

Residential Electric Water Heater Program

developed and implemented by

Georgia Power with Rheem/Marathon Water Heaters

Water heaters have become an important element in Georgia Power's positioning in the energy market. Georgia Power began promoting Rheem/Marathon Water Heaters as an energy efficient alternative to tankless water heaters and as a way to offer their customers a more cost-effective choice compared to natural gas water heaters. This all fell within their overall energy efficiency campaign – Save Money and Energy. Please visit georgiapower.com/save.

Georgia Power, a subsidiary of Southern Company, developed its innovative water heater program featuring Marathon water heaters in 2007. The reason for selecting Marathon water heaters was that the product offered energy savings and a longer product lifetime, making it more economical for its customers. Marathon represented a long-term water heater solution for their customers. Georgia Power serves 2.25 million customers throughout Georgia, and is the largest of four electric utilities that make up Southern Company.

“Georgia Power was looking for a way to increase water heater market share – what they needed was a high efficiency and trouble-free water heater. Marathon had been speaking with Georgia Power for years to get them interested in starting a water heater program. With the current attention given to tankless heaters, Georgia Power saw the role Marathon could play in maintaining current and gaining additional water heater market share,” explained Bob Muller, Eastern Sales Representative for Marathon/Rheem Water Heaters.”

Scott Mills added that despite deregulation of the natural gas market in 1999, customers still had to pay the service connection fee to the natural gas companies. As a response, Georgia Power started a program that encouraged conversions from natural gas to electric water heaters, as a way to help both its customer base and the utility. “Water heating represents consistent load for our company,” Mills said, “and through gas conversions our customers can save money and energy. So promoting electric water heaters is in the best interest of both our customer and Georgia Power.”

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Marketing Piece: Bill Insert

Description

This program marked the first time Georgia Power endorsed a specific product, explained Bob Muller, East Coast Sales Manager for Marathon Water Heaters. However, the utility selected this product because, “it was the water heater that made the most financial sense to our customers because of its lifetime tank warranty,” Mills added. “Marathons can last for up to 50 years, compared with the average lifetime expectancy for a standard water heater of between 9 to 12 years.” This long lifetime was a key element in promoting the program, both internally and externally, Mills explained. Using their economic models, the Marathon water heater was more cost-effective for their customers who converted from their existing gas systems to Marathon electric water heaters. “Our customers can save money with a Marathon,” Mills said.

Georgia Power offers customers up to a \$525 rebate (depending on house type) to switch from an existing natural gas water heater to a Marathon water heater. However, the actual costs for this conversion may be higher depending on the extent of the electrical wiring required.

The program which initially targeted both single family existing homes has also experienced success in the multi-family housing market.

“We had one multi-family project that installed several hundred Marathon water heaters. The town homes are now all-electric and there is a lot of good buzz about it.”

Energy and Non-Energy Benefits

Marathon also has “green” benefits because it conserves landfill space. Unlike standard steel-tank water heaters (including tankless models) which could end up in a landfill after only 10 years, electric Marathons do not contribute to the increased landfill space needs due to their long life expectancy and lifetime tank warranty.

Furthermore, because the Marathon water heater is designed to last forever, a Marathon also prevents pollution in other ways. Nearly 10 million water heaters are produced, transported and installed annually in North America to replace failed units. Installing lifetime tank warranty heaters could potentially cut that number in half.

Georgia Power factored in the “green” benefits of Marathon water heaters in its modeling for the program. Using an average 9-year gas water heater life and a 36-year life for Marathon, the landfill space avoided per Marathon Water Heater is 28.8 cubic feet. This is equivalent to 50 full dump truck loads of heaters saved from the landfill for every 1,000 Marathon water heaters that are installed.

The durability of the Marathon water heaters was another selling point to the multi-family property managers, Mills added. “The multi-family manager loves Marathons because there are no worries about maintenance and service and they want to avoid service calls and damage that occurs from leaking heaters.”

Implementation Tactics

Georgia Power had a pilot program with employees in 2006. In 2007, the program was rolled out externally to its residential customers. The ultimate goal was to provide a broader distribution of water heaters and to expand the program to all customer segments. In 2008, that goal was met by expanding once again – this time to their commercial customers.

“Georgia Power also provided the forms electronically on their Web site, so local plumbers and contractors could download all the forms they needed and provide customers with a Marathon wherever they were.” Muller added.

The website also provided customers with helpful information about Georgia Power’s Marathon program; including a statewide map of recommended installers, an interactive Marathon water heater graphic illustrating all the benefits of the product, numerous forms and fact sheets, and satisfied customer testimonials. Visit georgiapower.com/marathon.

Program Ally Roles

Contractor relationships are critical to the success of installation programs like Georgia Power's. This utility also faced the challenge of trying to serve both metropolitan areas, like Atlanta, as well as more rural areas in the state. Georgia Power was able to develop a successful contractor program by developing relationships with a plumbing franchise, a statewide network of plumber installers, as well as a wholesaler who served the rural markets.

The Marathon team tapped into its distribution network owned by electric utility cooperatives. "We worked with the distributor that serves the electric rural cooperatives throughout the southeast. With their large inventory of Marathons and fleet of trucks, the distributor, GRESKO Utility Supply, could quickly supply the Marathon water heaters while keeping costs down," Muller said.

"All in all, it was a good deal in terms of volume of units and it saved money in overall distribution costs," Mills added.

Georgia Power worked with several local plumbers and electricians. It was also the first time Roto-Rooter had worked closely with Georgia Power. As Mills explained, "It was a good fit at the time of our program launch. They were big enough to handle the metro Atlanta area, they hired an electrician, and they committed to a standard installation cost for our customers. Georgia Power soon expanded its plumber installer network to now include more than 20 qualified plumbers across Georgia."

This two-pronged approach also broadened the contractor network, Muller said. "Working with GRESKO also helped reach contractors in areas beyond urban Atlanta."

Results

This program was successful in its first year. More than 1,400 Marathon water heaters were installed in Georgia Power's service territory. Mills said, "Overall we had a good year. We've got some additional marketing to do and the key is to find plumbers who want to sell Marathons."

The program shared good success in the multi-family housing market, which accounted for approximately half of its installations. This market has been successful, so Georgia Power is continuing to reach out to multi-family owners and managers in its service territory.

Lessons Learned

Through this program, Georgia Power was reminded of the effort required to develop a successful plumber contractor network. As Mills explained, "Working outside metro Atlanta can be a real challenge." He added, "We are more successful when we get the contractor to offer the products rather than Georgia Power. We really want the plumbers to understand it's to their benefit to help sell these Marathons." The plumbers can be a challenging contractor group because, "the plumbers are hesitant to sell and they don't want to stock the equipment themselves. It continues to be a struggle because there are not any service maintenance agreements in place and the plumbers just don't make as much money on water heater sales and installation compared to other services they offer."

Another challenge for Georgia Power has been to convince some customers that early replacement and conversion from natural gas equipment makes financial sense. Since most water heater purchases are "emergency replacements," it is difficult to get customers to think about making a planned purchase before they actually need a new water heater.



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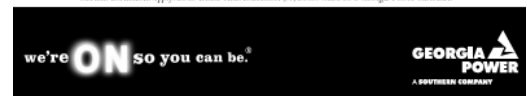
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*Certain restrictions apply. 2008 rebate ends December 31, 2008. Must be a Georgia Power customer.



Key Success Factors

As a result of this program, Georgia Power identified several key points that were factors in the program's success.

1. **Team with a good plumber and electrician**

A successful utility program will have a plumber with an electrician on staff available for conversion," Mills said. He added this was a critical key to the program's success. This approach led to increased sales while making it more convenient for the customers.

2. **Look beyond the traditional residential housing market**

Given the slump in the housing market, Georgia Power and Marathon are also looking beyond the traditional residential market to custom builders, commercial buildings, multi-family housing, and other non-traditional markets. "It is a great product and we are now targeting all our customer segments," Mills said.

3. **Look for new ways to bring the product to market**

When the traditional retail channels did not meet Georgia Power's needs, the Marathon team went a different route. By teaming up with a wholesaler specializing in the electric cooperative market, Marathon was able to guarantee product availability throughout Georgia Power's service territory while also minimizing costs. This also opened an entirely new distribution channel to Georgia Power for future programs. By looking beyond the "traditional channels," the Marathon team was able to develop a custom and cost-effective distribution solution.

4. **Never stop marketing the program**

Even though Georgia Power had a successful first year, the utility is committed to refining and expanding the program marketing. As Mills observed, "We are always trying to do a better job of packaging the program."

5. **Marathon water heaters can be a green technology**

While most utility water heater programs promote only energy efficiency, Georgia Power's program had a unique twist. Buying a Marathon was not only cost-effective; it was also environmentally-friendly due to its long product lifecycle and saving landfill space. As customers become more concerned with both energy savings and environmental impacts, it will be important to include these types of green messages in the program marketing and outreach materials. As Muller said, "Marathon water heaters are good for both a customer's wallet and the environment."

To Learn More

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