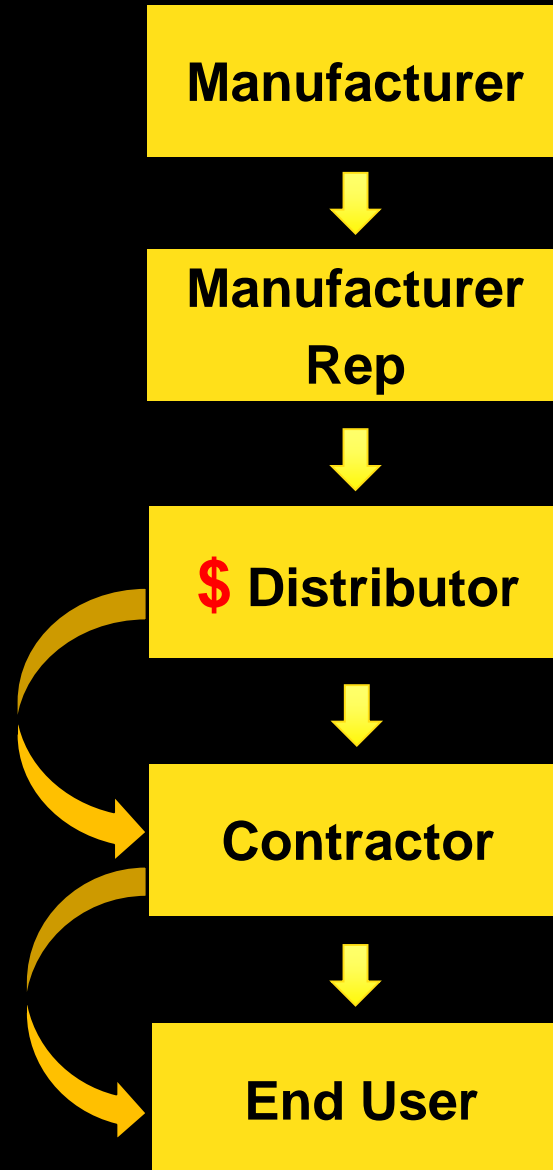




VEIC's Upstream/Midstream Approach

What is an upstream/midstream program?



Benefits of Midstream/Upstream

1. Promotes increased availability, sales, & installation of efficient equipment
2. Influences distributor stocking practices
3. Diminishes financial barriers
4. Facilitates market transformation

VEIC's Approach to Up/Midstream

1. Project planning
2. Establish value proposition
3. Mapping the supply chain
4. Eligibility & Performance request
5. Data collection
6. VEIC SMIT RFI / planning sessions
7. Establish incentive levels
8. Administration / management fees
9. Execute SMIT plans
10. Supply Chain Account Manager
11. PDA / MOU

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Understand Distributors' Profit Model

Return on Net Assets (RONA) =

Distributor Net Income

Inventory + Accounts Receivable – Accounts Payable

Supply Chain's Profit Model

$$\text{Return on Net Assets (RONA)} = \frac{\text{Distributor Net Income}}{\text{Inventory} + \text{Accounts Receivable} - \text{Accounts Payable}}$$

RONA driver	Consideration
Increase gross margin(GM), gross profit (GP) & net income (NI)	<ul style="list-style-type: none"> • Energy-efficient products affect GM, GP, & NI
Decrease inventory investment & increase turnover	<ul style="list-style-type: none"> • Collaborative sales & marketing • Intensive product & program training • Incentives increase market demand
Accounts Receivable (AR)	<ul style="list-style-type: none"> • Avg. AR collection 50 - 55 days; Target < 35 days
Accounts Payable (AP)	<ul style="list-style-type: none"> • Avg. AP terms 30 - 35 days; Target: 45 - 240 days

Distributor Value Proposition - HPWHs

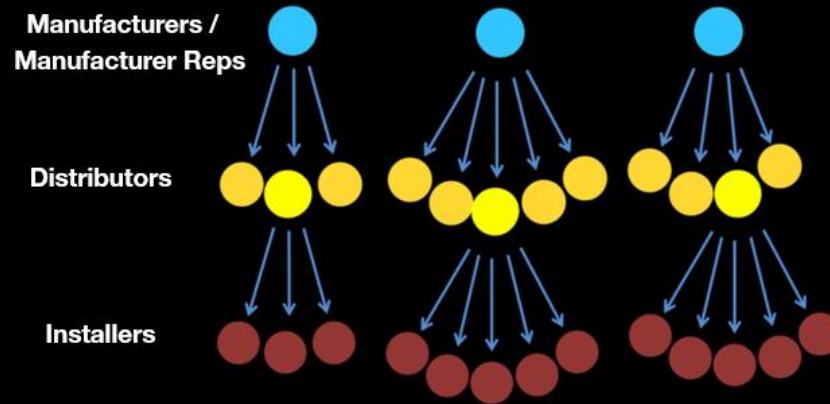
Return on Net Assets (RONA) $\frac{\text{Distributor Net Income}}{\text{Inventory} + \text{Accounts Receivable} - \text{Accounts Payable}}$	Electric Resistance	HPWH	Variance
Resale from distributor to customer	\$458	\$1054	\$596
Distributor cost (estimate)	\$376	\$850	\$474
Gross profit per water heater	\$82	\$204	\$122
Gross profit generated from 14,000 units / year	\$1,148,000	\$2,856,000	\$1,708,000

