

Bounty Hunting for Negawatts - SDG&E Energy In a Whole New Light Program

Don Wood, San Diego Gas & Electric

Introduction

In September 1990, San Diego Gas & Electric Company began a new commercial lighting retrofit program. This energy efficiency marketing program uses commissioned sales staff, competitive bidding and post-installation inspections to encourage customer participation.

In 1990, the program helped one hundred forty participating customers achieve 23 gWh in annual energy savings. 1991 program expenditures totalled \$7.8 million, including \$6.6 million in customer incentives. This SDG&E investment generated over \$12 million in total retrofit installation job expenditures, and helped over six hundred participating customers save over 65 gWh per year.

The program offers cash incentives for upgrading four and eight foot fluorescent fixtures (lamps, ballasts, and optical reflectors). It has also convinced most participating customers to change out all their interior lighting equipment for more efficient measures, thereby producing energy savings far beyond those initially projected for the program at no additional cost to ratepayers.

Program Design

In 1990, as part of the California collaborative planning process, SDG&E negotiated an agreement which provided for financial rewards to company shareholders based on the company meeting or exceeding specific demand side management program goals. Penalties were established if certain levels of implementation were not met. The CPUC authorized additional shareholder rewards for cost containment actions above and beyond meeting program goals.

SDG&E's Challenge Was To:

1. Implement a brand new program as quickly as possible
2. Reduce risk of substantial utility penalty if minimum goals not achieved

3. Select a program design that would enhance quick implementation by customers
4. Lower cost of installation for customers
5. Build on SDG&E's energy alliance style

After reviewing several program designs, including the typical utility approach of a set rebate when customers and contractors bring in completed jobs, SDG&E selected a turnkey model where SDG&E proactively sells customers the program, and manages each project from inception to completion.

Initial leads are generated by SDG&E Account Executives who call on our major customers. Subsequent leads came from direct solicitation of customers by commissioned Lighting Representatives (the program's sales team). The customer is sold the program by SDG&E Lighting Representative with Account Executive support. SDG&E identifies equipment to be installed and selects installation contractor through a competitive bid process.

SDG&E provides significant financial incentives and gives customer a financial analysis to facilitate decision making. SDG&E inspects the job to insure quality workmanship and proper lighting levels are achieved. Results are monitored by a post installation Customer Satisfaction Survey. SDG&E provides warranty and after-care instructions. SDG&E assists in securing leasing or financing options if necessary.

Benefits to Customer

- Lower Utility Bills (Participating Customers)

Customers who participated in the program will lower their operating and maintenance cost by \$6.5 million by reducing their annual energy consumption by 65 million Kwh. This savings, which can be as much as 68% in a single two foot by four foot fluorescent fixture, is accomplished while maintaining acceptable lighting levels.

- **Reduced Overall Job Cost**

Six Program Contractors were selected in 1990 on a competitive proposal basis from a pool of contractors with lighting maintenance experience. This pool was increased to nine contractors in 1991, Program Contractors bid each job to provide a firm cost to present to customers. This bidding process has reduced overall job cost by as much as 30% when SDG&E acts as the project manager. SDG&E manages this competitive bidding process relieving the customer of the time requirement for identifying contractors and obtaining bids.

- **Flexible Choices to Customer**

The customer can also select their own contractor or use their own in-house labor. These jobs must be surveyed by a SDG&E Lighting Representative before the job is installed and the customer must install equipment which meet SDG&E's performance standards. After final inspection, the customer receives an incentive check from SDG&E.

- **Lower Future Rates**

All customers will benefit by lower rates in the future by paying today's program cost and utility incentives versus the cost of building future generating plant.

Benefits to Utility (Integration into Overall Corporate Goals)

- **Enhances Energy Alliance with Customers**

The program design of being a "project manager" for the customer has put SDG&E on the same team with key executives of our customers. We have enhanced SDG&E's overall corporate goal of being Energy Allies with our customers.

- **Proves DSM Measures can be Counted on in the Company's Resource Plan**

Over the next three years, it is estimated that 30 Mw of demand can be reduced. The company's proactive approach of selling customers and using a turnkey approach has shown Kw reduction can be counted on in the company's resource planning process. The process can be turned up or adjusted to different levels at SDG&E's option.

- **Increase Utility Earnings**

The retrofit lighting program incentives agreed upon in the collaborative process by the CPUC are another profit center that can contribute to utility earnings.

Program Innovation - How to Maximize Customer Participation

- **Energy Alliance**

SDG&E lighting representatives have become "project managers", helping participating customers through all phases of lighting retrofit activities; from initial lighting surveys to investment analyses, from competitive bidding of retrofit equipment installation to negotiation and monitoring of post installation lighting levels, from collection of customer co-payments and payment of contractor costs, to final job inspection and complete customer satisfaction.

- **Employee Compensation Plan Tied to Action and Company Rewards**

Our employee compensation plan is designed to fast track the implementation of the program, and provide continuing incentives to Lighting Representatives selling the program to customers. Lighting Representatives are paid a base salary and a two tiered commission which directly ties their accomplishments to their compensation on a dollars per Kwh saved per job and final goal achievement. Their commissions are at risk if a customer is unhappy with their retrofit installation or post-retrofit lighting levels.

- **Competitive Bidding Process**

SDG&E has developed a unique program contractor bidding system which has reduced program equipment installation costs by 30% from cost estimates for similar lighting retrofit jobs before the program began. Each retrofit job is bid separately by SDG&E program contractors, so that each cost estimate is tailored to that specific customer's facility. Where customers have an existing relationship with a contractor, customers can choose to use their own contractor and receive SDG&E incentives directly. As a result of the competitive bidding process, San Diego has quickly become known as a market where our customers receive better value.