

Residential Electric Water Heating Program

developed and implemented by

Portland General Electric & Energy Trust of Oregon with Rheem/Marathon Water Heaters

Promotional Description

Water heating is usually the second biggest energy expense for a homeowner. However, the water heater is often the “forgotten appliance” for many electric utilities. This was certainly the case for Portland General Electric (PGE) until last year, when the utility decided to refocus on this important residential end use. “PGE had not talked about water heaters in 10 years or about energy efficiency and lowering the total cost of providing hot water for the family. We had not talked about the importance of turning down the water heater 10 degrees. We did not have a purchasing guide for our customers. This is an electric appliance that is the second biggest end use in the household and we hadn't said anything about it...so we needed to educate our customers,” explained Roch Naleway, Energy Efficiency Marketing Specialist at PGE. To address this need, Naleway worked with Rheem/Marathon Water Heaters and Roto-Rooter Plumbing in Portland, Oregon. Together, they developed a limited offer for PGE customers in which customers could receive a 50-gallon electric water heater installed by Roto-Rooter for a special net price of \$765.00. The Energy Trust of Oregon, which administers Oregon's investor-owned utility energy efficiency programs, also played an integral role in the development of a rebate and program promotion.

“Marathon Water Heaters is the only electric water heater manufacturer on the market that is working directly with utilities nationwide, so this was a low risk decision. We wanted to find a manufacturer with a utility focus that was well established in the market, so it was low risk,” explained Naleway.

Design Strategy

The goal of this program was to educate customers about the importance of selecting an energy efficient water heater before they actually needed to replace it. As Naleway explains, “Usually this is an emergency replacement 'panic' purchase and there is little time for decision-making, so we wanted our customers to make a different choice, not just a price shopping decision.” He added that most customers are not familiar with making this type of purchase. “This is a peculiar market because customers don't know about warranty issues or energy. Because customers don't know about warranty issues or energy, they don't know what to look for. There are a wide range of water heater products and retail prices that can exceed \$850 installed.” The promotional philosophy was to provide “preventative medicine” and make this purchase much easier and transparent for PGE customers. “We wanted to minimize the hurdles for customers,” Naleway said. Naleway also conducted some market research about water heater purchases in his service territory and realized that there were several challenges associated with trying to educate residential customers. “We spoke with a plumber and learned that about 50% of water heater installations were self-installed and purchased at hardware/home centers like Home Depot. So we realized we only had one shot at the customer every 6 to 10 years or so. Most water heaters are sold as commodities and if we don't specify what to look for, the customers go for cheapest option. But that is not necessarily the best one,” Naleway said.

Energy and Non-Energy Benefits

This promotion also provided a good balance between the energy benefits and non-energy benefits. The lifetime warranty that Marathon offers exclusively lowers the cost of ownership over the long-run. Also, Marathon's non-corrosive tank liner is valuable for rural areas with problem water.” Naleway said. These water heaters also provide another benefit by addressing the “black mold” concern for landlords who own older buildings. “The Marathon was an excellent way to get around the potential problems caused when water heaters fail and cause water damage. This is a way for landlords to minimize their liability, and this is a big issue in Portland.”



Implementation Tactics

This four-month program was launched on January 1, 2008 and ran through the end of April.

Incentive Levels

PGE worked with Energy Trust of Oregon to establish an incentive level based on its cost-benefit analysis. Based on the analysis, Energy Trust of Oregon was able to offer PGE customers a \$75 dollar incentive. This incentive, combined with the \$100 instant rebate from Roto-Rooter, helped to reduce the installed cost to \$765. The following box summarizes the incentive levels used in this program.

Figure : Incentive Levels for PGE's Electric Water Heater Program

\$940 Marathon 50 gallon electric water heater with standard installation by Roto-Rooter.

- \$100 Instant Rebate from Roto-Rooter**
-\$75 Cash-back incentive from EnergyTrust of Oregon
-\$765 ** Special price for a lifetime, super efficient, rust-proof Marathon electric water heater - including installation! This is an incredible value compared to what you could expect to pay for a basic, short-life, steel-tank water heater.



Promotion/Marketing/ Recruitment Activities

This promotion relied on a variety of promotional activities including a sweepstakes give-away of two Marathon water heaters with free installation by Roto-Rooter, bill stuffers, printed flyers, and an article in the PGE newsletter. The sweepstakes promotion was especially well-received.

“The customers could fill out the form online or mail it in,” Naleway said. “The prizes were awarded based on a random drawing which increased product awareness. It was the second most frequently visited area of the PGE website.”

Marathon helped pay for the 700,000 bill inserts to kick off the promotion. The program also stretched the utility marketing dollars by using pre-developed templates that Marathon had created for other utilities.

