

2010 Program Implementation Plan

WBS Name: **Retail Lighting** C/PP/P/EH/RL

Segment: Customer Programs & Services

Planner Name: Cheri Davis

WBS Owner: Ed Hamzawi / Debbie Hanner

Section I: Program Overview

A. Program Summary

Program Description

The purpose of the Retail Lighting element of the Existing Homes Program is to increase the market penetration of high-efficiency light bulbs and fixtures in Sacramento house-holds. The program encourages increased, long-term demand for, and manufacture, availability, and sales of these products. Achieving the program's purpose will result in reduced consumer and SMUD's energy costs, decreased electric-system peak load, and an improved Sacramento environment and economy.

ENERGY STAR® specifications generally define the base level of efficiency for qualifying lighting products.

2010 Outlook

2009 Performance

2009 program expenditures came in 6% under the planned budget of \$2,851,915. Note that the planned budget and the official adjusted budget are the same for the retail lighting program. The budget was later (unofficially) adjusted downward in order to balance the public goods portfolio, to \$2,501,916, and the 2009 metrics for the program were reduced accordingly. Near year-end, the program was given the go-ahead to spend above its reduced budget and was thus able to exceed its adjusted MW goals by 12% and its GWh goals by 11%.

Performance Indicator	2008		2009			
	Planned	Actual	Planned	Adjusted	2nd Adjustment*	Actual
Budget	\$2,660,011	\$2,915,000	\$2,851,915	\$2,851,915	\$2,501,916	\$2,673,516
MW goal	6.18	6.72	5.83	N/A	4.96	5.55
GWh goal	39.58	43.49	45.50	N/A	38.68	43.03

** This second budget adjustment, which reduced program incentives by \$350,000, was not recorded in SAP. The metrics were, however, updated in the online tool as shown.*

Significant Changes

For the first time in several years, the program lowered its rebate levels for non-specialty CFLs. The maximum incentives for non-specialty CFLs were decreased by approximately \$.50/bulb. The IOUs also reduced their maximum incentives for the 2010 program, but SMUD's rebates are still 10% to 30% less than those offered by the IOUs. This will enable the program to be even more cost-effective and is a key step towards meeting savings goals for the following year - when the baseline for savings calculations will decrease, thus decreasing the savings that can be claimed per lamp. (More information is provided under the heading "Regulatory Issues" in the next section.)

Key Initiatives

For the first time, the program will issue a solicitation for residential, Energy Star-certified LED fixtures - specifically LED downlights and LED undercabinet lights. This will serve as a pilot program to gauge the level of interest by manufacturers, retailers, and customers. The tentative plan is to release this solicitation by the end of the second quarter with a budget of between \$100,000 and \$200,000.

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SMUD is working with the IOUs on specifications for a new “Super Lamp,” which challenges lamp manufacturers to develop high efficacy lamps that meet stringent end-use specifications. The specifications are designed to address many of the reasons that consumers give for their dislike of CFLs, namely size, CRI, CCT, dimmability (lack thereof), flicker, noise, run-up time, and mercury content. The utility partners have made the commitment to provide large incentives for any new products that meet the super lamp specifications. The Super Lamp specifications are technology-neutral, though CFLs were the initial focus of the program. It is possible that products may be submitted for testing as early as the end of this year; however, any lamps submitted to the program will need to go through rigorous testing before inclusion in utility incentive programs. Starting in 2011, the program should begin setting aside part of its incentive budget in case these products become available.

Both of these initiatives are in line with the direction that the CPUC has given the IOUs. The CPUC has instructed the IOUs to reduce their incentives for standard CFLs, in favor of advanced lamps (which includes specialized CFLs).

B. Market Analysis

Technology implementation

No new technology is required for this program in 2010.

Regulatory issues

In 2011, new standards will go into effect that specify the minimum lumen output per watt for incandescent bulbs. Starting in 2011, it will become more difficult to claim savings because the new standards will lower the baseline for energy savings calculations. Therefore, it is important that the program continue to reduce incentives for basic CFLs over the next few years, and to begin phasing in incentives for advanced CFLs and LEDs.

Changes to the target market or customer segmentation

For LED products, we will need to identify an appropriate target market for marketing purposes. Initially, this is expected to be a niche market, but will expand over time.

Economic effects

Unknown

Competitive pressures

N/A

Market barriers

Market research over the years throughout the country has indicated the following as the most significant barriers to consumer use of CFLs. However, as CFLs are well into their “growth” stage of product life-cycle, most of these barriers have been reduced.

- Higher cost of CFL alternative compared to standard incandescent bulbs and halogen torchieres.
- Ubiquity—if not omnipresence—of incandescent bulbs.
- Lack of consumer awareness of CFL alternative.
- Too few styles of CFL alternative.
- Generally larger size and nonstandard shape of CFLs.
- Perceived lower level and quality of light from CFL technology.
- Limited retailer shelf space, limited retailer marketing resources.
- Lack of product availability.

