Upstream Water Heater Rebate Program

Upselling and Stocking High Efficiency Equipment

February 23, 2015

PRESENTED TO
ACEEE
Hot Water Forum

PRESENTED BY
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Energy Solutions
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
Background

Demand Side Management Expertise

Energy Efficiency Program Design & Implementation

Demand Management

Data and Software Engineering

Emerging Technologies Commercialization

Codes, Standards, & Ratings

Distributed Generation

Strategic Energy Management

Workforce Education & Training

Upstream Water Heater Rebate Program
Define “Upstream”

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

Why go Upstream?
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.
Why go Upstream?

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

**Typical Water Heater Supply Chain**

- Manufacturers
- Distributors
- Contractors
- Commercial Customers

Upstream Water Heater Rebate Program
UPSTREAM ACCOMPLISHMENTS
Upstream Accomplishments

Water Heater Performance

Units of Participation (MBTUh)

2,400 Percent Improvement!

Downstream Years vs Upstream Years

Upstream Water Heater Rebate Program
Upstream Accomplishments

900 Percent Better Results!

PG&E

SCE / SCG

HVAC

Motors

Water Heating

Upstream Water Heater Rebate Program
BEST PRACTICES
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
Upstream rebates capitalize on markups.

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Distributor Price</th>
<th>Contractor Price</th>
<th>End-User Indirect Rebate</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Upstream Program</td>
<td>$5,000</td>
<td>$7,500</td>
<td>0</td>
</tr>
<tr>
<td>Upstream Program</td>
<td>$4,500 (discounted 50% of rebate)</td>
<td>$6,750</td>
<td>$750</td>
</tr>
</tbody>
</table>

**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
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