Quite possibly **the last water heater** you'll ever need

Why wait until your electric water heater suddenly quits working or floods your home? Most water heaters last only about 10 years. If yours is about that old, now is a great time to replace it with a Marathon® water heater. It's one of the most efficient electric water heaters you can buy – and may be the only one you'll ever need to buy. **A Marathon lasts and lasts and lasts...**

Tops for energy savings

Water heating is usually the second biggest energy expense for a homeowner. A Marathon electric water heater can help you control costs* because it has a .94 **Energy Factor** rating – one of the most energy-efficient models on the market! And **thick Envirofoam® insulation** ensures that your hot water stays hot.



Leak-proof warranty

The secret advantage of a Marathon electric water heater is the way it's made. There's no metal tank to rust through. Instead, it has a seamless polybutene tank and rugged outer shell that is *guaranteed not to leak, rust or corrode as long as you own your home.*

Special pricing and cash back!

Right now, in an exclusive offer just for PGE customers, get a 50-gallon Marathon electric water heater professionally installed by Roto-Rooter for a special low price:

\$940	Marathon 50-gallon electric water heater with standard installation by Roto-Rooter
-\$100	Instant rebate from Roto-Rooter
-\$75	Cash-back incentive from Energy Trust of Oregon

\$765 special price** for a lifetime, super-efficient, rust-proof Marathon electric water heater – including installation! This is an incredible value compared to what you could expect to pay for a basic, short-life, steel-tank water heater

Win a free Marathon water heater!

Two lucky winners will each win a 50-gallon Marathon lifetime, electric water heater, including installation by Roto-Rooter. For details, see this month's **PGE Update** newsletter or go to **PortlandGeneral.com/MarathonSweepstakes.**



Enter by Feb. 15, 2008.
Approximate value
\$1,800 each.



* Individual circumstances may vary; ask dealer for more information.

** Terms and conditions: Special pricing available for installations in PGE service territory through 12/31/2008. Offer is good on Marathon water heater model numbers 50-gallon; special price also good on Marathon 40-gallon, Marathon 60-gallon. Special price refers to standard installation only; does not include costs for permits, disposal, or required upgrades, or any other necessary upgrades to existing electrical and plumbing. Extra charges may apply if installation site is not easily accessible (attic) or other special circumstances are involved. Ask Roto-Rooter for details.

For more information visit **PortlandGeneral.com/MarathonWaterHeaters**

Program Ally Roles

This promotion has been successful because of the strong partnership that was established between PGE, Energy Trust of Oregon, Marathon, Roto-Rooter, and an electric utility focused wholesaler, General Pacific, who supplied the Marathon water heaters.

Role of Roto-Rooter

Roto-Rooter, a nationwide plumbing firm, was integral to the overall success of this program. Marathon had established contacts at the national level with Roto-Rooter that were invaluable as Naleway started to set up this program. The local franchise owner was willing to negotiate a “flat rate” installation fee that would cover about 95% of the water heater installation jobs. This allowed the program to be marketed consistently to all PGE customers. “We asked Roto-Rooter to be a partner because we needed to find someone who could handle the whole service territory,” Naleway said. “It was difficult to find plumbers who were willing to participate. So we worked with a local franchise of Roto-Rooter who understood the market. It is difficult to coordinate with a lot of different plumbers. John Richards, Western Region Manager for Rheem/Marathon, added, “We have worked with Roto-Rooter before with large utilities like The Southern Company's Georgia Power in Greater Atlanta, so we had confidence they could handle it. If the local branch became over-loaded they could bring in help from other locations. They handled the 300 installations in the Portland smoothly and efficiently. They are a delight to partner with.” “The deal was based on a handshake. They assured us that they would have sufficient inventory in place prior to program launch to meet customer needs,” Naleway said. “And they had a stock-pile of equipment in place at General Pacific ready to install.”

Role of Energy Trust of Oregon

Energy Trust of Oregon, which administers energy efficiency programs on behalf of Oregon investor-owned utilities, also played a key role in the overall success of this program. Energy Trust staff provided analysis support that allowed them to provide an incentive to further lower the cost of these water heaters. “We had a big planning session with them and they came back with a \$75 incentive for the program...they definitely 'stepped up,’” Naleway said. As a way to remain “vendor neutral”, Diane Ferington, Senior Residential Manager for Energy Trust of Oregon, added that the \$75 rebate is available for any customer who purchases a water heater with a 20 year measure life that has the same efficiency level as the Marathon product. PGE's success with this promotion also increased contractor interest and spurred several others in Oregon to develop their own water heater programs. “Energy Trust set up a special promotions page on its website as a way to allow other contractors to launch their own promotional offers across a variety of energy efficiency measures. We required these offers to provide an additional value to the customer beyond Energy Trust incentives,” Ferington added. She said this program provided an opportunity for their organization to reconsider the importance of promoting both electric and gas water heaters. As a result of PGE's promotion, Energy Trust modified their program requirements to allow point-of-purchase incentives at retail and wholesale locations as way to reach out to those customers who prefer to “self-install” water heaters.

Timeline

All told, this project took three months from planning to execution, because all parties involved were working closely together from the start. Utilities can execute these types of programs in a three to 18-month time-frame depending on the setup of the utility, plumbing partners, and service territory. As Naleway explained, “We usually plan our promotions 12 months ahead, but everything was done about three months.” Richards added, “The whole promotional concept takes about 2 months and this cannot be done 'last minute'.”

Results

Overall, this promotion exceeded all expectations. During the four-month period, more than 300 Marathon Water Heaters were installed in PGE customer homes. Since this was a new promotion, there was no way to gauge success. “We thought 100 installations would be great so we exceeded our expectations, and we will be doing it again next year,” Naleway said. This program was so successful because PGE had integrated it into their overall energy efficiency strategy and included it as part of its 12-month plan. The utility had set aside funds to promote energy efficiency during the “winter heating season” and that promotion, combined with the tax incentives and rebates, contributed to the program's success. Moreover, market has started to transform. Since the program, inventory levels of Marathon Water Heaters have increased among non-participating contractors directly as a result of this program, Richards added. A program like this should lead to increased inventory levels of more efficient electric water heaters throughout the Portland area. Ferington said, “Having this promotion was good for all types of energy efficient water heaters. We have seen an increase in the stocking levels of energy efficient water heaters in this area.”

Lessons Learned

Key Success Factors

This promotion was successful because it was well-planned and well executed. PGE and its partners worked together to create an easily understandable program that communicated effectively to the customers. It also benefited from the strong collaboration between the utility, the manufacturer, Energy Trust of Oregon, and the local Roto-Rooter franchise and wholesaler. All these organizations worked together seamlessly.

Key Lessons Learned

PGE and its allies also learned a few important lessons during this first year. These lessons include:

1. Keep the communication channels open.

The key is to have full cooperation and make sure that everyone is “on the same page”, Naleway added.

2. Local knowledge needs to be combined with national knowledge.

Another key to this program's success was the ability for PGE to leverage Marathon's deep knowledge and expertise about water heaters as well as experience working with over 250 utilities nationally. “PGE promoted the Marathon 800 number so customers could be directed to trained Customer Service Representatives (CSRs) at Marathon. These CSRs were also cross-trained on the PGE program, so they could answer general as well as technical questions,” Richards said. “We also directed consumers to our website (www.marathonheaters.com) where they could view a 'factory tour' video showing how the Marathon is produced.”

3. Advance planning is key.

Since the program was launched during the high bill season, it needed to be “bullet proof.” Therefore, that required good planning and excellent communication.

To Learn More

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PGE powers Portland, Salem and nearby communities with highly reliable service. Oregon's largest utility, PGE has more than a century of experience in power delivery. PGE generates power from a diverse mix of resources, including hydropower, coal and natural gas. Our service territory covers more than 4,000 square miles. PGE serves more than 1.5 million people in Oregon.



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Manufacturer and marketer of ultra durable, long life, high-efficiency electric water heaters used in a diverse number of strategic utility programs. Tie-in with efficiency, demand-response, thermal storage, geo-thermal, renewables programs & more. Currently working with over 250 utilities.



Steve Koep, Business Development Manager, Rheem/Marathon Water Heaters

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Marathon Water Heaters designed their only product with three goals in mind:

- * Build a water heater that can have a true lifetime warranty
- * Manufacture the most energy efficient water heater available
- * Keep it "installation friendly" by having it lightweight and easy to connect

For the last 20 years, the manufacturers have maintained their original vision by making the water heater with the longest design life, best warranty and highest efficiency available.

Curt Cheever, Manager in Greater Portland Area, Roto-Rooter

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Roto-Rooter offers a variety of repair and maintenance services to both homeowners and businesses. Roto-Rooter operates businesses in more than 100 company-owned branch and contractor territories and approximately 500 franchise operations, serving approximately 90% of the U.S. population.



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Energy Trust of Oregon, Inc., began operation in March 2002, charged by the Oregon Public Utility Commission (OPUC) with investing in cost-effective energy conservation, helping to pay the above-market costs of renewable energy resources, and encouraging energy market transformation in Oregon.



Rick Hall, President, General Pacific

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General Pacific, GenPac, is one of the leading wholesale stocking distributors in the Northwest region of the United States. GenPac was founded to serve public utilities as a stocking distributor and to staff sharp and creative people who can share the latest products and technology keeping our customers up-to-date with the right product for the job often enhancing utility productivity and value to the utility's customers.