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For LEDs, the most immediate barriers appear to be price, quality consistency, and consumer awareness about how and where to use LED products. Incentives provided through the Retail Lighting program will help lower prices and provide marketing that will boost general consumer awareness. Energy Star testing and certification for LEDs will be crucial for addressing the quality issues associated with LEDs. Finally, Energy Star's labeling requirements (i.e. the Lighting Fact Label) will provide easy-to-understand information that can allow consumers to compare products and make wise choices. For more information about the Lighting Facts Label, go to LightingFacts.com.

Market research needs

- Before initiating the LED solicitation, the program will require market research to determine the appropriate target market(s) and appropriate advertising venues/messages.

C. Implementation Plan

Approach

Program Implementation

Marketing, field services, consumer education, and product rebates will be used to encourage consumers to purchase these products. SMUD will partner with major and small retailers and lighting-product manufacturers to promote efficient products. These "marketing partnerships" follow the initial success of this marketing approach developed and implemented for SMUD by a contractor during 2001-2002, and since continued and successfully expanded by SMUD staff.

The main component of the program is a cooperative marketing fund. The fund is used to leverage the resources of CFL manufacturers and retailers, encouraging them to, over the long-term, take the lead in promoting efficient-lighting products. Specifically, the co-op fund is a pool of matching dollars that the Program makes available to qualifying manufacturers and/or retailers for the marketing and buy-down of Energy Star lighting products. Through a competitive submission process, manufacturers present their promotional plans to the Program, which are then evaluated on against strict approval criteria, such as minimum-resource contribution, product focus, and marketing messaging. Promotions may take the form of in-store signage, point-of-purchase material, rebates, print advertising, and more. Its flexibility meets the individual needs and creativity of retailers and manufacturers, directly involving them in the marketing.

As a market-transformation program, and to have a bigger and more lasting impact on the market, SMUD coordinates marketing events, products, and occasional rebates with other major California utilities (PG&E, SCE, SDG&E, and LADWP). The program also coordinates with the U.S. DOE/EPA's Energy Star labeling program and the Consortium for Energy Efficiency's Residential Lighting Initiative.

How the program works

Each year, program staff develops a solicitation consisting of a letter identifying program guidelines, and an application form that encourages the manufacturer/retailer to submit their proposals. The solicitation specifies the maximum rebate (buy-down) per lamp or fixture, by type. The submission process is competitive, as co-op funds are limited. Marketing partnership proposals may take the form of rebates, in-store signage, point-of-purchase (POP) material, print advertising, and more. The marketing-partnership applications are then evaluated by the lighting team against approval criteria, such as minimum-resource contribution, product focus, and marketing messaging.

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Program staff reviews and scores, then selects proposals (or portions thereof) based on program goals and available incentive dollars. The cooperative marketing fund – which for 2010 is \$2,400,000 – is allocated among the various types of retailers: large home-improvement and mass-merchandise stores, grocery stores, lighting stores, drug stores, and specialty hardware stores.

SMUD program staff negotiates an agreement with each manufacturer. SMUD agrees to contribute towards the costs of advertising, POP, and/or product-cost buy-down and sales-staff training. The manufacturer agrees to collect and deliver detailed sales data from each retail establishment covered under their MOU, throughout the year.

Two elements are critical to the success of this program: Development of contacts and partnerships, and field services provided by SMUD staff. The responsibility for development of contacts and partnerships will rest with the Program Manager and with the Marketing Specialist. The Program Manager visits participating stores during the promotions to verify POP, product availability, setup, etc.

On-site contact entails frequent visits to store owners/managers to keep them apprised of SMUD's program, product availability, and other pertinent information, to offer them training and other assistance, and to assess stores' product stock and placement. The result of successful field presence is SMUD's and the program's credibility with the retailer. Also critical is maintaining continuous contact with manufacturers, with similar objectives and intended results.

District functions required to implement this program

See next section.

Roles/responsibilities for various groups, including internal work areas and external partners

- Program staff—Solicits and reviews proposals, negotiates agreements, monitors partnership projects, including surveying product stock, authorizes payments, conducts field services, maintains contacts with manufacturers, monitors product stock, and processes manufacturer invoices for payment.
- Marketing —Develops overall program advertising that presents customers with the messages of ENERGY STAR lighting and that reinforces marketing-partnership promotions; participates in proposal review; and develops web pages to promote the program and its objectives.
- Community Engagement—Promotes the program goals by partnering with community leaders and organizations for mutually beneficial events and other projects (for more specifics, see “Community Engagement” below).
- Call Center—Responds to customer inquiries regarding energy-efficient lighting and ENERGY STAR lighting.
- Planning—Prepares annual program plan and long-term program strategy; maintains contacts with other utility, regional, and national organizations that also promote efficient lighting, and seeks coordinated, cooperative program ventures; maintains contacts with manufacturers and keeps updated on product development; and participates in proposal review.
- Market Research—conducts market research when needed.
- Evaluation—Develops evaluation plan and oversees the M&V contract.
- Outside Services—May be contracted to assist in soliciting and negotiating partnerships among manufacturers and retailers.