HPWHs increase distributor value 150%

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Leverage Supply Chain Approach to Recruit & Train Installers and understand the Distributor landscape



Example:

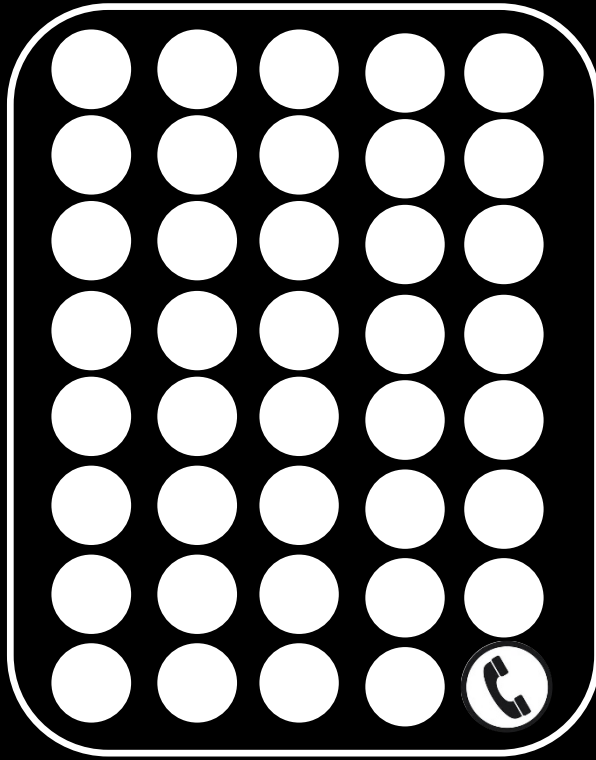
Regional Distributor Database: 55 Companies, 270 Branch locations

Tier	% of Companies	% of Total Branch Locations	Branches	Cumulative
Top 4	7%	55%	148	148 (55%)
Next 5 (9)	9% (16%)	19%	50	198 (74%)
Next 9 (18)	16% (32%)	11%	30	228 (85%)
Next 37 (55)	68% (100%)	15%	42	270 (100%)

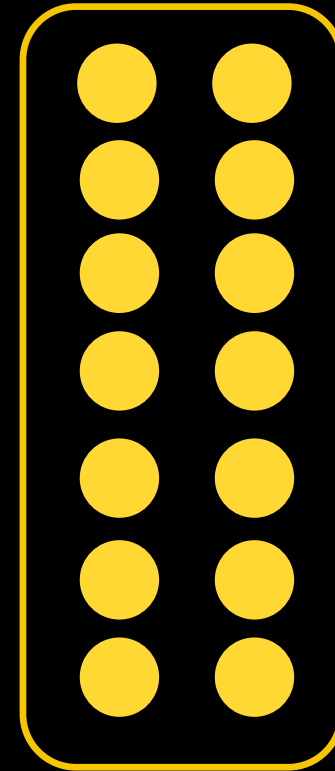
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Optimize the Collection of Transactional Data



40



14

VEIC's Approach to Up/Midstream

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SMIT: Sales, Marketing, Inventory & Training

1. Internal stakeholder planning meetings
2. Request for information (RFI) to suppliers
3. Suppliers: Develop & present SMIT plan

4. Wholesale Marketing Plan

Please use the table below to share your HPWH marketing plan for the wholesale channel. Please mark with an (x) to indicate that you plan to reach an audience with a given tactic. Keeping in mind that cooperative marketing funds are limited, please mark with a (\$) if you would like to collaborate with Hot Water Solutions on a given tactic. Feel free to suggest additional audiences and/or tactics.

Tactic / Audience	Local trade events	Distributor events	Printed literature	Print advertising	Email marketing	Social media	P.O.S. marketing	Other
Hot Water Solutions Supply Channel Account Manager								
Regional Utilities								
Wholesale Distributor Management Teams								
Wholesale Distributor Sales Teams								
Trade Installers and Service Contractors								
End Users/ Property Owners								
Other _____								

Section III – Inventory Plan

Hot Water Solutions understands that increased inventory can help to accelerate HPWH sales in the Northwest. As sales volumes increase and technologies improve, it is important to understand how your organization will support the supply chain building inventory, launching new models, and phasing out existing inventory.

7. Inventory Support

Please complete the table below to indicate how you plan to address inventory concerns from distributor customers. Where applicable, please provide additional details on your inventory support plans and describe how Hot Water Solutions can provide assistance.

Inventory Question	Yes/No
Will you consider extending your distributor's payment terms with the objective of elevating inventory levels?	
Will you offer other financial incentives to the distributors, i.e., volume discounts, etc.?	
Will you accept returns of the lower tier HPWHs in exchange for higher tier HPWH inventory?	
Will you eliminate associated inventory restocking fees when your distributors exchange baseline inventory for HPWH inventory?	
Do you plan to have an exchange program of the lower tier HPWH inventory for higher tier HPWH inventory?	
Will you address warranty issues associated with the replaced technology?	

9. Training Prioritization

Hot Water Solutions is evaluating and updating program training curriculum in 2017 to incorporate adult learning best practices and effectively support installer motivation and sales skills. We are currently working with you to develop and deliver training content from the manufacturer level. By gathering additional information on training plans and deployment we can increase the impact of training through the wholesale channel in the Northwest.

Please use the table below to share the trainings that you have planned for the wholesale channel. Mark with an (x) to indicate that your organization plans to provide training to these audiences in any of the training categories. Understanding that Hot Water Solutions training resources are limited, please mark with a (\$) to indicate where you believe Hot Water Solutions should prioritize training.

Sales contact	Sales Training	Technical and Installation Training	Hot Water Solutions and Utility Program Training
Distributor counter sales associate			
Distributor inside sales associate			
Distributor outside sales associate			
Distributor sales manager			
Distributor branch managers			
Distributor regional managers			
Distributor corporate level managers			
Small contractor companies			
Midsize contractor companies			
Large contractor companies			
Other (please define)			

SMIT Marketing Efforts

Customer facing marketing materials of rebate offer

Post-sale communications reinforce customer value

High-Efficiency HVACR Products for the price of conventional

Everybody wins

Now you can provide the energy-efficient HVACR products your customers are looking for—at deep discounts.

End-use customers will enjoy greater comfort and lower bills, contractors and distributors will increase sales and customer satisfaction, and all of Vermont benefits through lower energy demand and related costs.

How does it work?

Efficiency Vermont subsidizes the cost of qualifying efficient products by paying rebates directly to distributors, who pass the savings on to installers, who then pass these savings on to end-users.

Contractors purchase qualifying products, provide end-user information, and receive in-store discount.

Call 888-921-5990 for more information.



COLD-CLIMATE HEAT PUMPS

UP TO A \$400 DISCOUNT

Coldclimate heat pumps heat and cool homes at a fraction of the cost of conventional heating and cooling. By moving heat rather than generating it, heat pumps typically consume much less energy than traditional electric, propane, or oil heating systems. Depending on the system they offset, heat pumps can save between \$5,000 and \$25,000 over the lifetime of the unit.

Visit www.efficiencyvermont.com/cchppartners for full product list, participating distributors, and more information.

HEAT PUMP WATER HEATERS

\$400 DISCOUNT

Heat pump water heaters can cost less than half as much to operate compared to traditional electric resistance water heaters, and save as much as \$4,900 over the lifetime of the unit. In addition to providing domestic hot water, heat pump water heaters also dehumidify the space around them.

Visit www.efficiencyvermont.com/hpwhpartners for full product list, participating distributors, and more information.

Not available for natural gas conversions. As of January 1, 2016, Efficiency Vermont will no longer provide a discount for Heat Pump Water Heaters that are 55 gallons or larger.

HIGH-PERFORMANCE CIRCULATOR PUMPS

DISCOUNTS

Circulator pumps use advanced controls and brushless motor technology to optimize pump operation, resulting in lower energy use—up to 85% compared to conventional circulator pumps.

Visit www.efficiencyvermont.com/pumps for full product list, participating distributors, specific discounts, and more.

You just made a very smart decision

By installing a cold-climate heat pump, you'll save energy and money and be more comfortable, too.

Here are a few ways to get the most out of your heat pump:



SET IT AND FORGET IT

Set your temperature preferences and don't change them unless you're leaving for more than a week.



AVOID DUELING HEAT SOURCES

Set your back-up system 10° lower than the heat pump, so it won't kick on unless needed.



AIR SEAL AND INSULATE

The tighter your home, the less energy your heat pump will need to keep you comfortable.

GOOD NEWS: YOUR CONTRACTOR IS SMART, TOO.

Your unit was purchased at a special price from a participating distributor, thanks to up to a \$400 discount from Efficiency Vermont.

