

# Non-Residential Process Evaluation Study: Attachment 1 – Portfolio-level Evaluations

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## Final Report

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Submitted to:

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# 1. INTRODUCTION TO ATTACHMENT 1 – PORTFOLIO-LEVEL EVALUATION RESULTS

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We present here Attachment 1 – portfolio level evaluation results, as part of the Southern California Gas Company (SoCalGas) Nonresidential Process Evaluation Final Report. While we encourage all stakeholders to read this attachment and all parts of the report, this attachment is primarily intended for all SoCalGas staff, particularly senior-level staff, and those involved in the utility practices described in each chapter.

## 1.1 STRUCTURE OF THIS ATTACHMENT

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One chapter is dedicated to each portfolio-level issue evaluated. Each chapter begins with an overview of the issue; presents results from staff interviews, and other relevant data collection activities (e.g., customer surveys, vendor interviews, interviews with other stakeholders); and presents final conclusions and recommendations. We evaluated:

- Organizational issues
- IT issues
- Marketing
- Effectiveness of Third Party implementation
- Appendix: Third Party Co-branding Examples and Issues

We also evaluated Regulatory and Statewide Initiatives at the portfolio level, but this evaluation is included in the Main Report (whose intended audience includes the CPUC).

## 1.2 OTHER VOLUMES IN REPORT

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Beside this attachment, the SoCalGas Nonresidential Process Evaluation Final Report includes:

- ♦ Main Report: Intended for all stakeholders, including all SoCalGas staff, the CPUC, 3P implementers, vendors, and others. This includes an Executive Summary of issues and recommendations for the portfolio-level evaluations and for program-specific evaluations; an overview of the methodology, a summary of best practices; and results of the Regulatory and Statewide Initiatives evaluation.
- ♦ Attachment 2 - Program Specific Evaluations: Intended for SoCalGas program managers and senior-level staff. One chapter is dedicated to each program evaluated.
- ♦ Attachment 3 - Data collection resources. This includes interview guides and customer survey results.
- ♦ Attachment 4 - Work Plan and Evaluability Assessment. We developed these at the beginning of the study and used them to guide research activities.

## 2. ORGANIZATIONAL

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### 2.1 OVERVIEW

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Over the course of the evaluation effort, we identified several issues that appear to be endemic throughout both Sempra organizations. All but one of these issues appear to be ongoing, long-term issues that were identified during an evaluation effort of the SoCalGas Nonresidential Portfolio that examined the 2006-2008 program years. These issues are as follows:

- ◆ Program Processes
- ◆ Data Tracking and IT
- ◆ Roles and Responsibilities
- ◆ Staff Turnover and Transition
- ◆ Legal Barriers

Although these issues manifest themselves in unique ways within individual programs, the evaluation team has observed that the effects these issues have on programs tend to be similar in the ways in which they impede effective program function. Because of their prevalence and the importance of these issues affecting the day-to-day operations within the SoCalGas Nonresidential portfolio, we believe it is important to identify and address these issues at the organizational level.

### 2.2 DATA COLLECTION ACTIVITIES

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To collect information surrounding organizational issues within the organizations, the evaluation team drew upon the data collection activities that took place as part of the evaluation efforts for individual programs. These efforts included kick-off interviews and in-depth interviews with program staff, implementation contractors, and vendors. In addition, the evaluation team facilitated two discussion forums: one with Account Executives and one with Segment Advisors.

### 2.3 RESULTS AND FINDINGS

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The result of the evaluation team's data collection activities represents a synthesis of many of the individual program findings. Some of the issues noted below are overlapping, and thus some examples affect multiple issues.

#### 2.3.1 Program Processes

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As illustrated below, the evaluation team identified program process issues in the majority of programs evaluated. These issues result in lower participation rates and savings, inefficient use of SoCalGas resources, and general frustration among SoCalGas staff, customers, and other stakeholders (e.g., 3P implementers).

Program	Mentioned (Y/N)	Example of Issue
Deemed	Y	Missed customer marketing opportunities Insufficient vendor marketing incentive Insufficient vendor outreach
Calculated Program	Y	Long, difficult application and rebate process (although new application process rolled out Jan. 2012) Customers do not understand the program and do not have a single point of contact at SoCalGas
Local Nonresidential Bid	Y	Program design not flexible, cannot accommodate multiple large projects The program is not implemented as a unique program
PREPS	Y	Implementer is uncertain about SoCalGas co-branding practices
SaveGas	N	
Audits	Y	There is no evidence of targeted outreach or marketing to customers Audit offerings are not detailed on the website Customers do not receive follow up to audits AEs not held to conversion rate goals, but these are included as PPMs

*Figure 1. Organizational Prevalence of Process Issues Among Evaluated SoCalGas Programs*

### 2.3.2 Data Tracking and IT

The evaluation team identified Data tracking and IT issues as program impediments in a significant number of programs.

Program	Mentioned (Y/N)	Example of Issue
Deemed	Y	Too many application mistakes
Calculated Program	Y	Data tracking system is inadequate, cannot track application status
Local Nonresidential BID	N/A	

PREPS	N	
SaveGas	N	
Audits	Y	The program tracking system is not tied to the organization's CRM system Audit recommendations are not electronically tracked

*Figure 2. Organizational Prevalence of Data Tracking and IT Issues Among Evaluated SoCalGas Programs*

### 2.3.3 Roles and Responsibilities

The evaluation team mentioned roles and responsibilities issues in several of the evaluated programs. In the programs with identified roles and responsibilities issues, the evaluation team found that there were two primary issues: ineffective communication/coordination between AEs and other program staff and a disconnect between program goals and observed implementation contractor actions.

Program	Mentioned (Y/N)	Example of Issue
Deemed	Y	Lack of statewide Deemed team management and issues recognition
Calculated Program	Y	Lack of coordination between AEs and engineering group
Local Nonresidential BID	N/A	
PREPS	Y	AEs provided mixed support in recruiting large customers
SaveGas	Y	Poor coordination and communication between 3P and AEs
Audits	Y	AEs are not held to conversion rate goals The audit program is not a priority for AEs, because they have other responsibilities

*Figure 3. Organizational Prevalence of Roles and Responsibilities Issues Among Evaluated SoCalGas Programs*



### 2.3.4 Staff Turnover and Transition

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During the kick-off interviews, one of the areas of concern raised by SoCalGas management was the high rate of staff turnover within the portfolio. For 2 of the 6 programs we evaluated, program managers were new (at kick off meeting) or replaced during the evaluation. Furthermore, many staff are managing multiple programs: at the time of the kick-off, at least 3 staff were managing at least 3 programs<sup>1</sup>. As we describe in the chapter on Regulatory Requirements and Statewide Initiatives, the number of regulatory responsibilities is increasing, thereby taking up more staff time. Finally, a few staff mentioned that program managed was only a side task; for example, one staff managing 4 programs described her primary responsibility for SoCalGas as budget management.

For a number of programs, staff turnover was explicitly mentioned as impeding program performance on a day-to-day, operational basis. This form of staff turnover appeared to be caused by an outright lack of program staff or an unfamiliarity with program processes. The effects of this were issues such as slow or erroneous rebate processing and a general sense among program staff of feeling overworked.

For the majority of the programs, staff turnover was not explicitly identified as an issue. However, for almost all jobs, there is a learning curve before staff can become truly effective. Thus, the evaluation team believes that it represents a vulnerability in the Sempra organization that needs to be addressed. Again, we note that staff generally do not appear to be leaving SoCalGas; instead, they are changing roles within the company

### 2.3.5 Legal Barriers

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In the course of this evaluation, the evaluation team has identified a number of areas in the organization where the legal restraints imposed upon individual programs have severely limited the ability of these programs to function by restricting their ability to reach customers in the most effective way possible. Recommendations that are hampered by legal interpretations include the following:

- ◆ Communication
  - Sharing customer lists with vendors or program contractors
  - Sharing vendor or contractor lists with customers
  - Enabling “out of office” replies to be sent externally (restricted due to spam concerns)
- ◆ Marketing
  - Timely updates to the website
  - Eye-catching or prominently-placed advertising regarding new measures on website

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<sup>1</sup> We counted programs such as Calculated as 1 program, because this is how it is managed (although it is technically filed as 3 programs – one for each sector). Similarly, we counted Deemed as 1 program.

- The use of new media (Twitter, Facebook, etc.) to reach customers
- Creative marketing strategies (e.g., advertising EE programs on SoCalGas vehicles)
- ♦ 3P Support
  - 3P program implementers report outreach is hampered by inability to cobrand

The evaluation team acknowledges the importance of SoCalGas protecting itself legally. But we believe that there is an opportunity for program managers and/or portfolio management to engage the SoCalGas legal department in a discussion about the balance between risk and reward, with how these legal restraints affects programs.

## 2.4 CONCLUSIONS AND RECOMMENDATIONS

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As this evaluation demonstrates, a number of organizational issues continue to be a challenge among the SoCalGas nonresidential programs. Program processes, data tracking and IT, and roles and responsibilities were all identified in the 2006-2008 Evaluation Report on the SoCalGas Nonresidential Portfolio and have been identified again by this evaluation team.

Within programs affected by the organizational issues discussed in this report, staff turnover or transition among program personnel acts to intensify the negative impacts of organizational issues. Programs that do not have established procedures, process flows, defined roles and responsibilities, and all of the other components of a strong program are often overly reliant on the leadership and knowledge of one program staff member to function effectively and thus vulnerable to staff turnover. When that leadership and knowledge is removed from a program that is dependent on it, whether by staff movement within the organization, retirement, or exit from the organization, new program staff who cannot draw on comprehensive set of program management tools, such as those inventoried by the evaluation team, can find themselves in a knowledge vacuum. Often, this situation results in a period of program underperformance, which can itself lead to continued staff turnover and restart the cycle.

The evaluation team believes that the availability of program management tools such as a program manual, process flow diagram, and a responsibility matrix or chart to a program manager can assist in reducing the effects and impacts of the identified organizational issues on individual programs. These items, when correctly developed and applied, can simplify the task of navigating an organization, and allow a program manager to focus on the effective management of their program. Additionally, establishing and documenting clear definitions of roles and responsibilities serves to expose any disconnects that may exist between program staff's understanding of their place in a program. Utilizing tools such as a RACI chart, as shown in Figure 4, can help program staff to have an honest, open discussion about who is responsible for what and aide in removing uncertainty and inefficiency in a program.

While the evaluation team believes that the program manual, process flow diagram, and some sort of responsibility matrix or chart are the fundamental program management tools, we have also provided a number of additional tools that can further aid program managers and staff in

their work. The figures below show a list of these program management tools and represent a first attempt at performing an inventory of these tools across the evaluated programs.

As Figure 5 and Figure 6 illustrate, the evaluation team was able to identify process flow diagrams in 3 of 6 programs and responsibility matrices or charts in only 2 of 6 programs. Documenting clear process flows and roles and responsibilities that accurately reflect day-to-day program functions can yield significant results, especially in programs where these program management tools do not currently exist. And while the evaluation team's program management tool inventory represents a first step in the process towards more robust programs, we recommend that program managers and staff conduct their own inventory and self-assessment. This will provide program managers with a clear understanding of the program management tools that are available to them and those that they may currently lack.

Organizations cannot control staff turnover, but they can work to insulate themselves from its consequences. The evaluation team recommends that the Sempra nonresidential portfolio continue down the path outlined in this evaluation. Figure 5 and Figure 6 should serve as a reference for a thorough, honest self-assessment of the Sempra nonresidential portfolio to be conducted by PMs and those closest to the programs. By taking these steps, the SoCalGas organization can begin to address the organizational issues identified in this evaluation and create a model for future programs that are more robust, less vulnerable to staff turnover, and ultimately more efficient and effective.

	Program Manager	Program Analyst	Segment Advisor	Account Executive
<b>Develop PIP</b>	R,A	C	C	C
<b>Develop Marketing Plan</b>	R,A	C	R	C
<b>Manage Program</b>	R,A			
<b>Review Applications</b>	I	R,A		I, C
<b>Sign Off on Payment</b>	R,A	C		I, C
<b>Enroll Customers</b>	I	I		R,A

R

A

C

I

Responsible

Accountable

Consulted

Informed

*Figure 4. Organizational Example RACI (Responsible, Accountable, Consulted, Informed) Chart*

Program							
Program Management Tool	Program Manual	Deemed	Energy Savings BID Program	Calculated Program	PREPS	SaveGas	Audits
	Process Flow Diagram	Y	Y	Y	U	U	N
	Responsibility Matrix	N	Y	Y	U	U	N
	Marketing Plan	Y	N	N	U	Y	Y
	Data Requirements	U	Y	Y	U	U	Y
	QA Plan	Y	Y	Y	U	U	Y
	Performance Indicators	Y	Y	Y	U	U	N
	Status Reports (Internal)	N	U	U	U	U	N
	Communications and Legal Guidelines	U	U	U	U	U	N

*Figure 5- Organizational SoCalGas Nonresidential Program Management Tools Inventory*

		Programs with identified program management tools
<b>Program Management Tool Inventory</b>	Program Manual	6 of 6
	Process Flow Diagram	3 of 6
	Responsibility Matrix (RACI Chart)	2 of 6
	Marketing Plan	3 of 6
	Data Requirements	3 of 6
	QA Plan	3 of 6
	Performance Indicators/PPMs	3 of 6
	Status Reports (Internal)	0 of 6
	Communications and Legal Guidelines	0 of 6

*Figure 6. Organizational Program Resource Inventory Summary SoCalGas*

## 3. INFORMATION TECHNOLOGY AND DATA MANAGEMENT

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### 3.1 OVERVIEW

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Information technology (IT) has transformed energy efficiency programs, allowing easier access to program information and communication among utility staff and customers. When program and portfolio data systems are designed, implemented, and managed correctly, it translates to improved performance and management. A program with successful data systems has a well-defined data model, clear system design, an established data collection process, and other procedures to guide users. However, the ability to utilize information technology to provide the greatest benefits is still a work in progress. For this study, we examined how various information technology services can improve the effectiveness of SoCalGas' energy efficiency programs.

During PY2009 (Bridge year), SoCalGas implemented a new customer relationship management software (CRM) for energy efficiency programs. The intent of CRM was to consolidate the multiple data systems used by the majority programs and streamline data analysis for portfolio reporting needs. The system was designed during the prior program cycle (PY2006-2008) with utility program staff input providing data needs, utility IT staff determining specifications, and a contracted vendor conducting development of the new system. During and after the CRM system development period, the CPUC determined new regulatory reporting requirements. Because CRM was developed *before* the regulatory requirements (and which continue to change), CRM cannot handle certain regulatory data requests.

For PY2010-2012, SoCalGas has used, and continues to use, several data systems. These include:

- ◆ CRM – Software that manages the majority of core energy efficiency and demand response programs from program inception, program design, and execution, which includes processing rebate applications from creation through inspections and payments; Utility staff noted widespread difficulty with CRM
- ◆ Business Warehouse – System that manages program operational reporting – interfaces with CRM, and for regulatory reporting.
- ◆ SMART – Custom system by Intergrity that manages third-party program reporting
- ◆ MAS – Previous tracking database, which some staff report is still in use
- ◆ Track It Fast – Custom system by Coronaco Consulting, designed to serve as interim database for MAS to CRM transition

As described later, the use of multiple data systems causes difficulties.

SoCalGas staff have also suggested online customer applications , both in the current process evaluation and in prior process evaluation studies. In general, the use of online applications or submittals in various industries has increased greatly. However, it has not translated to utility energy efficiency programs as quickly, in part due to legal concerns over the requirement of “wet” customer signatures.

### 3.2 DATA COLLECTION ACTIVITIES

Through the process evaluation, our research included:

- ◆ Perceptions of data applications effectiveness
- ◆ Data systems expected and actual usage, both short and long term
  - Types of program data elements
  - Types of program data reporting
- ◆ Recommendations for better integration of multiple programs
- ◆ Recommendations to increase software applications effectiveness and its contribution to program results

The following table summarizes data collection activities, including interviews and surveys conducted, and materials reviewed.

Target for Data Collection	Data Collection Mode	Date	Key Research Issues	No. of Data Points	Source of Sample
EE Programs IT Liaison Staff	Interview	May – November 2011	Data systems history, issues, and updates	4 (applies to both SoCalGas and SDG&E)	Sempra project manager
Account Executives	Focus Group	September 2011	Data system usage and effectiveness	8 AEs	Sempra project manager
Segment Advisors	Interview	September 2011	Data system usage and effectiveness	5 SAs	AE Forum
Engineering Staff	Interview	10/24/11	Data system guidelines for AE staff	1	AE Forum
Program Staff	Interviews	May – September 2011	Data system usage and effectiveness	various	Sempra project manager

*Figure 7: IT Evaluation Data Collection Activities*

Because the IT department generally serves both SDG&E and SoCalGas and most issues applies to both utilities, we conducted one evaluation of IT and data management for both utilities. We note if any findings were specific to one utility.

### 3.3 RESULTS AND FINDINGS

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#### 3.3.1 Online Applications and Wet Signature Requirement

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Based on program staff interviews, a frequent request was the use of online applications for better customer communications. This echoes similar requests made by program staff in prior program years. In the past, legal uncertainties surrounding the “wet” signature requirement stymied the ability of management to respond to the online application requests.

In a recent development, SoCalGas is considering piloting an online application for residential energy efficiency programs, with nonresidential programs consideration occurring afterwards. While this is good progress, we caution treating the on-line applications the same as paper copies (printing them out), and therefore not taking advantage of many on-line features that could save staff time. For example, the customer types in information, utility staff prints out the application then types the same information into CRM, instead of standard fields being automatically uploaded.

A wet signature is no longer required to begin the rebate application process (for Deemed) at SoCalGas. However, a wet signature is still required for closing out a rebate. In the Calculated program, SoCalGas recently combined the Letter of Interest document with the Customer Application, eliminated the Final Incentive Worksheet, and no longer requires wet signatures.

#### 3.3.2 Increasing Reports of Software Defects

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From both the IT and program staff, there has been a growing list of system defects and enhancement requests. For CRM, there are over 300 items on the enhancement/defect list related to Energy Efficiency programs. For the Business Warehouse application, there are over 80 production report defects - 27 classified Severity II, 47 classified Severity III, and 8 classified Severity IV. Many Business Warehouse defects are 2-3 years old - 4 detected in 2008, 18 detected in 2009, 58 detected in 2010, and 2 detected in 2011.<sup>2</sup>

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<sup>2</sup> These defects are combined for SoCalGas and SDG&E, because IT staff currently serve both utilities.



This trend signifies the limitation of utility IT staff to respond in a timely manner to defects, as well as their inability to provide greater support for enhancement issues.

### 3.3.3 Data Silos

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The intent of CRM was to streamline customer data applications and allow program staff easier access and manipulation of customer data. However, in almost all interviews with program staff, there was widespread discontent with the limitations of the CRM system in meeting their data analysis needs. In particular, data analysis needed to regulatory requests, such as performance metrics, was difficult to complete in CRM alone. Program staff often import CRM data, merge with data collected in other applications, and then conduct the data analysis. Many program staff, including managers and engineers, also have their own “homegrown” workbooks to track additional information. The results of the analysis would then be stored outside of CRM, creating further “silo-ing”.

Some of the challenges we identified overlap with comments made by an unrelated, 3<sup>rd</sup> party review of CRM<sup>3</sup>, which reported:

- ♦ “Business Warehouse reporting solution for CRM is limited in its ability to support the needs of the business” – data latency, accuracy, integrity, performance, and flexibility.
- ♦ Several concurrent IT projects is “resulting in fragmented solutions and architecture silos”.
- ♦ “Data model underlying the current reporting solutions for energy efficiency does not reflect leading practices and is not sustainable”.

### 3.3.4 Custom versus Standard

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During the CRM application development phase, the management intent was to create a more integrated system, with the least amount of disturbance to already established program processes. This translated into a custom CRM application that mimicked prior systems and processes instead of utilizing more standard “out of the box” software capabilities. While this was well intentioned to lessen program staff burden during the software application change was done with the best intentions, there has been negative ramifications when coupled with other program issues. Most notably, the issues surrounding additional regulatory reporting requirements determined after the CRM system design compounded with CRM limited design application has created frustration among program staff. Since the decision was made for a custom CRM application, many

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<sup>3</sup> Business Intelligence Assessment, May 2011, by Accenture.

software programming changes required after initial design has required greater IT staff support, as well as CRM vendor support. Additionally, CRM vendor support is limited for custom CRM application, placing greater burden on the internal IT staff.

Recommendations from IT staff included a CRM “out-of-the-box” upgrade to leverage more standard functionality, which would allow for greater vendor support. While the initial burden on program staff may occur, a standard CRM application will allow for IT staff to provide faster and greater programming for additional data reporting requests.

### 3.3.5 Integrate Data Applications

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As noted in the section introduction, there are multiple customer data reporting systems (CRM, Business Warehouse, Track It Fast, SMART, etc.) used throughout the energy efficiency portfolio. In addition, there are important customer data stored in other applications/systems that are not integrated with the other customer data systems. For example, customer audit data, marketing research, and customer leads are each stored separately, hindering program staff from using this information. Because some of the workbooks were developed by individual staff, this information could also be lost entirely, or misinterpreted, if the staff member leaves or changes positions.

While the initial CRM system development eliminated a number of legacy applications, further steps can be taken to integrate even more program data needs. For example, SMART is a separate system utilized by third-party program implementers. A standard CRM capability allows for a portal for external clients to import and export data (in other words, for someone outside SoCalGas to access the data).

Similarly, Track It Fast withstood the initial CRM development, because its design and usage won favor with AEs and program staff. While some may find it easier to use than CRM, it is critical that all data be tracked in one system, and SoCalGas senior staff have indicated that CRM will not be replaced. Integrating Track It Fast into CRM will require that CRM provide the same level of usage ease and data capability. We recommend IT staff document what Track It Fast processes are particularly appealing to program staff in order to see how a CRM report can replicate the process. This way, the underlying CRM data structure remains intact, while customization requested by program staff could occur under a programmed CRM report.

Similarly, the program operation reporting conducted under the Business Warehouse application can be migrated to CRM. This include opportunity reports, pending credit memos, inspections, and processor productivity.

### 3.3.6 IT and Program Coordination

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In the CRM application design phase, careful planning was conducted. This included deciding what data are required, how the data will be used, who will use the data, and how the data will flow internally and externally, including communications with other

entities. This was a collaborative process between IT Liaison staff, program designers, and regulatory staff. The goal was to design an application that allows the ability for multiple entities to mine and contribute to the same data source.

Planning and coordination should continue past the initial design phase. As changes in staffing, program design, and regulatory requirements continue to evolve, so should the data applications used by the program. Data meetings should occur on an annual basis, to determine if changes are needed.

Also, adequate funding and staffing with clearly defined roles and responsibilities is required for development and ongoing maintenance of the data systems. However, as noted in the earlier section about data defects, IT staff resources are limited, despite the continuing need for enhancements.

### 3.3.7 Flexibility and Growth Capabilities

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Based on the continuing evolution of programs and regulatory requirements, it is important that any data applications be similarly fluid. It is of vital importance to build expansion capabilities into the fundamental design to accommodate a dynamic system. There should be a plan for future expansion, such as expanding a data field from one element to multiple elements. Expansion must be carefully addressed because of the potential ramifications of concept migration: the change of an idea or concept over time through growth or change to the system. This becomes problematic when comparing data across time if the meaning of a particular element has changed while its name or representation has not.

Thus, management must address IT architecture flexibility in IT vendor contracts to allow for system upgrades and room for expansion to accommodate requirements common to provider-specific issues, user groups (multiple sites, such as third-parties or local government partnerships), or state-based directives. Vendor contracts should be written to allow for support for a one to two year timeframe following initial implementation.

### 3.3.8 Provide ongoing education and training for all staff

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To ensure consistency of understanding, application, and use of data, it is imperative to provide ongoing education of data applications. While most staff reported that they did need further education and training on CRM, program staff often created work-arounds using alternate applications (such as MS Excel) that could have been created in CRM reports. This signals on-going education on the CRM usage could be further addressed. Also, guidelines and manuals should be addressed from the user level. As the CRM application was introduced to staff, there was a wide range of user understanding. In one staff group, most individuals relied on the most knowledgeable staffer to answer CRM application questions. This prompted the staff to create a customized CRM manual that addressed the common and most frequent questions asked by the group members.

Given the range of staff types (program manager, account executives, engineering, regulatory, etc.) using CRM and other data applications, training and manuals should consider how shared data applications are used for each group and customize educational materials based on their most common uses.

### 3.4 CONCLUSIONS AND RECOMMENDATIONS

Issue	Issue raised in 06-08 Process Evaluation?	Consequences	Steps SoCalGas is taking to address Issue (if any)	Additional steps we recommend	Difficulty in Addressing (H/M/L)	Value in Addressing (H/M/L)
Staff and vendor requests for online applications	Y	<ul style="list-style-type: none"> <li>Slower communication with customers</li> <li>SoCalGas staff must manually enter all application information, which is time consuming and can lead to data entry errors, inconsistent reporting</li> <li>Vendors cannot track projects</li> </ul>	<ul style="list-style-type: none"> <li>Piloting online application for residential programs</li> </ul>	<ul style="list-style-type: none"> <li>Development of online applications for nonresidential programs. Suggest starting with a simpler program, such as Deemed.</li> <li>Use capabilities of an online application, such as automatic transfer of information from application to CRM</li> <li>Allow online access for customers and vendors to see application status (possible with standard CRM)</li> </ul>	H	H

Issue	Issue raised in 06-08 Process Evaluation?	Consequences	Steps SoCalGas is taking to address Issue (if any)	Additional steps we recommend	Difficulty in Addressing (H/M/L)	Value in Addressing (H/M/L)
Lack of staff and vendor support for custom CRM application	N	<ul style="list-style-type: none"> <li>Difficulty responding to reported defects and requested enhancements</li> </ul>	<ul style="list-style-type: none"> <li>Moving towards implementation of CRM upgrade 7.0</li> <li>Following upgrade, plan to transfer to out-of-the-box capabilities</li> </ul>	<ul style="list-style-type: none"> <li>Plan for greater resources towards internal IT support</li> </ul>	M	M
Continued existence of data silos, and data is included in CRM, but staff cannot pull reports to make use of it	Y	<ul style="list-style-type: none"> <li>Difficult to share data across groups</li> <li>Staff time used in creating “work-arounds”</li> </ul>	<ul style="list-style-type: none"> <li>Eliminated a number of legacy applications with CRM, but others still exist</li> </ul>	<ul style="list-style-type: none"> <li>Continue transfer of legacy applications into CRM</li> <li>Create CRM reports to meet staffing data analysis needs</li> <li>Additional skilled programmers to create reports and respond to program changes</li> </ul>	H	H
Application	N	<ul style="list-style-type: none"> <li>“Work-arounds” may</li> </ul>		<ul style="list-style-type: none"> <li>Create easy application</li> </ul>	L	L

Issue	Issue raised in 06-08 Process Evaluation?	Consequences	Steps SoCalGas is taking to address Issue (if any)	Additional steps we recommend	Difficulty in Addressing (H/M/L)	Value in Addressing (H/M/L)
training and manuals not customized for user needs		occur due to lack of knowledge of CRM capabilities		training manuals, highlighting the most common uses for each type of staffing groups (managers, regulatory, AEs, engineers, etc.)		
Some lack of coordination between IT and programs	N	<ul style="list-style-type: none"> <li>Program IT needs change as programs and regulatory environment evolve.</li> </ul>	<ul style="list-style-type: none"> <li>IT meets with program staff to discuss changes</li> </ul>	<ul style="list-style-type: none"> <li>Plan for greater resources towards internal IT support</li> </ul>	M	M
No automatic notification that application has not progressed		<ul style="list-style-type: none"> <li>Applications can sometimes get stuck in process (e.g., sit in someone's email inbox) without anyone noticing</li> </ul>		<ul style="list-style-type: none"> <li>Determine timelines for each step in application process, then develop automatic reminders if application exceeds limit</li> </ul>	M	H

*Figure 8 - Summary of IT / Database Issues and Recommendation*

## 4. MARKETING

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As part of the portfolio-level program evaluation, the evaluation team reviewed the effectiveness of SoCalGas' marketing efforts. Although marketing evaluation is typically program-targeted, there are company-level researchable issues that were addressed through this portfolio evaluation. In addition, each program chapter presents results of our review of program-specific marketing efforts.

Based on initial data collection and topics uncovered in discussions with SoCalGas staff, the evaluation team identified the following key research issues for this portfolio-level topic:

- ◆ Are customers aware that SoCalGas offers demand side management solutions? How are customers most likely to learn of the program offerings?
- ◆ What is the most effective means for communicating opportunities to SoCalGas' nonresidential customers?
- ◆ Are internal marketing channels (e.g., account executives) and external marketing channels (e.g., energy champions) understood and being effectively utilized?
- ◆ Are there groups of the target population being missed? If so, why and what can be done to meet that gap?
- ◆ Is the sector-based approach to targeting and serving customers effective?
- ◆ Does SoCalGas have sufficient market-based information to market to their customers? Do the segment advisors have sufficient information to target marketing strategies to specific segments?
- ◆ Are programs effectively cross-marketing? If not, why not?

### 4.1 DATA COLLECTION ACTIVITIES

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To cost-effectively research this portfolio evaluation issue, we leveraged data collection activities being completed through other program-specific or portfolio evaluations. These activities included the following:

**Staff interviews** identified roles and responsibilities, internal marketing communications and channels, interactions with customers, how SoCalGas markets to customers, assessment of marketing materials, and areas for improvement.

**Account Executive forum** identified interactions with customers, how they market to customers, assessment of marketing materials, and areas for improvement. (A full forum summary was delivered to SoCalGas.)

**Segment Advisor forum** discussed their marketing initiatives, barriers of marketing by segment, and perception of marketing effectiveness and gaps. (A full forum summary was delivered to SoCalGas.)

**Participant surveys** assessed means for awareness and preferred ways to learn about programs and offerings. Participant surveys also assessed exposure to internal and external marketing channels as well as potential for word-of-mouth referrals to the nonresidential programs.



**Nonparticipant surveys** assessed awareness of SoCalGas' programs in general, means of awareness, and preferred means for receiving information from SoCalGas.

**Participating vendor interviews** were conducted because nonresidential programs are often marketed through the mid-stream channels. Participating vendor interviews assessed means of awareness, preferred ways to learn about the programs and offerings, and opportunities for marketing improvements.

**Nonparticipating vendor interviews** were conducted to assess means of awareness, preferred ways to learn about the programs and offerings, and opportunities for program engagement.

A summary of these activities, including number of respondents for each, are include in the Figure 9.

Target for Data Collection	Data Collection Mode	Date	Key Research Issues	No. of Respondents	Source of Sample
Program Managers	In-depth Interviews	5/5/2011	Marketing activities, roles and responsibilities, adequacy of resources	Approx. 10 (plus other staff)	Sempra Process Evaluation Manager
Account Executives (AEs)	AE Focus Group	9/27/2011	Roles and responsibilities, collaboration with SAs, internal organizational, process, marketing, IT, some program-specific	8 AEs	Sempra Process Evaluation Manager
Segment Advisors (SAs)	Segment Advisor Focus Group	9/27/2011	Roles and responsibilities, collaboration with AEs, internal organizational, marketing, and IT	5 SAs	Sempra Process Evaluation Manager
Customer Surveys - Participants	Telephone Survey	10/11/2011 through 11/4/2011	Marketing, outreach, awareness, participation processes, rebate levels, program-specific	234	SoCalGas program database
Customer Surveys - Nonparticipants	Telephone Survey	10/18/2011 through 11/4/2011	Marketing, outreach, and awareness	82	SoCalGas customer database
Vendors – Participating	In-Depth Interviews	mid 11/2011 through early 1/2012	Marketing, outreach, and awareness, program processes	8	Various resources
Vendors – Nonparticipating	In-Depth Interviews	mid 11/2011 through early 1/2012	Marketing, outreach, and awareness, willingness to participate	9	Various resources

Marketing literature and website review	Hard copy and electronic reviews	11/2011 thru 12/2011	Marketing, website, consistency of messaging, functionality, ease of finding information	Various	Various resources
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*Figure 9 - SoCalGas Marketing: Data Collection Activities*

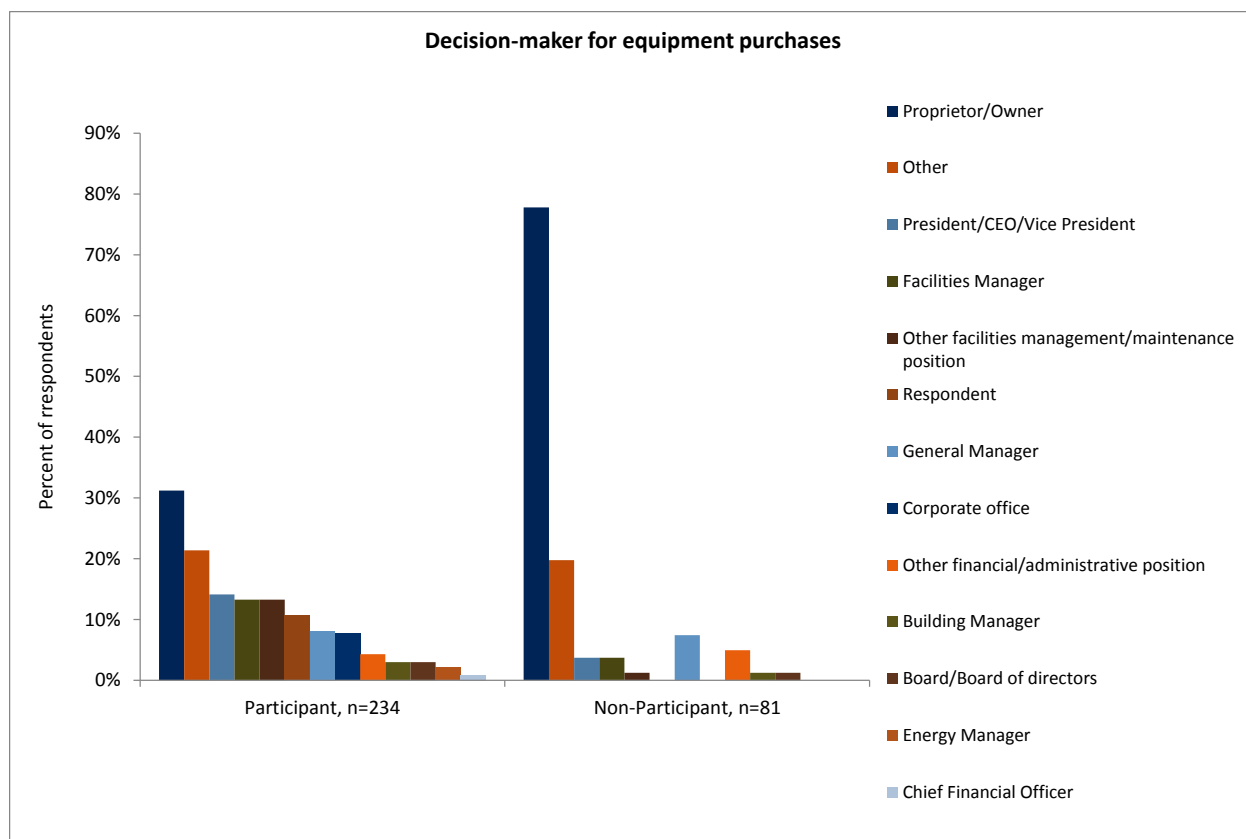
As detailed in Attachment 3A (Data Collection Resources), various SoCalGas customers were removed from the participant and nonparticipant customer sample frames for a number of reasons. In particular, SoCalGas conducts an annual survey of its larger customers and asked that the customers included as part of the 2011 survey be removed. This resulted in many larger customers (assigned accounts) being removed from our survey frame; thus, our customer survey results more heavily reflect the experiences of smaller, unassigned customers. For the nonparticipant survey sample<sup>4</sup>, 24% were unassigned, and 76% were assigned.

Regarding the AE forum: This included AEs representing larger accounts and primarily the industrial sector. Thus, the findings are not necessarily reflective of smaller or commercial accounts.

Many of the participants we spoke with were the ultimate decision makers at their company, the CEO, President, or Owner, as shown in Figure 13. Several others indicated they were the facilities engineer, operations/facility/general manager, director, or vice president. Nonparticipant respondents follow a similar pattern.

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<sup>4</sup> These statistics are for the survey sample (all customers we *attempted* to survey), not the final survey disposition (the customers we actually surveyed).



*Figure 10: Marketing: Self-reported Decision Maker at Surveyed Facilities*

We attempted to contact someone on the SoCalGas marketing team, but outreach attempts went unreturned. We also made requests to review information from the following documents, but were unable to gain access:

- ◆ Strategic Marketing plan
- ◆ Segment Advisor guidebook
- ◆ Major Markets survey results: During this evaluation period, SoCalGas was in the process of updating its own annual tracking survey of major market accounts to assess the effectiveness of marketing and outreach to customers, and to improve SoCalGas' understanding of customers. The report was in draft form at the time of this report, and as such, SoCalGas could not share the results with the evaluation team.

## 4.2 RESULTS AND FINDINGS

This section presents the findings of the portfolio level marketing process evaluation of SoCalGas' nonresidential energy efficiency programs.

#### 4.2.1 Roles and Responsibilities of Staff Involved in Marketing

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SoCalGas has a diverse group of individuals involved in marketing at the portfolio level for nonresidential energy efficiency programs, including:

- ♦ Program managers that are involved in reviewing and directing marketing strategy
- ♦ Account Executives (AEs) who are the on-the-ground sales force selling energy efficiency to the managed accounts
- ♦ Segment Advisors whose role is to provide information that feeds into marketing strategies
- ♦ Legal department, who provides direction on various marketing items, in particular logo use and co-branding

In addition to these SoCalGas staff, the following stakeholders outside of SoCalGas also play a role in marketing

- ♦ Third party implementers who are independent of SoCalGas and are contracted by the utility to deliver specific programs
- ♦ Vendors and contractors who may conduct independent audits, sell equipment, install equipment or controls, and perform maintenance.

##### *Account Executives*

Account Executives (AEs) are intended to serve as the primary channel for program awareness for managed accounts. They are described as the sales force for energy efficiency, and they tend to be protective of their relationships with their accounts. This could in part be due to the fact that AEs feel that all issues reflect on them; in closing comments during the AE forum, one AE noted that because they are the front people for the programs, any problems or delays in the entire process (regardless of whether they caused them) reflect poorly on them and their customer relations. Based on the participating customer survey, responses to customers' awareness by program indicated that assigned accounts are generally hearing about the program from AEs, for programs where AEs are intended to be the primary sources of information (e.g., Calculated).

There are approximately 50 AEs who have both a regional and segment-based focus, and energy efficiency is only one part of their job. Therefore, easy access to information is critical. AEs voiced during the forum that it can be confusing or difficult to obtain marketing materials, up-to-date information, and process applications under their current workload.

##### *Segment Advisors*

According to the Segment Advisors, their role is to identify the needs of each segment, how programs can meet these needs, and how to reach customers. Segment Advisors work with both AEs and program staff to understand the programs and help the programs develop solutions for their segments, and to serve as "information brokers" between program managers and AEs. They hold monthly program manager meetings for program updates, and each segment advisor holds monthly regional meetings with AEs. They also work with the regulatory

group, emerging technology, engineering, and third parties. They are sometimes more involved on the program side – such as assisting with the legwork of adding a new measure. However, most evaluation team members did not see Segment Advisors as playing a key role in day-to-day program activities.

For marketing research and activities, Segment Advisors stated they use ESOURCE reports, trade shows, participation in organizations (e.g., attending meetings or advertising in publications), internet, email, and ERC seminars. They are also attempting to use new approaches (e.g., Twitter, radio to agricultural customers), although some activities are hampered by legal restrictions (see Organizational chapter). They look at segments with a good history with programs, and try to transfer the successful approach. They also use customer visits with AEs, vendors, and consultants to identify needs.

### *Program Managers*

Program managers also play a role in marketing energy efficiency programs. However, because the program manager has primary responsibility for an individual program's design, implementation, management, and delivery of the programs throughout the SoCalGas territory, their time is often too limited to focus much attention on marketing.

### *Others*

In addition to those mentioned above, other SoCalGas staff play a role in marketing. This includes the website development team; the Customer Communications department, whose role includes conducting surveys; service technicians, whose role includes audits (which can feed customers into resource-based programs); and the legal department, which decides the type and format of marketing information that can be presented.

## **4.2.2 Effectiveness of Internal Marketing Coordination**

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From an internal energy efficiency marketing standpoint, there are various groups involved in working with staff to develop energy efficiency messaging to external market actors (customers primarily). The process can be highly iterative and requires considerable collaboration between marketing and program staff.

Having so many different marketing players also means there is potential for miscommunication, duplication of effort, and lack of awareness of the roles of each players (or even knowing that the players exist). For example, many AEs mentioned in the forum that they see little value in having the Segment Advisors help them, although a few noted that they could serve chain or small accounts. This particular comment may be somewhat reflective of the fact that the AEs interviewed tended to represent larger industrial facilities. Also, the Segment Advisors noted that they focus on marketing to customers that the AEs do not contact (e.g., small, noncore customers). Thus, some of the Segment Advisors' work may go unnoticed by other SoCalGas staff (including AEs). Given this, it would be useful for Segment Advisors to continue to collaborate with program staff and AEs to understand the value of their roles and

metrics that would help to supplement AE and program staff metrics. Segment Advisors' support could include milestones for data gathering activities, best practice assessments around marketing energy efficiency to their specific segments, characterization studies of their particular segments to understand barriers to participation, and identifying targeted marketing approaches. (However, as described in the Organizational chapter and the IT and Data Management chapter, Segment Advisors are hindered in their analysis by incomplete and erroneous data in SoCalGas' program and customer databases.)

Ideally marketing would be centralized into one department. However, that would take a level of organizational effort that may not be feasible within the near future. With that in mind, the evaluation team believes that at minimum, SoCalGas should develop and distribute to all marketing staff an organizational chart documenting individuals' roles and responsibilities, and that periodic (e.g., semi-annual) marketing meetings be held by senior staff in each department listed above. (More details are provided in the Conclusions and Recommendations section.) The evaluation team also recommends that an overall "roadmap" be created internally for marketing-related functions, and include topics such as: goals; clarification of roles, processes, and communications channels; position-specific training; knowledge transfer plan; and marketing and branding protocols for third party implementers. For example, the roadmap would include the utility's shared mission and outline how to engage and schedule projects through various departments. Once this roadmap is completed, it should be shared with other appropriate internal groups.

One of the elements that Segment Advisors and AEs believe cripple their ability to better target and market to customers is the lack of consolidated and complete customer information. For example, while Segment Advisors should be segment-specific, there seems to be segment characterization confusion in SoCalGas tracking data. SoCalGas does not appear to have a good designation of segments (e.g., there is a "misc Manufacturing" segment, which could be a variety of NAICS), and half of the customer therm use is not accounted for in these segments.

Additionally, SoCalGas maintains customer data in various electronic data sources (discussed in the portfolio level IT section of this report). Segment Advisors have been working to mine those various data sources to better characterize the participating and nonparticipating nonresidential population. One Segment Advisor reported receiving monthly reports of project activity, which helps in marketing planning, but they "had to work to have it sent." Most Segment Advisors do not receive this type of information.

According to AEs, programs change too much, sometimes retroactively, and they are not current with program updates. For example, there tends to be more communication happening word-of-mouth rather than systematically (customers at times will inform them of changes). One suggestion would be a distribution list, to notify AEs of program updates. The evaluation team has found this helpful for some utilities' programs, if the distribution is sent systematically and not buried in email boxes.

### 4.2.3 Unassigned Accounts Activity

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AEs describe that the majority of the nonresidential customer base is not assigned. Unassigned accounts were described by AEs as being “on their own” and less likely to receive rebates since the AEs conduct the bulk of the work to complete applications for their customers. This may represent lost opportunities for programs, particularly for those unassigned accounts who are larger energy users. Segment Advisors interviewed also saw this group as a missed opportunity and were conducting some research to characterize that population.

One staff group felt that high energy users are not being contacted by AEs: they believe there are approximately 1,000 large customers are not being contacted by AEs. If these accounts were being contacted, it could have a significant impact on program participation. This group mentioned there is variability in the level of AE interest in energy efficiency, likely due to competing priorities, and could be a reason why so many accounts are not being contacted.

#### *Marketing Strategies*

From a marketing perspective, there may be inherent differences in these unassigned accounts. SoCalGas staff have conducted segment-level analysis on the small and medium customers, who tend to be unassigned accounts. This analysis verifies that these customers’ business types are most likely to be retail, offices, hotels, motels, and restaurants, whereas managed accounts tend to be manufacturers and process industries. Further in this section we detail differences in unassigned accounts in terms of their view of their primary energy use.

The challenge of dealing with smaller, unassigned accounts is not unique to SoCalGas. Even program evaluations for mature programs, such as Focus on Energy implemented in Wisconsin, have continually included recommendations to find ways to target smaller, unassigned, nonresidential customers. These customers’ barriers to implementing energy efficiency can be considerably different than the larger accounts. They are more likely to lease their facilities and less likely to have staff capable of or comfortable with specifying equipment. They may also have different levels of capital funding constraints due to a lower level of revenue.

#### *Staff Devoted to Unassigned Accounts*

AEs and Segment Advisors both discussed the possibility of having a staff or two devoted to marketing to the unassigned accounts. Segment Advisors, at the time of the forums, were in the process of characterizing those customers, in an attempt to consider marketing strategies in the absence of devoted staff.

Xcel Energy in Colorado has recognized that unassigned accounts as a group are underserved, and has attempted to overcome this issue through a group specifically designed to target the nonmanaged (i.e., unassigned) accounts. The utility has assigned two to three staff to market to and serve the nonmanaged accounts. At the time of the assessment, the utility was still in the process of refining the role and determining the best approach to marketing to these customers.

#### 4.2.4 Vendor Engagement and Support

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Vendors have the potential for serving as a good source of program awareness for customers, and be highly influential in customers' decision-making processes. However, SoCalGas has not aggressively pursued vendor collaboration (e.g., formal vendor participation agreements for many programs, or providing direct support to vendors). Recently, a new role was created at SoCalGas to recruit vendors, primarily for the Deemed (EERB) program. As described in the Conclusions and Recommendations, the evaluation team recommends expanding this effort. But as shown later in this section (Figure 12), vendors are not a major source of program awareness currently for customers.

The vendor interviews probed on awareness of SoCalGas programs and their level of participation in programs. As shown in Figure 9 above, the evaluation team interviewed 8 participating vendors and 9 non-participating vendors. (By 'participating' vendors, we refer to vendors (or contractors) that have a formal participation agreement with SoCalGas through the Deemed (EERB) program, or that have installed equipment that received an incentive through a program without a formal participation agreement (e.g., Calculated).) The evaluation team wanted to interview more vendors, but some programs only had a small number of participating vendors, and SoCalGas staff only provided a few nonparticipating vendors. The nonparticipating vendor results are limited given the small number interviewed.

Participating vendors are aware that SoCalGas offers several energy efficiency programs. Many of the participating vendors interviewed mentioned first hearing of programs through a utility contact, such as an AE. Once engaged, participating vendors in the Calculated program expressed a desire for more technical assistance or assistance with promoting the programs. Vendors serving the Deemed program reported SoCalGas provided enough support on program processes. In general, vendors for both programs asked for SoCalGas assistance with promoting program. For example, SoCalGas could consider providing online calculators to engage vendors.

Only a small number of the nonparticipating vendors are aware of SoCalGas' energy efficiency programs. Furthermore, many vendors feel customers are often unfamiliar with program offerings. Increasing marketing and communication efforts will eventually yield better participation counts, as both customers and vendors are more informed about opportunities to reduce the incremental costs associated with upgrading to high efficiency equipment. One vendor suggested SoCalGas send out an updated list of what is offered, through regular email communications, so vendors are aware of program changes. SoCalGas could also hold information meetings or networking events, as well as include updated information in hard copy newsletters.

Another common method for vendors (both participant and nonparticipant) to learn about programs is through third parties. Therefore, the utilities should continue to engage third parties in the marketing process. In addition, vendors suggested that the cooperation between third parties and the utilities was sometimes lacking. This suggests that the utilities should work to partner with third parties, especially due to their role in marketing.



### *Program Communications and Support*

Vendors had varied opinions on the effectiveness of program marketing and communications, and many felt that customers were often not aware of program offerings. Vendor interviews indicated that program communication appears inconsistent.

Some participating vendors expressed confusion about basic program elements and frustration over program changes. One Deemed (EERB) participating vendor was frustrated with the constant, substantial changes made to the program and stressed the need for consistency and simplicity. Their customers found the program confusing due to the constant changes.

### *Vendor Marketing Support*

Some participating vendors noted they would like SoCalGas to provide them with more marketing support. These particular respondents pointed to a lack of marketing materials, and those that reported that materials existed indicated that they are ‘constantly changing.’ This points to the need to provide consistent marketing materials (including the website) to vendors to help them market effectively. One vendor noted that SoCalGas does not market now, so anything would be helpful.

A few nonparticipating vendors suggested adjusting the marketing strategy to illustrate the potential competitive benefits of earning a rebate for a customer. These particular nonparticipating vendors are under the impression that if a program does not provide a spiff directly to the vendor, that the program provides ‘no incentive’ for them to participate. Nonparticipating vendors suggested it has to be worthwhile for them to sell the equipment to the person that is getting the rebate. Program marketing to vendors may go a long way to gaining participation. The programs need to show the vendors that they are going to serve their customers better and get more business by selling premium efficiency equipment.

One nonparticipating vendor expressed concern that the programs are too complex, and noted that they have other priorities that make it too difficult to keep up on the programs. A few nonparticipating vendors expressed concerns that the effort required to earn a rebate for a customer was not worth the payoff. SoCalGas could allay these concerns through marketing to vendors, which may go a long way to gaining participation. One nonparticipating vendor noted that there is no competitive edge to promoting the program. They include qualifying equipment as part of the proposal, and encourage their customers to contact SoCalGas directly.

These issues point to a general need for more personalized service to vendors as a supplement to marketing efforts, perhaps through an increase in the level of support provided by AEs or by SoCalGas’ dedicated vendor outreach staff. By providing more personalized service, vendors would be able to participate more effectively.

Additionally, some nonparticipating vendors would generally prefer to be more aware, or at least aware, of these programs prior to engaging with their customers. These nonparticipating vendors perceived that their customers had a higher level of awareness of programs than they did. This could stem from the inadequate level of communication between some vendors and SoCalGas staff.

Finally, some participating vendors pointed to the lack of understanding among customers as to the benefits of installing high-efficiency equipment. As a result, these particular vendors have to struggle with the over-arching factor of up-front cost, without the counter-balance of short payback period and future savings. SoCalGas could assist in this regard by marketing more effectively to customers regarding the benefits of high efficiency equipment, as well as to the types of programs that exist to help them save money. The utility could provide segment-specific case studies, issue quarterly electronic newsletters with updated program information, and even train call center staff to talk to customers during calls about program options.

#### 4.2.5 Customer Program Awareness

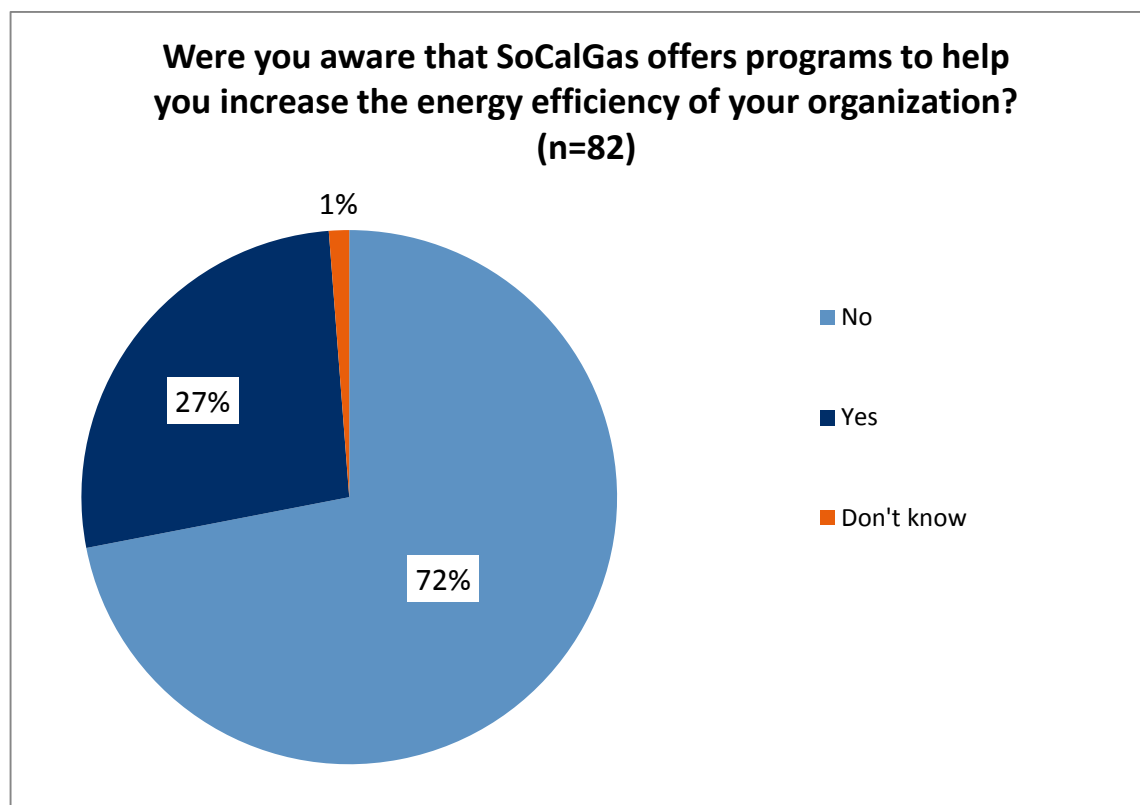
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The evaluation team researched whether nonresidential customers were aware of SoCalGas' nonresidential energy efficiency program offerings, how they became aware of program, and their marketing preferences. Figure 11 shows that only one in four (27%) of nonparticipating customers are aware that SoCalGas offers energy efficiency programs. In addition, nonparticipants tend to have heard about programs through different channels than participants, in particular SoCalGas print media. SoCalGas should ensure they are employing various marketing channels, including vendors, to help raise awareness.

Results of both the customer surveys show that both participants and nonparticipants prefer to be contacted by email. As described in section 10.4, email blasts can be a cost-effective means of contacting customers.

In reviewing the survey data to compare awareness between those who do have an AE assigned and those that do not have an AE assigned, awareness levels are higher among those with an AE—for those who have an AE, 41% are aware of programs; for those who do not have an AE, 21% are aware.

In sampling customers for the survey, we were limited by several constraints, including: We could not survey customers that had been recently surveyed or would soon be surveyed, by SoCalGas; many assigned customers were thus unavailable. Some segments have only a few, large customers (e.g., petroleum). Also, AEs requested we remove some customers from the sample. Thus, the surveys were skewed more towards unassigned accounts (e.g., nonparticipant survey sample had 24% assigned, and 76% assigned), and segments with only a few respondents (e.g., petroleum facilities) were not well represented.



*Figure 11: Marketing: Nonparticipants' Program Awareness*

As shown in Figure 12 below, the majority of participants in Core programs first learned about the program from AEs. For Deemed, other awareness channels include vendors (23%), SoCalGas website (8%), Other (8%), other (non-AE) SoCalGas staff (7%), could not recall (5%), and colleague (4%).

Program	Contractor/ retailer/ supplier/ vendor	SoCalGas Account Executive
Deemed (n=167)	23%	34%
Audit (n=39)	8%	69%
Calculated (n=28)	7%	61%

*Figure 12: Marketing: Awareness Channels for Participants by SoCalGas Core Program*

#### 4.2.6 Marketing Channels

Both participants and nonparticipants were asked about their preferred energy efficiency information channels. Figure 13 shows that the preferred method to receive information for *participants* was other media sources, which primarily consists of emails from SoCalGas. The preferred method for *nonparticipants* to receive program information was mailings from SoCalGas. The second preferred method for participants was to hear from their AE (20%) and

for nonparticipants was an email from SoCalGas (33%). SoCalGas AEs were low on the preference list for nonparticipants (4%). While many of the vendors promote various programs on behalf of the utilities, this customer data does imply that end users prefer to hear about programs directly from the utilities.

Preference in receiving information	Participating Customers (n=234)	Nonparticipating Customers (n=78)
Bill inserts, email, media	58%	33%
SoCalGas Account Executive	20%	4%
SoCalGas mailing (hard copy)	12%	64%
SoCalGas website	5%	0%
SoCalGas call center	1%	3%
Conference Trade show	1%	0%
Contractor/retailer/supplier/vendor	1%	0%
Other SoCalGas staff	0%	6%
Colleague / Peer	0%	0%
Other	1%	8%
Do not know	1%	0%

NOTE: Respondents could provide more than one answer, so the total percent is more than 100%.

*Figure 13: How Customers Prefer to Hear About Programs*

Although customers say their preferred method to receive information regarding energy efficiency programs is via email and mailings (and this may be a useful marketing tool), that is not to say that those are the most *effective* messaging mediums. It is not uncommon in surveys such as these to hear that customers prefer to receive information through these more passive marketing strategies. For example, few program participants said they first heard of the program through mailings or emails; rather, the majority said they heard about the program through personal encounters such as via the AE or vendors. Email and mailing marketing should be used to supplement the more influential in-person marketing initiatives. Also, the strategies of email and AEs are not mutually exclusive; AEs sometimes contact customers through email.

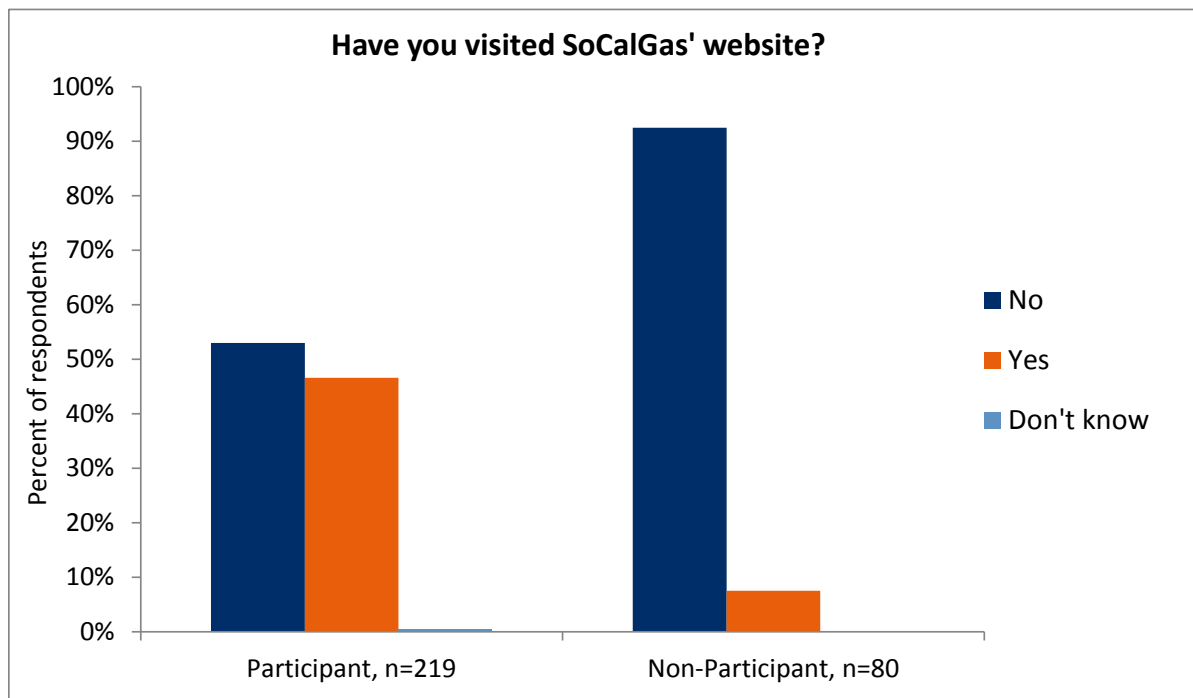
Marketing staff are already considering the potential for using emails more extensively to market to nonresidential customers. However, this effort is made more difficult in that the utility does not track emails in its customer or program database. AEs are an obvious source for obtaining the best email information for assigned accounts and can send out strategic marketing emails to their accounts. The unassigned accounts' email addresses will be more difficult to obtain. One strategy would be to add a check box on the on-line bill pay function, for customers to receive information about energy efficiency programs through email. For medium and large accounts, one challenge will be that the person paying the bill is not the decision maker. But for small accounts, it may be the same person. Also, SoCalGas could allow for a different email address to be input next to this box.

### *Website Redevelopment and Use*

One strategy for communicating program information is through the SoCalGas website. Both AEs and segment advisors believe that keeping the website up-to-date is critical. However, one staff group noted that there are limited website offerings, and any change can take a long time. This group believes there are too many controls adding little value, and too many people approving material. The AEs believe that customers and vendors become frustrated when the information on utility websites do not match what they have been hearing. It is important for SoCalGas to keep their website updated, which should help mitigate this issue. As important progress, the website was updated at end of 2011.

Based on our customer survey, about half of participants (53%) and almost all nonparticipants (93%) have not visited SoCalGas' website for program information (see Figure 14).

In the evaluation team's discussions with various program staff, we heard that it was challenging to find energy efficiency program information on SoCalGas' website. This may be one reason why so few respondents have tried to go there for information. Other reasons for lack of website visits could be that most participants may have secured other sources to get this information, and nonparticipants may not realize program information is available there.



*Figure 14 - Marketing: Customers' use of SoCalGas Website*

Assigned account participants are less likely to say they viewed the SoCalGas' website than unassigned accounts (32% assigned accounts, compared with 52% unassigned accounts). This finding presents an opportunity for AEs to inform customers about energy efficiency programs offered by SoCalGas through the website.

### Marketing Collateral

AEs expressed interest in *concise* marketing materials to provide to customers. They indicated that a two-page (front and back) color document with one paragraph on each program would be useful; more information than that would be too much. As noted above, they feel customers would benefit from improvements to the website, especially in regards to navigation.

### Decision-making

Many of the participants we spoke with were the ultimate decision makers at their company, the CEO, President, or Owner (Figure 15). Several others indicated they were the facilities engineer, operations/facility/general manager, director, or vice president. Nonparticipant respondents follow a similar pattern.

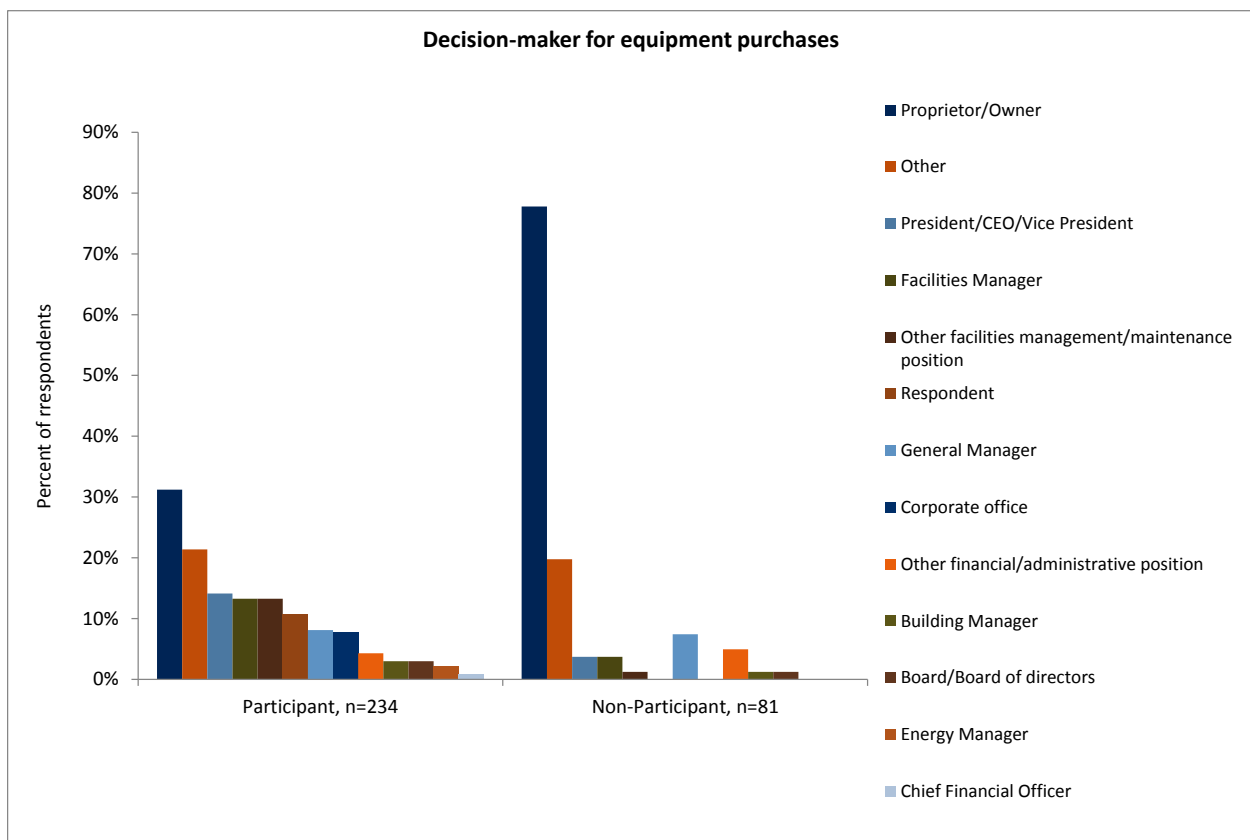


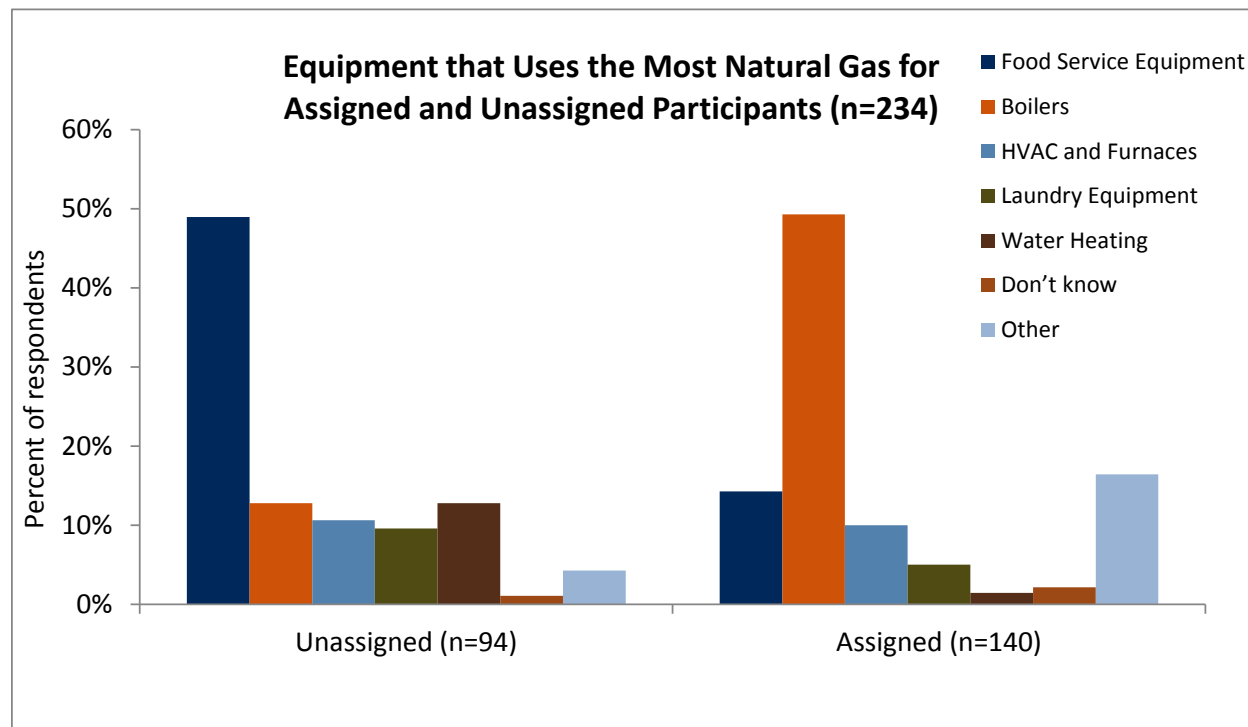
Figure 15 – Marketing: Decision-Maker for Equipment Purchases

### Energy Using Equipment

The equipment that uses the most natural gas varies for assigned accounts versus unassigned accounts. Assigned accounts are most likely to report that boilers are a high natural gas user

within their facilities and therefore have significant therms savings opportunities. AEs should focus on promoting these technologies, whether it be through retrofits through Calculated or Deemed, or even through the Audit program.

The most gas-intense equipment reported by unassigned accounts are food service equipment, followed by water heating equipment. This information indicates that any programs targeted at smaller or unassigned accounts should include food service equipment and water heating measures.



*Figure 16– Marketing: Participating Customers’ Natural Gas Equipment Use*

Nonparticipant customer survey responses show a similar trend as participating customers. Unassigned customers are most likely to say their food service equipment uses the most natural gas (29%). However, the assigned accounts that are not participants are more likely to demonstrate more even distribution of reported equipment that uses the most natural gas (boilers are reported by 15%, food service equipment is reported by 19%, and pumps are reported by 19% of assigned nonparticipants). Note however that the sample sizes are very small for these assigned nonparticipants, so the data should be viewed with caution.

In terms of potential for future projects, unassigned accounts were significantly less likely to say they were planning any repairs or replacements to their equipment in the next two years. This trend was the same for both participating and nonparticipating customers surveyed.

### 4.3 CONCLUSIONS AND RECOMMENDATIONS

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SoCalGas has made some substantial modifications to their approach to and delivery of marketing of their energy efficiency programs. They are moving away from a program-level marketing approach to a sector-level marketing approach. The Segment Advisor group continues to explore ways to engage customers. And the SoCalGas website, which some viewed as ineffective in communicating energy efficiency program information to customers, was updated at the end of 2011.

The majority of customers said they recall hearing of the program from an AE. For the Deemed (EERB) program, customers also reported hearing about the program from vendors, the SoCalGas website, other SoCalGas staff, and peers.

From an internal marketing perspective, there are multiple groups that are responsible for developing marketing strategies and creating the materials to communicate that vision. Key to uniting the various marketing staff, SoCalGas should provide more clear-cut direction about roles and responsibilities. This effort should include producing an organization chart, or possibly developing a RACI chart (described in the Organizational chapter) for marketing responsibilities. Additionally, some groups do not have well-defined roles and responsibilities, including a lack of metrics such as website hits and new program recruits, to benchmark their performance. In part, this leads to disconnect between program enrollment and savings and the money that is spent on marketing. Assigning metrics and having them tie in to their respective activities (e.g. interactions with AEs) would be useful.

We believe that keeping the SoCalGas website up-to-date on program information should be a high priority. As a secondary goal, the AEs felt that more professional collateral would be useful, including basic (one-page), but up-to-date information on core programs. One potential solution to this issue is to have a repository of the most up-to-date marketing collateral. It would be most efficient to have one central department be responsible for obtaining the most recent approved marketing collateral and, along with program staff input, organize the collateral for AE use, such as by technology, rebate/incentive, and target market.

Many of the same issues that were uncovered in the 2006-2008 process evaluation of SoCalGas' nonresidential programs appeared again in the 2010-12 process evaluation, including:

- ◆ Lack of strategic marketing plan and "overall portfolio roadmap."
- ◆ Account Executives are the key avenue for identifying leads for the programs, as well as conducting essential customer follow-up as projects are identified, yet they do not appear to be properly informed to be successful in these roles.
- ◆ Continued use of targeted, direct marketing with links to an improved website is needed to increase awareness of and facilitate participation in SoCalGas' energy efficiency programs.

The evaluation team identified many similar portfolio-level marketing issues, and a few new issues, including working to better leverage vendors:

- ◆ Internal organizational structure and personnel issues impede effective portfolio marketing. Many of the program staff interviewed were recent additions to their



position, and there is no formal system to transfer institutional knowledge. In some cases, staff members did not have a clear understanding of one another's roles and how to coordinate with one another for better efficiency.

- ◆ Similar to the previous process evaluation, additional internal and external challenges that impede coordinated program delivery success include:
  - Complications in co-branding among utilities, third parties, and other external market actors (e.g., air quality organizations, water agencies, vendors, etc.).
  - Programs do not appear to be making effective use of targeted marketing lists.
  - Because of the lack of overall marketing roadmap and only recent outreach to vendors, much of the upstream and midstream channels (e.g., manufacturers, vendors) are not being effectively utilized.
- ◆ Finding energy efficiency program information on the SoCalGas website is challenging, including locating programs offered through third party vendors.
- ◆ Many participants will not take the time to fill out paperwork on their own, highlighting the importance of an AE, vendor, or third party implementer. This poses a challenge for unassigned accounts or smaller customers that AEs deem not worth their time.

Recommendations for improving these issues include:

- ◆ The website group should provide regular communications to AEs and Segment Advisors regarding website update plans, as a regular report or email. The website group should work with program staff to ensure information is accurate.
- ◆ SoCalGas' marketing department should work more closely with AEs to create collateral that would be useful to them. Ensure both groups have a solid understanding of what is allowed and not allowed, per legal requirements.
- ◆ Reduce barriers between AEs and other SoCalGas staff:
  - Hold periodic check-in meetings with program managers, the website and legal groups.
  - Clarify Segment Advisors' roles with senior staff, and compare against AE's understanding.
- ◆ SoCalGas staff has tried to build relationships with vendors, particularly for industrial equipment. Staff see great potential for this type of activity, in trying to build vendor relationships, but needs the right staffing resources to make it happen. There is one dedicated staff member for this outreach, but we recommend providing more staff support for this role.
- ◆ Given that only 27% of nonparticipating customers were aware of SoCalGas' energy efficiency programs, SoCalGas should consider marketing programs in a variety of ways (e.g. through vendor channels, emails), particularly for unassigned accounts (the majority of customers in the nonparticipant survey).

The following figure shows a summary of the key issues and recommendations noted above.

Issue	Issue raised in 06-08 Process Evaluation?	Consequences	Steps SoCalGas is taking to address Issue (if any)	Additional steps we recommend	Difficulty in Addressing (H/M/L)	Value in Addressing (H/M/L)
Lack of strategic marketing plan and “overall portfolio roadmap”	Y	<ul style="list-style-type: none"> <li>Some “silo effect” amongst different SoCalGas marketing departments, with some marketing staff unaware of marketing efforts occurring elsewhere at SoCalGas</li> <li>Leads to significant inefficiencies and inconsistencies in program marketing and communications</li> <li>Lack direction in on how programs relate to one another</li> </ul>	<ul style="list-style-type: none"> <li>Segmentation introduced to SoCalGas around 2008</li> </ul>	<ul style="list-style-type: none"> <li>Create a comprehensive plan and share across all staff involved in marketing</li> <li>Clearly outline the roles and responsibilities of key marketing players, with a RACI chart</li> <li>Develop as a collaborative initiative amongst all internal groups involved in implementing or marketing programs</li> <li>Implement periodic (e.g., semi-annual) marketing meetings for all SoCalGas staff working on marketing related activities</li> </ul>	M	H
AEs do not appear to properly informed on all program updates	Y	<ul style="list-style-type: none"> <li>AEs miss energy efficiency awareness and participation opportunities</li> </ul>	<ul style="list-style-type: none"> <li></li> </ul>	<ul style="list-style-type: none"> <li>Continue to work on a process for better communications and training</li> <li>Add more effective marketing material to the mix</li> <li>Create a central portal to house up-to-date program materials and</li> </ul>	H	H

Issue	Issue raised in 06-08 Process Evaluation?	Consequences	Steps SoCalGas is taking to address Issue (if any)	Additional steps we recommend	Difficulty in Addressing (H/M/L)	Value in Addressing (H/M/L)
Low participation of vendors in programs (or lack of formal vendor participation mechanism)	N	<ul style="list-style-type: none"> <li>Missed opportunity of increasing customer participation at reduced cost to SoCalGas</li> </ul>	<ul style="list-style-type: none"> <li>SoCalGas created 1 staff position responsible for reaching out to vendors</li> </ul>	<p>information, managed by one central source/ department</p> <ul style="list-style-type: none"> <li>Strategically target both nonparticipating vendors and those that sell/ install high efficiency equipment via networking events, quarterly newsletters, free technical trainings, referrals from other customers</li> <li>Leverage vendors to reach unassigned accounts by incentivizing with referral fees, providing awards (and awards ceremony/ press events), offer sales/ outreach training</li> </ul>	M	H

Issue	Issue raised in 06-08 Process Evaluation?	Consequences	Steps SoCalGas is taking to address Issue (if any)	Additional steps we recommend	Difficulty in Addressing (H/M/L)	Value in Addressing (H/M/L)
Vendors are unaware of programs, and if they are aware, many do not know how to promote energy efficiency to their customers	N	<ul style="list-style-type: none"> <li>Lack of effective use of upstream and midstream market actors</li> <li>Lower program participation numbers</li> </ul>	<ul style="list-style-type: none"> <li>SoCalGas created 1 staff position responsible for reaching out to vendors</li> </ul>	<ul style="list-style-type: none"> <li>Host vendor outreach activities</li> <li>Add utility staff to market to vendors and to update them on program changes and provide tips for marketing the programs</li> <li>Direct vendors to a central source of information that provides tools to help promote programs (e.g., energy savings calculators, up-to-date program information)</li> </ul>	M	H
Out of date website, with some broken links	Y	<ul style="list-style-type: none"> <li>Alienating customers, as many forms of customer contact refer them to the website</li> </ul>	<ul style="list-style-type: none"> <li>Website was updated in the fall of 2011</li> </ul>	<ul style="list-style-type: none"> <li>If not already done, mailings and other communications should relay SoCalGas' updated website, referencing the easier to find energy efficiency opportunities</li> <li>Assign responsibility to ensure website information is up to date with appropriate information</li> <li>Provide the website link on all marketing materials</li> </ul>	M	H

Issue	Issue raised in 06-08 Process Evaluation?	Consequences	Steps SoCalGas is taking to address Issue (if any)	Additional steps we recommend	Difficulty in Addressing (H/M/L)	Value in Addressing (H/M/L)
				<ul style="list-style-type: none"> <li>Continue to ensure consistent look and messaging across all programs marketed on the website</li> </ul>		
Shortcomings in databases limit marketing analysis and customer outreach capabilities	<ul style="list-style-type: none"> <li>Customers responded they would prefer to be contacted by email, but databases do not include this field</li> <li>Missing NAICS codes and other fields limit segment analysis and other assessment</li> <li>Missing customer phone numbers limits marketing efforts and surveys</li> </ul>			<ul style="list-style-type: none"> <li>Incorporate email address field in customer and program databases. Obtain email addresses from AEs, and from optional checkbox on on-line bill pay</li> <li>Identify a few key fields (phone number, email, Contractor, NAICS) for all SoCalGas staff to focus on getting correct in program and (where applicable) customer databases</li> </ul>	M	H

*Figure 17: Marketing: Summary of Issues and Recommendations*

## 5. EFFECTIVENESS OF THIRD-PARTY IMPLEMENTATION

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### 5.1 OVERVIEW

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There are many benefits to third-party (3P) programs, including innovation, technological expertise, and reduced burden on utility staff. However, with these benefits come some challenges. Often, utilities have limited control over 3P programs, the utility may not be credited with the program benefits, the processes may be less than transparent, and the utility and implementer may have differing priorities.<sup>5</sup>

In the fall of 2011, the new CPUC Commissioner, Mark Ferron, described several overall goals for energy efficiency programs, including relying more on third party programs. Evaluating the advantages and disadvantages of 3P programs is important if this shift is to occur.

This section presents a review of issues that affect the ability of SoCalGas's third-party non-residential resource programs to deliver energy efficiency goods and services to the marketplace. The cross-cutting issues identified in earlier sections of this report apply to both 3P programs and core SoCalGas programs. However, a review of issues raised through the evaluation of 3P implementation identified five overarching themes that have particular relevance on 3P program implementation.

- ◆ **Savings Goals and Budget Allocation Compared with Core Programs.** We analyzed the budget allocated per energy savings, compared with core programs. However, the ability to achieve savings goals may be subject to market conditions beyond the implementers' control
- ◆ **Coordination.** Coordination and communication processes are more complicated and less transparent since there is a third party involved in interactions between SoCalGas and its customers.
- ◆ **Implementer contracts.** Contractual issues specific to 3P implementers govern all aspects of program implementation. For example, 3P implementers' contracts prevent them from accessing customer data.
- ◆ **Data tracking.** Transparency in data tracking and reporting is critical for program success but can be problematic if databases do not interface. In addition, 3P implementers do not have access to customer data.
- ◆ **Marketing.** The 3P implementer has to market the program without the name recognition or outreach mechanisms the utility provides for its core programs.

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<sup>5</sup> Moran, Dulane, and McRae, Marjorie. 2011 *Arms-Length by Design: Navigating the Pitfalls of Third-Party Implementation*. Proceedings of ASEP Annual Conference.

SoCalGas offers five non-residential 3P resource programs<sup>6</sup>. Note that this evaluation is only based on 2 of the 5 programs, so applicability of results are limited. The team also reviewed summary results from focus groups with AEs and AE managers, Segment Advisors, and transcripts from in-depth interviews with the program managers, segment advisors, and marketing staff that address all 3P programs.

- ◆ Gas Cooling Retrofit (not evaluated)
- ◆ Program for Resource Efficiency in Private Schools (PREPS) – (evaluated)
- ◆ SaveGas – Hot Water Control (evaluated)
- ◆ Upstream High-Energy Gas Water Heater (not evaluated)
- ◆ Small Industrial Facility Upgrades (not evaluated)

## 5.2 DATA COLLECTION ACTIVITIES

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The research team evaluated:

- ◆ Interactions between SoCalGas program staff, AEs and 3P implementers
- ◆ The quality of customer data tracked by 3P implementers
- ◆ The marketing processes used by 3P implementers
- ◆ The measurement and verification practices used by 3P implementers
- ◆ The quality of customer experience across 3P firms
- ◆ The amount of local resources a 3P implementer allocated to SoCalGas programs.

Figure 18 summarizes these data collection activities. Most of these leveraged data collection activities conducted for individual evaluations.

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<sup>6</sup> Tally does not include the local non-residential BID program, even though this program is described as a local program implemented by a third party it functions as a core SoCalGas program .

Target for Data Collection	Data Collection Mode	Date	Key Research Issues	No. of Data Points	Source of Sample	Comment
SoCalGas 3P program managers for PREPS and SaveGas	Kick-off Interviews	5/4/11	Program status, key issues for evaluation, implementer information	2	Sempra Process Evaluation Manager	
SoCalGas 3P program managers for PREPS and SaveGas	In-depth Interviews	9/13/11	Communication with implementer, marketing, data collection and reporting, duplication with other utility programs	2	Sempra Process Evaluation Manager	
Implementer staff for PREPS and SaveGas	In-depth Interviews	9/19/11 and 9/30/11, respectively	Communication with utility, marketing activities, data collection and reporting, quality control, adequacy of resources	2	SoCalGas Program Managers	
Account Executives	AE Forum	9/26/11	Application process with implementers, coordinating marketing	8 AEs	Sempra Process Evaluation Manager	
Segment Advisors	SA Forum	9/26/11	Roles, marketing, interaction with other staff	5 SAs	Sempra Process Evaluation Manager	

*Figure 18 – SoCalGas Third-Party Implementer Data Collection Activities*

## 5.3 RESULTS AND FINDINGS

### 5.3.1 Savings Achieved Compared with Core Programs

SoCalGas expects to achieve 6% of its non-residential savings through five 3P-implemented resource programs. Figure 19 presents the total budget and savings reported in the EEGA data as of Q3 2011, for all resource-based Non Residential programs, as a percent of the 3-year cycle (2010-12) allocation and projection. The 3P portfolio appears to be well behind core programs in energy savings but close in allocated budget spent, although the energy savings data may not be up to date:



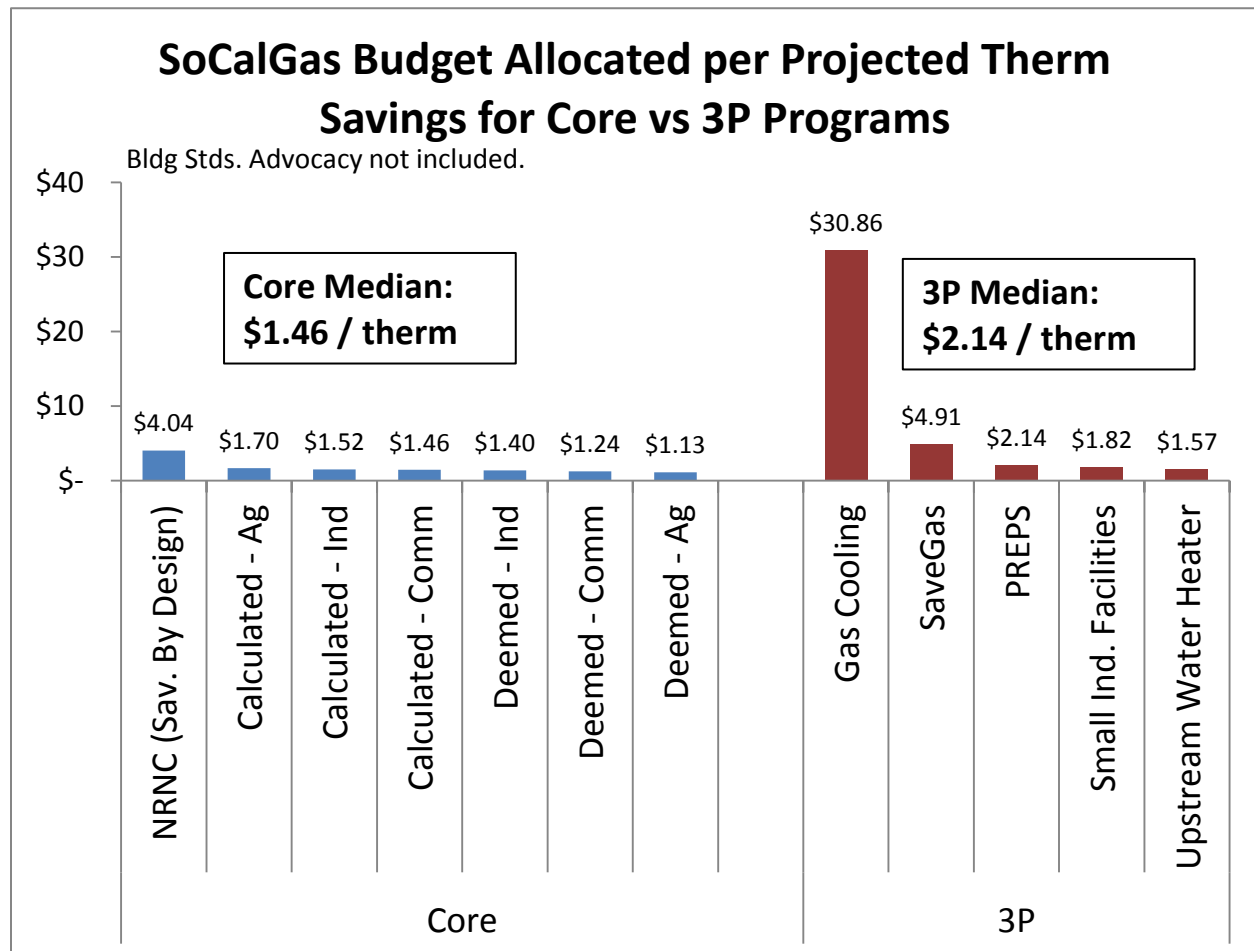
- ◆ 3P programs have installed 8% of their savings goals, compared to 40% for core programs.
- ◆ 3P programs have spent 18% of their allocated budget, core programs have spent 25%.

Budget		Savings	
Allocated (% of SoCalGas Portfolio)	Spent (% of Allocated)	Projected Therm Savings (% of SoCalGas Portfolio)	Installed (% of Projected)
\$12.9 M (11%)	\$2.2 M (18%)	4,724,688 (6%)	377,400 (8%)

*Figure 19 – Total 3P Budget and Savings as of Q3 2011*

### 5.3.2 Budget per Therm Savings Compared with Core Programs

We researched the difference in budget allocation per energy savings for 3P versus core programs. Specifically, we analyzed the allocated budget per projected therm savings, based on EEGA. We provide results for nonresidential, resource-based programs in the figure below.



*Figure 20 – Allocated Budget per Projected Therm Savings for Core vs. 3P Programs*

The median budget per projected therm savings for 3P programs is higher than core programs.<sup>7</sup> As the above figure shows, the programs' cost per therm varies considerably, particularly among 3P programs. It was beyond the scope of this study to investigate why certain programs are much more costly per therm than others. But the evaluation team recommended in an early feedback memo (shown in Attachment 2 – Program-specific Evaluations – Appendix) that SoCalGas investigate the Gas Cooling program, the most expensive program per therm, and consider significantly modifying it.

There are differences between 3P and core programs that would lead one to expect a higher cost per therm savings. For example, 3P programs require a larger marketing and outreach budget to overcome lack of name recognition. Additionally, 3P programs do not have access to non-residential customer data and must therefore research potential customers. This is made more complex as many 3P programs are designed to work with “hard to reach” segments of the population or niche markets.

Also, to put budget in perspective: these programs represent a small percent of the entire portfolio in terms of savings and budget. All 3P non-residential resource programs combined make up 11% of the SoCalGas budget and about 6% of the projected savings.

### 5.3.3 Coordination among SoCalGas and 3P Program Staff

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Coordination and communication processes are more complicated and less transparent for 3P programs than for utility-run programs, because there is a third party involved in interactions between SoCalGas and its customers. The evaluation team identified a number of issues relating to interactions between the utility and its 3P implementation contractors as well as cross-promotion with other SoCalGas programs.

### 5.3.4 Interactions between SoCalGas and 3P Staff

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The program-level evaluations indicate that program managers and 3P implementers generally reported having a positive experience in their relationship, communication, and ability to coordinate program activities. Both groups consider the AEs critical to effective program implementation. The summaries from the AEs forums and AE manager interviews provide additional information about the role of AEs in 3P programs.

Utility informants described both general and specific areas of concern. Two specific concerns were:

- ♦ The implementer and program manager for one program noted that the lack of 3P program awareness led to loss of program participation by a few potential customers

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<sup>7</sup> We report the medians rather than means, as the distributions were highly skewed.

- ◆ Implementers said they have requested access to customer data to better target potential customers, but cannot do so unless their contract permits it.

A more general finding that arose from the evaluation is that there does not appear to be a consensus regarding the level of coordination and cooperation between AEs, segment advisors, and 3P program managers and implementers.

Some utility informants perceived a lack of engagement by AEs with 3P programs. For example, AEs have declined to participate in information sessions offered by utility program staff. The informants cited two possible reasons for the lack of engagement. One is a possible perception by AEs that 3P programs do not offer anything to their customers that they cannot get through core programs. Another factor is a possible concern by AEs that a 3P program may interfere in their relationship with their customers. AEs typically remain highly involved with their customers as they go through a core program, assisting them with the application and helping the customer track the application through to project completion. AEs may (correctly or incorrectly) believe they may not be able to provide the same level of service to customers that participate in a 3P program.

AEs, however, did not express those concerns. In general, AEs reported good experiences with working with 3P programs. They did indicate, however, that they would need a convenient way to receive information and updates about them and other programs. For example, AEs said they would like a one-page informational sheet with a paragraph describing each program to present during sales calls. Successful strategies for improving the interaction between utility and 3P staff have included:

- ◆ Both implementer and utility program staff for PREPS agree that giving AEs credit for 3P program savings is improving the relationship between AEs and 3P staff.
- ◆ Resource Solutions Group (RSG), the 3P implementer for PREPS, has been proactive in educating AEs about the program. The SoCalGas program manager reported that RSG staff requested a list of AEs, because their experience with a similar program in PG&E territory taught them the importance of AE involvement. Although the program is still in the launch phase, according to implementer staff, this approach is already helping them identify and enroll participants.
- ◆ PREPS hired a marketing person in SoCalGas territory for the PREPS telephone campaign.

Utility and 3P implementer staff agreed that the cross-promotion of SoCalGas programs also is beneficial. Since they often target underserved populations, 3P programs can promote other (e.g., Core) SoCalGas programs. Effective cross-promotion requires excellent communication between PMs, AEs, and 3P implementers.

Additional efforts may center around ensuring that program staff and segment advisors correctly understand and address AEs' concerns. Providing AEs with regular program briefs will help AEs understand what 3P programs offer that core programs may not. Encouraging more communication by the implementer to the AE during key times of project implementation may relieve concerns about the AE-customer relationship. Specifically, 3P implementers can invite AEs to participate in key contacts with their assigned customers, such as at the signing of the

project contract, the receipt of an incentive, and project completion. The involvement of the AE during these key steps would enable the AEs to continue their close relationship with their customers while supporting the 3P implementer.

As a new 3P program, the PREPS implementer has been proactively seeking knowledge from the SoCalGas education segment advisor and using this information to work with AEs to target high priority private universities. This proactive approach has led to AEs becoming more engaged in PREPS outreach. The proactive approach followed by PREPS can serve as a model on how segment advisors can share market knowledge with both implementers and AEs.

### 5.3.5 Implementer Contracts

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Contracts restrict 3P implementers' access to customer data, because of privacy and other legal concerns. Not having these data reduces implementers' ability to enter new markets and target appropriate prospective customers. Several 3P implementers requested customer data so they can approach high specific usage customers. For example, the 3P implementer contact for SaveGas said they need information about hotels that use large volumes of gas to ensure that customers meet participation requirements before expending the effort to recruit. The implementer contact for PREPS reported that they are having trouble identifying the correct decision-makers for many schools. Our own experience with the customer survey calls confirms the implementer's claim that not knowing who owns a school's facilities makes it difficult to target decision-makers. This is particularly true for faith-based organizations with many schools.

### 5.3.6 Data Tracking

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Robust data tracking processes are required to document program effectiveness and support transparency between utility and 3P implementer staff. Two key concerns regarding data tracking are: 1) delayed availability of SMART database for some 3P programs and 2) potential customer data tracking.

The SMART database tool allows 3P implementers to enter their data (jobs, measures, invoices, status) directly to the utility; the data must be exported to another application for reporting purposes. SMART is customized for Sempra by the vendor, Intergy. The evaluation team found that implementers are using the SMART database, and that it generally works well for all parties. The new version of SMART (called ISS) provides more flexibility and configurability. The delays in data entry to the database have possibly under-represented programs' accomplishments, including installed savings. SoCalGas IT staff would prefer to eliminate SMART, which is an extra application/database they must maintain, and instead allow 3Ps to use the SoCalGas CRM via a portal.

### 5.3.7 Marketing

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The evaluation team found that 3P implementers use a number of strategies to address challenges they face as external contractors in marketing utility programs. Generally, 3P implementers recruit participants through direct marketing and networking opportunities.

Direct marketing includes cold calls and door-to-door sales presentations. PREPS held informational lunches for AEs, and RSG staff reported plans to hold luncheons to recruit vendors as an outreach channel. SaveGas used a webinar to introduce the product to hotel facilities managers and other decision-makers. SoCalGas implementers have found that leveraging networking opportunities improves participation rates.

Implementers also noted that their inability to access SoCalGas program marketing collateral and to use SoCalGas's logo reduces their perceived legitimacy among customers. SoCalGas program managers agreed that the utility provides limited marketing collateral support to 3P implementers. SoCalGas staff noted that 3P implementers in the mid-90s could co-brand the program with SoCalGas in their materials.

## 5.4 CONCLUSIONS AND RECOMMENDATIONS

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In general, the evaluation team found that 3P programs enhance SoCalGas's ability to deliver new energy efficiency technologies, reach underserved markets, engage all levels of supply chains, and tailor projects to customers' needs. 3P programs add value to the SoCalGas portfolio because they are innovative (SaveGas), technological expertise (PREPS and SaveGas), and reduced burden on utility staff (PREPS). 3P programs' strengths include:

- ◆ High participant satisfaction (same as core programs)
- ◆ Good implementer and PM communication
- ◆ Improving coordination of promotional efforts between implementer and SoCalGas AEs

However, we found several challenges with 3P programs, including that they appear to be more costly (on a per energy savings basis) than core programs. As noted earlier, there are a few reasons for a higher budget to savings rate for 3P programs, and the cost per therm varies among 3P programs.

Figure 21 summarizes our findings and recommendations.

Issue	Consequences	Steps SoCalGas is taking to address issue (if any)	Additional steps we recommend	Difficulty in addressing (H/M/L)	Value in addressing (H/M/L)
<b>Savings Goals and Budgeting</b>					
3P programs have higher cost per energy savings than core programs, and (as a whole) are behind on energy savings	Savings opportunities are not realized		<ul style="list-style-type: none"> <li>Have incremental Key Performance Indicators (KPIs) in 3P contracts so unused budgets can be reallocated to programs with wait lists</li> <li>Consider reducing budgets for programs behind in meeting savings goals, or re-structuring contract so based more on performance (savings), less on time &amp; materials</li> <li>Review budget and savings for all 3P programs; for those achieving savings or with lower cost per energy savings, identify strategies that could be transferred to poorer performing programs</li> <li>Consider trimming budgets for high cost programs, after weighing non-energy benefits (e.g., market transformation)</li> </ul>	M	M
<b>Coordination</b>					
Lack of integration between AEs, PMs, and 3P implementer	Low participation rate, and Implementers and PMs have difficulty distributing program information to AEs with key accounts	Training lunches for AEs (by implementer)	<ul style="list-style-type: none"> <li>Distribute informational sheet for each program to AEs.</li> <li>Increase training lunches for AEs on 3P programs.</li> <li>Invite AEs to participate in key program contacts with assigned customers.</li> </ul>	M	M
<b>Data Access</b>					

SMART Database is incomplete	Fewer claimed savings by SoCalGas	Data is currently being entered by implementers	<ul style="list-style-type: none"> <li>• Link 3P compensation to SMART data entry</li> </ul>	L	M
<b>Marketing Effectiveness</b>					
Unclear or overly restrictive SoCalGas regulations on co-branding	Implementer cannot leverage SoCalGas name recognition and credibility	SoCalGas style sheets have been made	<ul style="list-style-type: none"> <li>• Revisit co-branding policies to see if any can be relaxed. Clarify them <math>\leq 6</math> months after start of program cycle</li> <li>• