

Upstream Water Heater Rebate Program

Upselling and Stocking High Efficiency Equipment

February 23, 2015

PRESENTED TO

ACEEE

Hot Water Forum

PRESENTED BY

Hector J Lefbad

Energy Solutions



ENERGY SOLUTIONS

Company Mission

Create large-scale environmental benefits by implementing market-based solutions and developing policies that contribute to these goals.

- Founded in 1995
- 90+ employees
- Employee-owned
- Offices in CA, OR and NY
- Implementing Upstream Programs since 1997



Demand Side Management Expertise




Energy Efficiency Program Design & Implementation

The image shows a collage of energy-related items: a ceiling fan, a glowing blue letter 'S', and a mechanical component.



Demand Management



Data and Software Engineering

The image displays a close-up of a computer screen with green and yellow code on a black background.



Emerging Technologies Commercialization



Codes, Standards, & Ratings



Distributed Generation



Strategic Energy Management



Workforce Education & Training



Define “Upstream”

Leverage existing distributor-to-contractor networks by providing distributors incentives to **stock and upsell** more efficient equipment.



Prior to Upstream...

Downstream (end use customer) water heater rebate programs typically have low participation compared to estimated annual water heater sales...

...hence, plenty of room for improvement.



Major Barriers to Downstream

Awareness: Customers unaware of rebates

Participation: Customers unwilling to participate

Stocking: Distributors do not stock high efficiency

Back-Ordered Equipment: Customers have to wait weeks for high efficiency equipment

Expensive: High efficiency costs 50-80% more

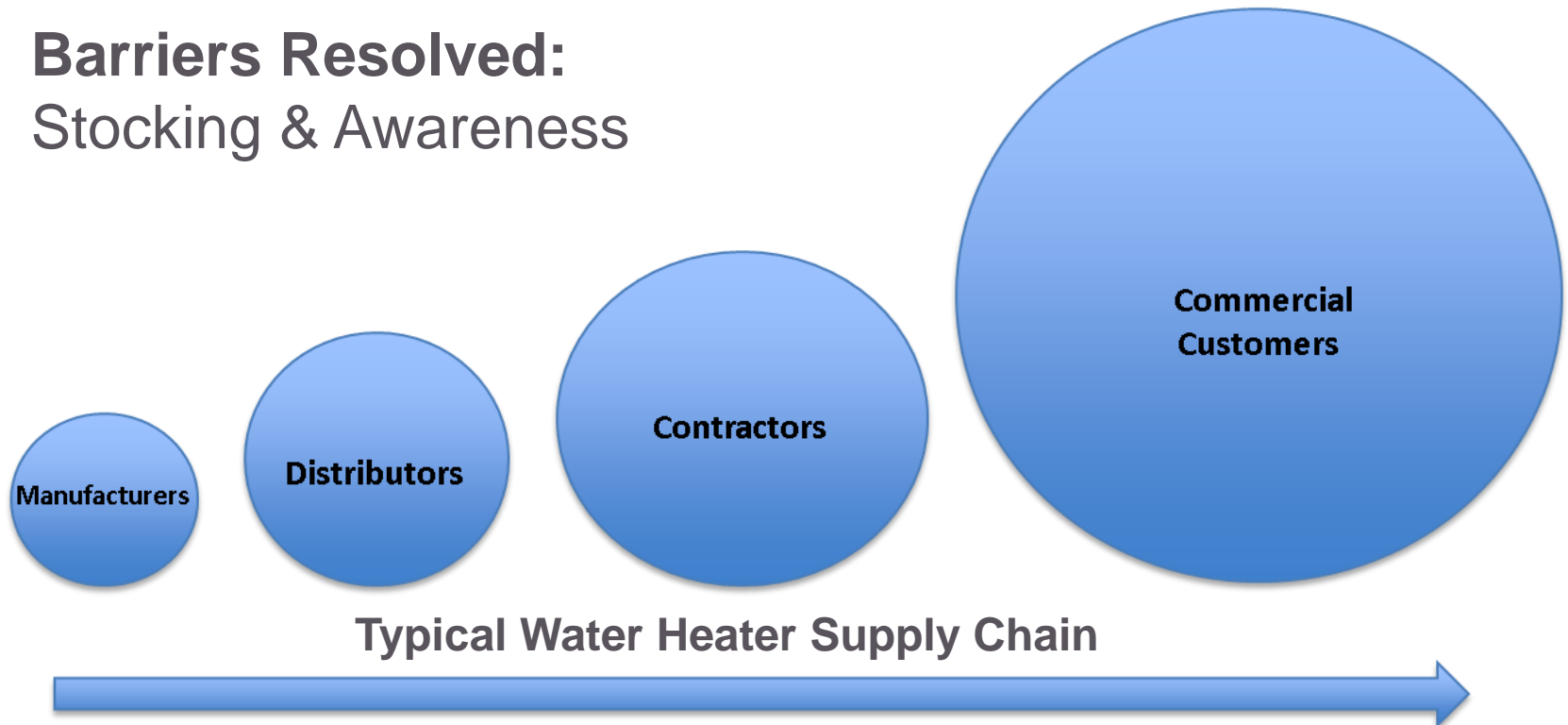
End Result: Dissatisfied Customers



Why target distributors?

- Distributors control equipment **stocking**
- Distributors influence 90% of all sales

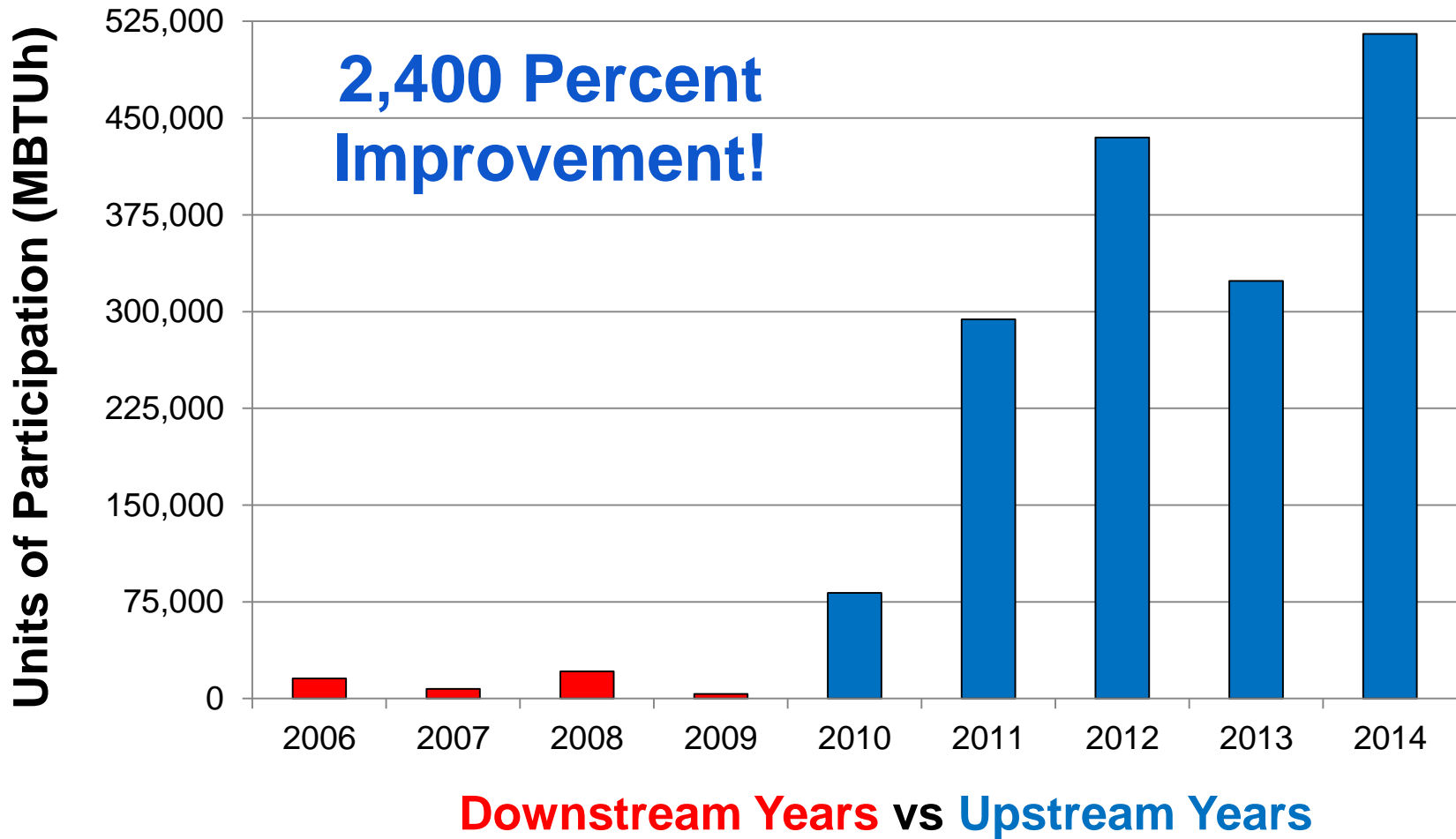
Barriers Resolved:
Stocking & Awareness



UPSTREAM ACCOMPLISHMENTS



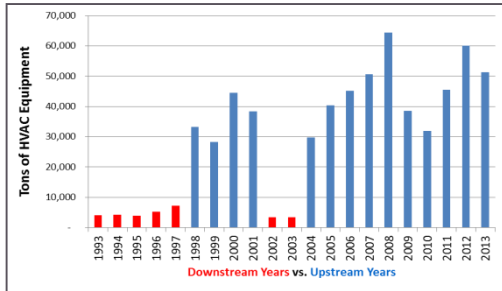
Water Heater Performance



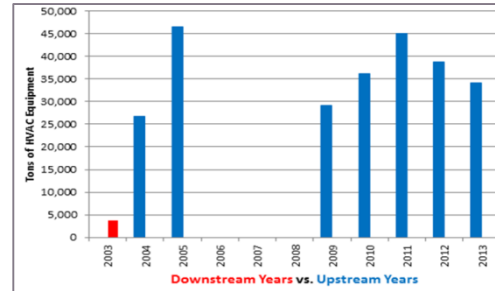
900 Percent Better Results!

HVAC

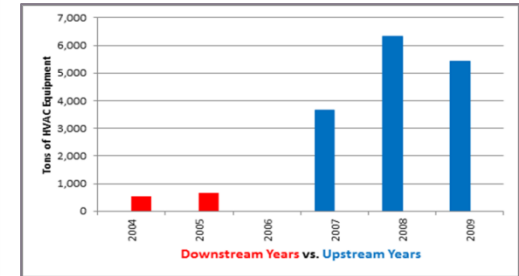
PG&E



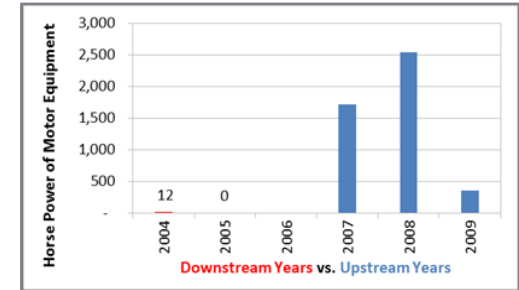
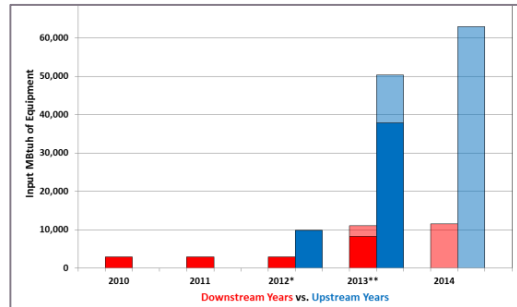
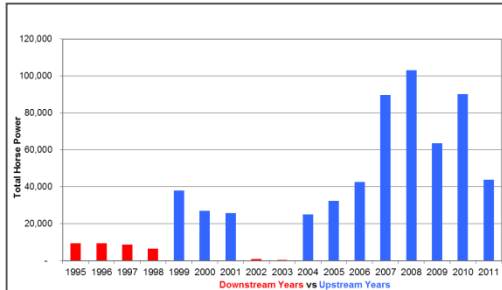
SCE / SCG



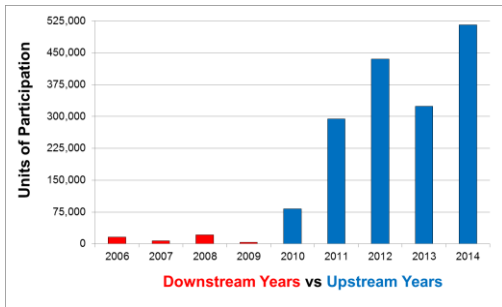
NV Energy



Motors



Water Heating



BEST PRACTICES



Upstream Success Themes

1. Program Simplicity
2. Distributor CEO engagement and sales staff education and training
3. Payment Timing
4. Market Collaboration
5. Streamline Incentive Applications with user-friendly Online System



POST EM&V STUDY



CA PUC's Findings of Upstream HVAC

1. If distributor is not stocking high efficiency (HE), they cannot sell HE
2. Upselling requires training, time, and money
3. Rebates are key to influencing HE sales
4. Freedom to use rebates is paramount to Upstream success
5. Participants appreciate Program simplicity



CUSTOMER BENEFITS



High Efficiency (HE) is Available

Influence the stocking of HE in the market for replace on burnout (ROB) situations.

- Distributors increased stock of HE
- Distributors who never stocked HE are now stocking HE

Barrier Resolved: Back-Ordered Equipment

Customers now receive HE in ROB situations



Increased HE Sales

More customers are receiving natural gas savings and benefits from increased sales.

- Manufacturer Regional Sales Manager reported **50% increase of HE sales in 2013** from 2012 in SoCal compared to decreases in his other areas: Nevada, Colorado, Arizona

Barrier Resolved: Lack of Participation

Customers now purchase more HE



Economics of Upstream Rebate

Upstream rebates capitalize on markups.

Scenario	Distributor Price	Contractor Price	End-User Indirect Rebate
No Upstream Program			
Upstream Program			

Barrier Resolved: Expensive Equipment

**Distributor discounted \$500 on sale, but
Customer ends up receiving \$750 discount**



Why expand to Upstream?

1. Expect 900 percent greater impacts
2. Strengthen relationships with market actors
3. Reduced cost of HE equipment to customer
4. Market Transformation
 - a. Increase stock of high efficiency
 - b. Convert sales to high efficiency
5. Excellent post EM&V results



CONTACT

Hector J Lefbad

Project Manager II

200 Pine Ave, Suite 640
Long Beach, CA 90802

562-200-7026

hlefbad@energy-solution.com



ENERGY SOLUTIONS