Want to save even more? Keep reading ►

888-921-5990
www.efficiencyvermont.com/coldclimateheatpumps

Efficiency Vermont

Heat Pump Water Heater

Participating Distributors

Effective 7/2/2014; Updated 8/23/2016



Blodgett SUPPLY

CENTRAL SUPPLY

F.W. WEBB COMPANY

THE GRANITE GROUP
BUILT AS YOUR NAME



Logos & hyperlinks

Distributor Name	Phone	City	State	HPWH Manufacturer
Blodgett Supply www.blodgettsupply.com	802-229-5105	Montpelier	VT	Rheem www.rheem.com
	802-334-0151	Newport	VT	
	802-775-3342	Rutland	VT	
	802-295-3143	White River Junction	VT	
	802-864-9831	Williston	VT	
Central Supply www.plumberssupplyco.com	603-448-5116	Lebanon	NH	RUUD www.ruud.com
	603-747-2328	Woodsville	NH	
	802-479-3373	Barre	VT	
F.W. Webb Company www.fwwebb.com	802-447-2312	Bennington	VT	GE www.ge.com Bradford White www.bradfordwhite.com
	802-257-4316	Brattleboro	VT	
	802-775-1922	Rutland	VT	
	802-885-8127	Springfield	VT	
	802-527-0531	St Albans	VT	
	802-748-8101	St Johnsbury	VT	
	802-863-1167	Williston	VT	
	603-357-1877	Keene	NH	
	603-448-1980	Lebanon	NH	
	802-476-6239	Barre	VT	
The Granite Group www.thegrantegrp.com	802-658-2747	Burlington	VT	State www.statewaterheaters.com
	802-323-1330	Newport	VT	
	802-773-1209	Rutland	VT	
	802-383-4510	South Burlington	VT	
	603-357-0350	Keene	NH	
	603-442-6480	Lebanon	NH	
Hulbert Supply www.hulbertsupply.com	802-862-6426	Burlington	VT	AO Smith www.aosmith.com
	802-862-6427	Brandon	VT	
	802-257-9230	Brattleboro	VT	
Premier Supply Group www.premiersupplygroup.com	603-443-9768	Lebanon	NH	Rheem www.rheem.com
	413-588-5391	Greenfield	MA	
	802-862-3661	Williston	VT	
RE Michel				Bradford White www.bradfordwhite.com

Participating Manufacturers:

www.aosmith.com

www.bradfordwhite.com

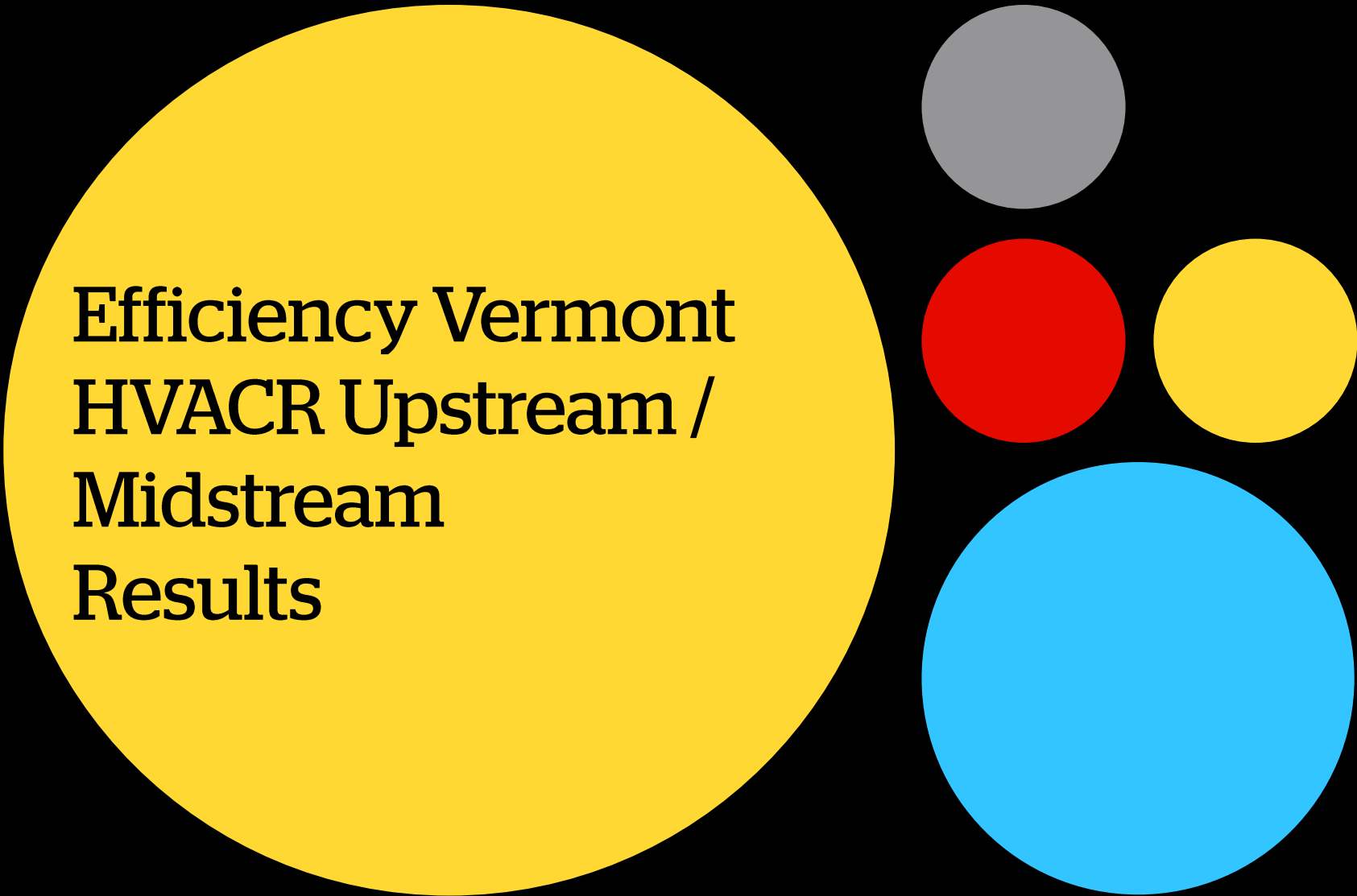
www.ge.com

www.rheem.com

www.ruud.com

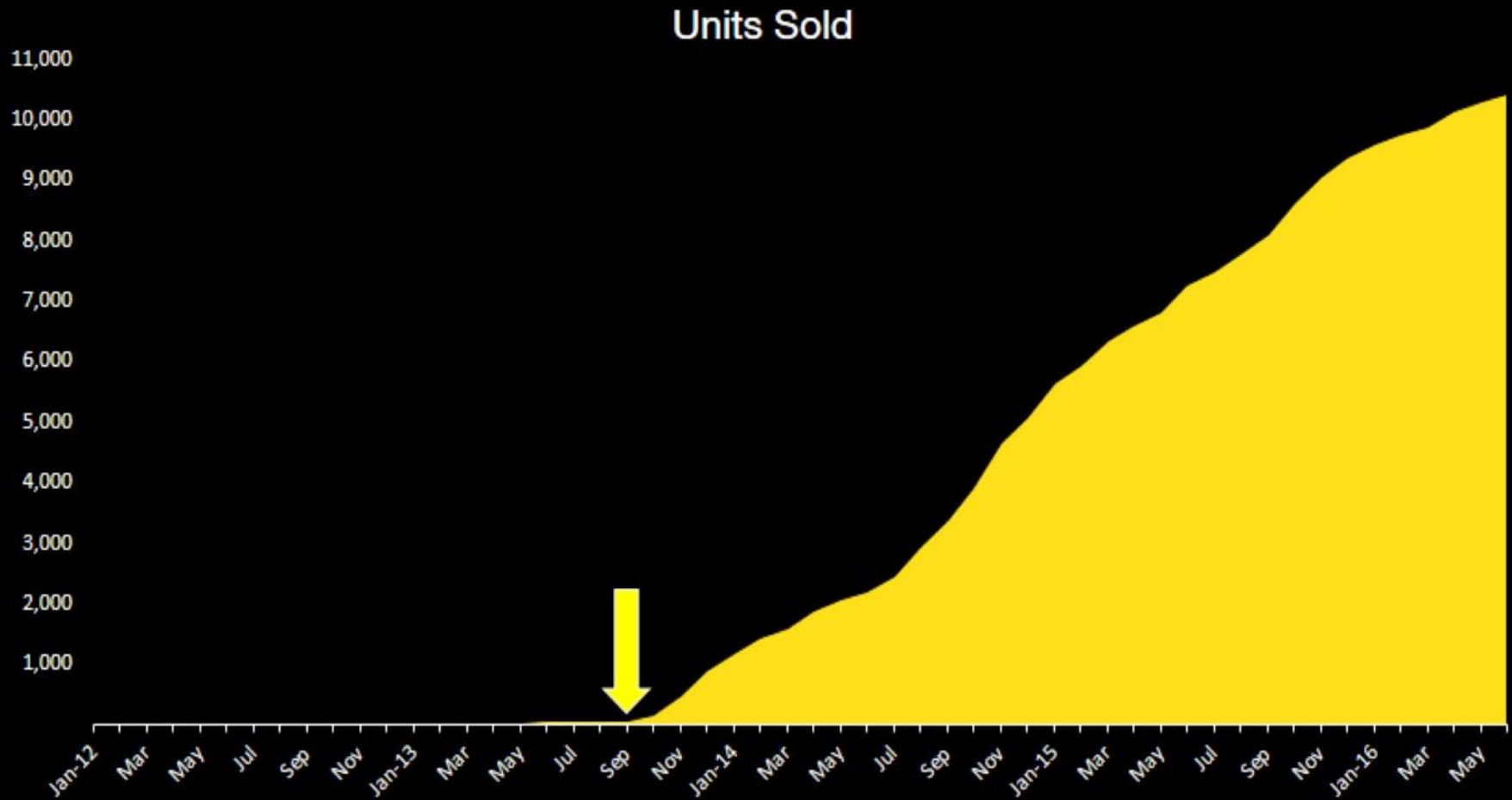
www.statewaterheaters.com

For more information, visit: www.encyvermont.com/hpwhpartners



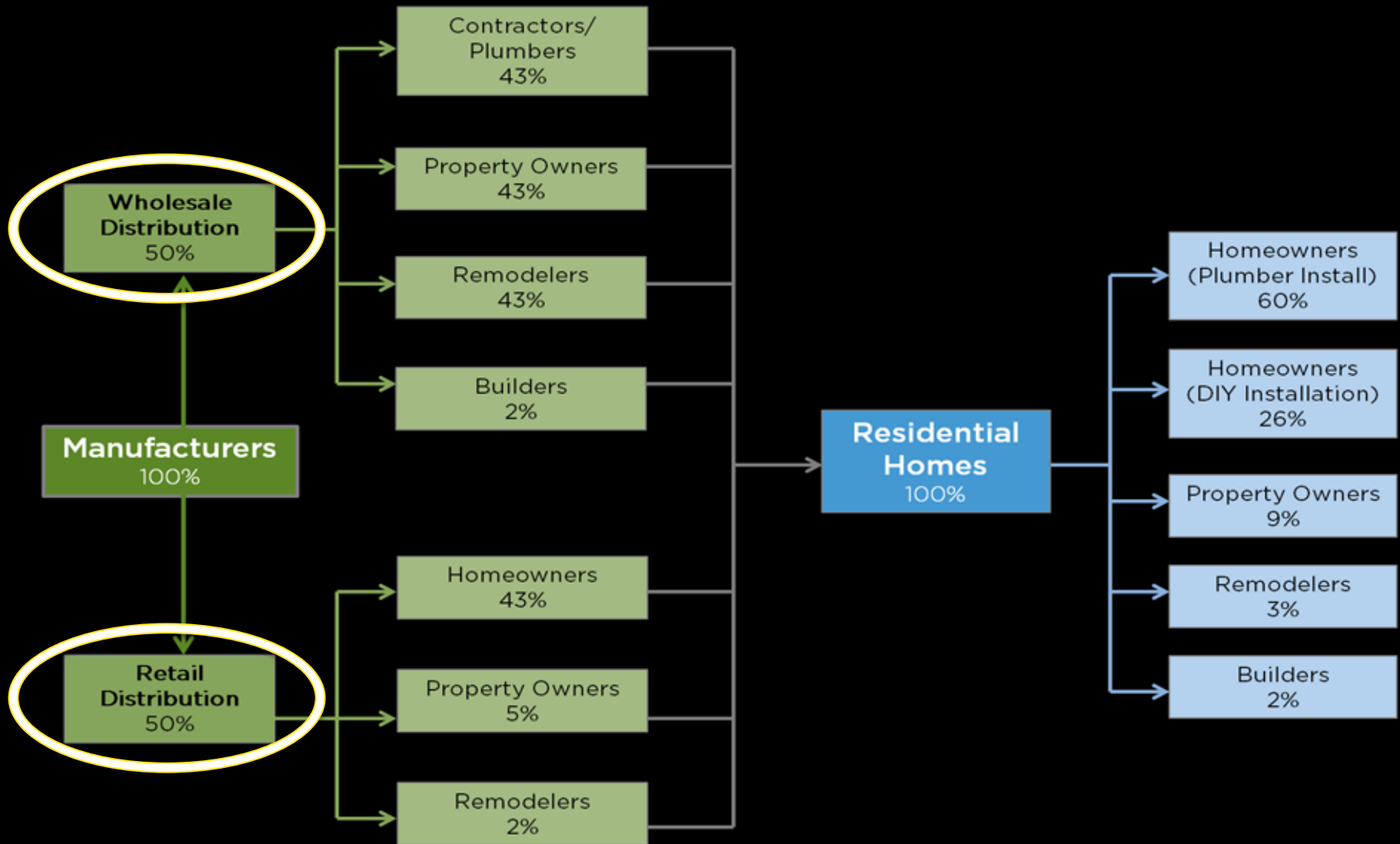
Efficiency Vermont HVACR Upstream / Midstream Results

Consolidated Results from Participating Vermont Distributors of High-Performance Circulator Pumps

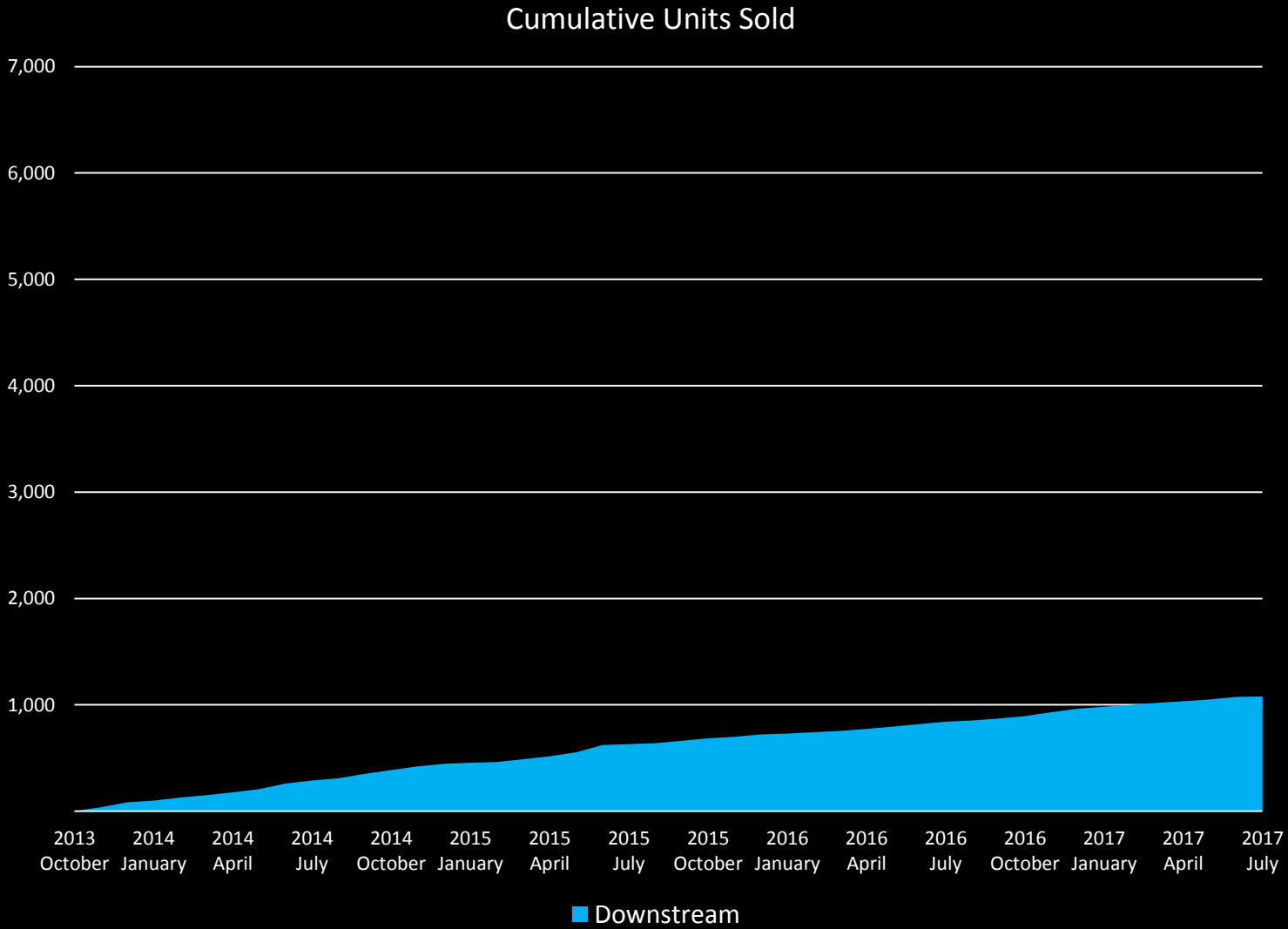


➔ Every 2.5 days = TOTAL ANNUAL AVERAGE before Upstream Program

The Distribution Chain

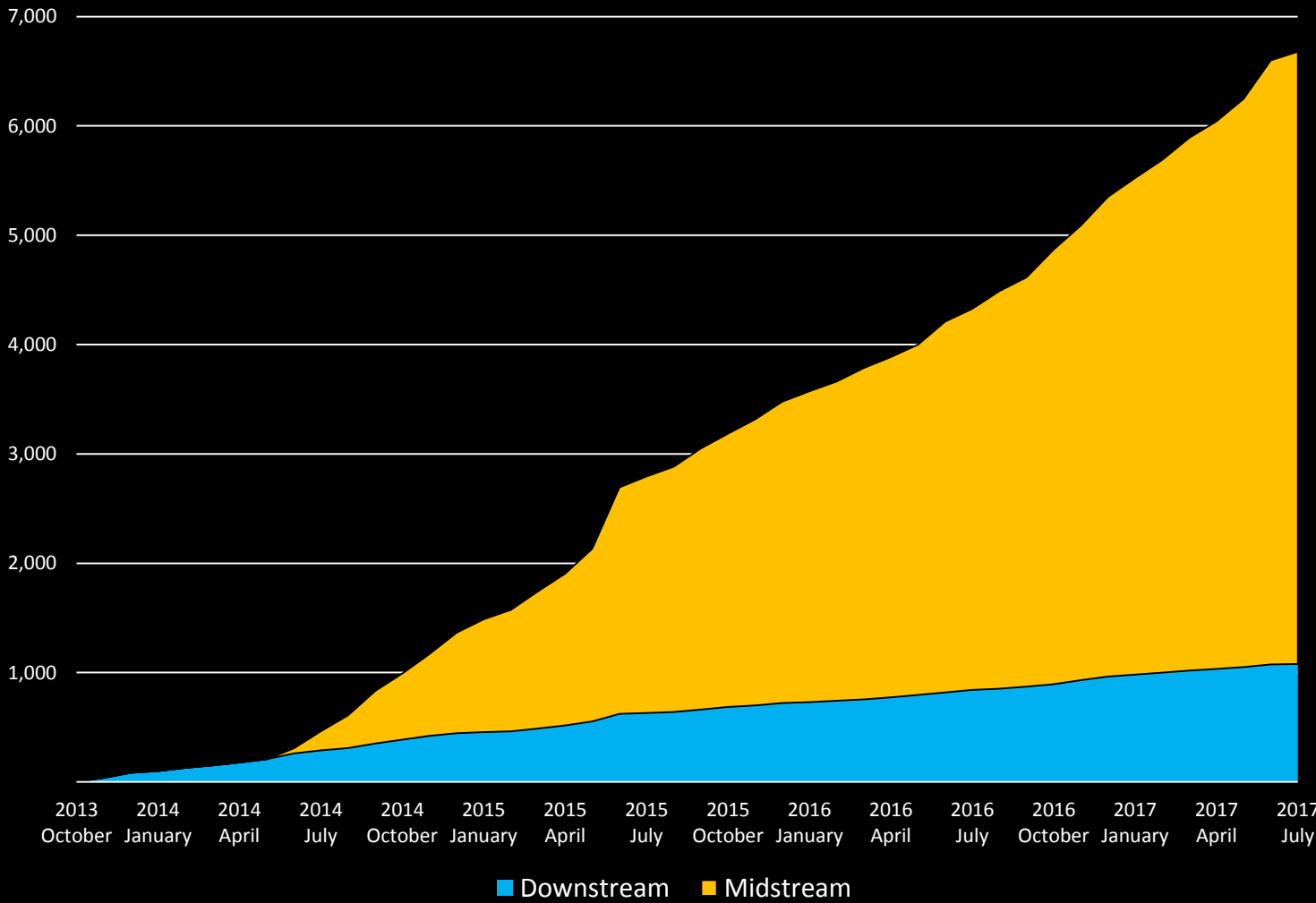


Up/Midstream vs. Downstream Heat Pump Water Heaters



Up/Midstream vs. Downstream Heat Pump Water Heaters

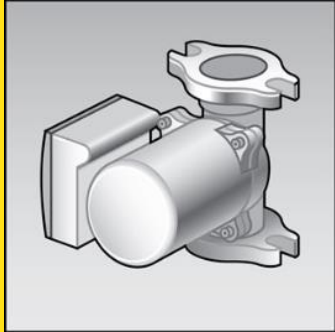
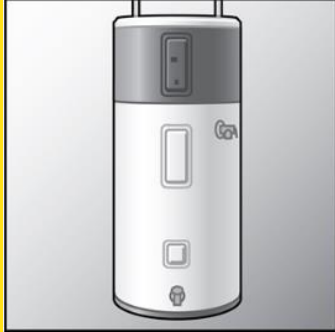

Cumulative Units Sold



Efficiency Vermont: HPWH Metrics

	US	VT	VT %
Population	324,227,000	626,562	*0.2% of US Population
Annual # of HPWH Units	60,000	~2,150	*VT: 3.6% of US Total HPWHs
*V%: VT 1700% contribution of annual uptake vs % of US population			
HPWH Penetration %	~1.25%	~60% (electric to electric)	+4700%
	BEFORE	AFTER	V%
VT HPWH Penetration % <i>Before & After Midstream</i>	7%	60%	+750%

Impact of the Midstream Program in 2017

	HPCP	HPWH	CCHP
			
Increase in Sales	+10,000%	+750%	+100%

HPWHs / 95% Emergency Replacement: 8 Key Drivers / Program Success Model

1. SMIT Process / Deep Supply Chain Engagement
2. Elevate Inventories
3. Aggressive Sales & Marketing
4. Product & Program Training
5. Optimize Data Collection
6. 100% Incentive Pass-through w/ Instant Rebate
7. Administrative / Management Fees to Distributors
8. Supply Chain Account Manager / Single POC

- 1) Business Model
- 2) Front Loaded
- 3) Strategic Partnerships
- 4) Supply Chain Management

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Thank you!