the product or service that BPA is providing to you?]
5. When it comes to implementing Conservation, what kind of support do you need?
6. Is BPA providing that to you or are you getting it elsewhere?
7. Conversely, What don't you need? Is BPA giving you things that are not necessary? Any processes that are too difficult or don't make sense?
8. Savings Targets:
9. If you are requested to increase savings by 30%, [or even double your savings] how would you go about getting it?
10. Do you think you can make these goals?
11. How do you think you can do it? Where is the most potential?
12. Should all utilities take part equally in getting MWH?
13. What help do you need to get there?

Tactical Assistance

14. Marketing assistance? What helps you most? What else could you use?
15. How to make sure that they don't lose money with the conservation rate credit?
16. Did the 'early start' help?
17. Did promotional materials work?
18. Did the manuals work?
19. How has the training been?
20. Would you like more or different training? What would be most beneficial?
21. Right amount of M&V?
22. Are you clear what your targets are?
23. Should groups of utilities work together?
24. 'Savings with a twist'? Does that [type of program] work?
25. What are your motivations towards getting conservation?
26. What happens when BPA gets involved with trade associations?
27. Can BPA help you look good to your customers?
28. Should BPA be in the background or the foreground.
29. How do you see BPA's role compared NWEA's?

30. [What are your fears?]

31. (Late) Grocery initiative?

32. Do you have confusion about who does what at BPA?

33. What kind of relationship management works for you?