Specialized training or tools needed for the program

There are no specialized training or tools needed for this program.

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Overall strategy for marketing the program

The overall marketing strategy and budget for this program is combined with the other residential energy efficiency programs – Equipment Efficiency, Appliance Efficiency, Refrigerator Recycling, Pools, Electronics, and Whole House Performance. The strategy calls for the following tactics:

- Multi-layered media campaign supporting the two major CFL marketing seasons - Spring and Fall. Program incentives and environmental benefits will be featured in advertising campaigns. All media layers to be considered: partnerships, print, radio, TV, web, and outdoor events.
- SMUD bill package - Along with other Existing Home Energy Efficiency programs: Customer Connections article(s); bill envelope/insert.
- Web - Maintain updated and accurate program information on the web; banner feature on savewithsmud.org
- Media - Inclusion in SMUD news media announcements.
- POP- Collateral will be available to apply / call-out products at the store level.

Detailed advertising plan

Advertising Plan details are covered in the Annual Marketing Schedule and Tactics, Section II.C., at the end of this program plan.

Detailed communication plan

Communication Plan details are covered in the Annual Marketing Schedule and Tactics, Section II.C., at the end of this program plan.

Metrics that will measure the success of the marketing strategy

Advertising: Pre-and post-ad campaign measurement of web hits and CFL sales, if available.

Event(s): Questionnaire, survey response; distribution of literature/items; product-sales count if available; number of units recycled if applicable.

Community Engagement

Community Engagement will continue to assist in expanding the program by engaging neighborhood groups and local high schools to carry out light-bulb trade-ins. Neighborhood light-bulb trade-in “pilots” have been successful in 2007, 2008, and 2009. The intent is to better familiarize customers with this energy-saving product and drive them to participating local retailers where CFL products are available at program-subsidized reduced prices.

Process-Improvement Needs

There are no process-improvement activities scheduled for 2010.

D. Evaluation Plan

The program will be successful if the goals are met within the allowed budget.

An M&V study will take place this year, based on the 2008-2009 program periods. The last SMUD-specific impact evaluation of this program was Residential ENERGY STAR Lighting Program 2005 Fall Campaign EM&V, prepared by RLW Analytics, Inc., final report, Dec. 12, 2006.

This program supports Strategic Directive 9, which directs SMUD to reduce energy consumption 15% from 2008 levels by the year 2018.

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Section II: Annual Program Budget, Metrics, Marketing Schedule and Tactics

A. Annual Program Budget

The 2009-2011 budget tables for Retail Lighting program are located at:

<http://smudinet/cdo/csbu/resourcecenter/BudgetandBusinessPerformance/2010%20Budget%20and%20Staff%20Utilization%20Tables/Forms/AllItems.aspx>

The 2010 budget for incentives is only slightly higher than the 2009 planned budget, but the 2009 budget was adjusted down at mid-year. The program was allowed to over-spend this adjusted budget and in the end, spent approximately \$2.2 Million on incentives. The 2010 incentive budget is \$200,000 higher than this, at \$2.4 Million.

Budget tracking for this program will occur in SAP. The budget will be reviewed on a monthly basis by the Program Manager, Process Coordinator and Program Planner. Any significant variances will be examined and reported in the EE Scorecard.

B. Program Metrics

Metrics

The 2010 metrics proposed in the 3-year plan were very aggressive and probably unachievable without drastic changes to the incentives. The program metrics set for 2010 (shown in the table below) split the difference between the 3-year plan goals and the 2009 goals, adjusted for the incentive budget. These new metrics are designed to be stretch goals that are nevertheless achievable.

In order to reach the 2010 energy and peak savings goals within the current incentive budget, we will more heavily weight the program towards CFLs (as opposed to fixtures) than in past years.

Metrics	2008 (Actual)	2009 (Actual)	2010 (Plan)	% Change	Where tracked?
GWh goal	43.5	43.0	48.0	12%	<i>See Tracking/Reporting below</i>
MW goal	6.7	5.6	5.9	6%	<i>See Tracking/Reporting below</i>
No. of CFLs	1,492,524	1,431,744	1,540,000	8%	<i>See Tracking/Reporting below</i>
No. of Fixtures	6,818	11,362	6,500	-43%	<i>See Tracking/Reporting below</i>

Tracking/Reporting

Tracking and reporting for this WBS will be the responsibility of the Program Manager and is done on a monthly basis. *See table below for more detail.*

Items Tracked	Reporting Method and Frequency
Sales data from participating retailers	Marketing partners' reports, program manager's monthly report
Total CFL sales and CFL market share within the lighting market	Purchased from statewide market-share-database contractor
Energy and peak-load savings	Program manager's monthly report

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C. Annual Marketing Schedule and Tactics

See marketing schedule on following page.

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Tactic	Month and Week	Number of Customers Attempted to Reach/Drop, Etc.	How will metric be tracked.	Budget for Tactic	Target Group	Campaign Strategy	Message	Purpose of Strategy	Co-Market
Bill Pkg: Connections	Jan	550000	NA	\$-	Res	Article announcing 2010 rebate options	Save with CFLs	A	Equip, Appl, Elec
Web	Jan	550000	Web stats	\$-	Res	Update web page/fact sheet	Save with CFLs	E	
Event	Jan	10000	Survey res	\$500		Event participation: feature program offerings at local home shows/events when appropriate.	Save with CFLs	A	Equip, Appl, Elec
Materials	Jan	5000	Dist.	\$3,000		Promotional item support for events	Savewithsmud.org	C	Combined rebate programs
Event	Feb	10000	Survey res	\$500	Res	Event participation: feature program offerings at local home shows/events when appropriate.	Save with CFLs	A	Equip, Appl, Elec
Media	Feb/Mar	550000		\$5,000	Res	Media support of home show events	Save with CFLs	P	
Event	Mar	10000	Survey response	\$500	Res	Event participation: feature program offerings at local home shows/events when appropriate.	Save with CFLs	A	Equip, Appl, Elec
IVR	Apr	550000	NA	\$-	Res	Update featured rebates / promotions on IVR	Earth day message	E	
Print	Apr	550000	NA	\$15,000	Res	Spring Advertising support for national program and/or earth day activities	Recycle. Replace. Save.	P	Combined EE programs
Radio	April	55000	NA	\$20,000	Res	Spring Advertising support for national program and/or earth day activities	Recycle. Replace. Save	P	Combined EE programs
Web	April	550000	N/A	\$10,000	Res	Misc, web banner placements to support national program and/or earth day activities	Recycle. Replace. Save	A	Combined EE programs
Bill Pkg: Bill Env	April	55000	NA	\$400	Res	Earth day recycling message supporting earth day activities	Recycle. Replace. Save	E	Combined EE programs
Bill Pkg Connections	April	550000	NA	\$-	Res	Earth day activities article	Recycle. Replace. Save	A	Combined EE programs
Event	April	5000	# of units recycled	\$2,500		TBD - Recycling event (room ac's, refers, cfl) with 3rd party participant	Recycle Today. Save Tomorrow.	P	Room AC, Refer, Lighting
Partnership	May- June	550000	N/A	\$10,000	Res	Radio adv supporting national ENERGY STAR and marketing partnership effort	Lower Your Energy Bill	P	Combined EE rebate programs

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Tactic	Month and Week	Number of Customers Attempted to Reach/Drop, Etc.	How will metric be tracked.	Budget for Tactic	Target Group	Campaign Strategy	Message	Purpose of Strategy	Co-Market
Partnership	May- June	550000	N/A	\$8,000	Res	Print adv supporting national ENERGY STAR and marketing partnership effort	Lower Your Energy Bill	P	Combined EE rebate programs
Partnership	May - June	550000	N/A	\$5,000	Res	Web adv supporting national ENERGY STAR and marketing partnership effort	Lower Your Energy Bill	P	Combined EE rebate programs
Materials	Sep	5000	Dist.	\$2,000		Promotional item support for events	Savewithsmud.org	C	Combined rebate programs
Event	Oct	10000	Survey	\$1,000	Res	Fall Home Show	Save energy, money, help the environment	A	Combined ee programs
Print	Oct	550000	NA	\$19,000	Res	Fall Advertising support for national program	Save energy, money, help the environment	P	Combined EE programs
Radio	Oct	55000	NA	\$20,000	Res	Fall Advertising support for national program	Save energy, money, help the environment	P	Combined EE programs
Web	Oct	550000	N/A	\$20,000	Res	Misc, web banner placements to support national program	Save energy, money, help the environment	A	Combined EE programs
IVR Commercial	Oct	550000	N/A	\$-		Update featured rebates / promotions	Save energy, money and help the environment	E	
Partnership	Nov/Dec	550000		\$10,000	Res	Holiday lighting project	LED Holiday Lights save energy and money	P	
TOTAL				\$152,400					

*A= Awareness E= Education
C=Consideration P=Participation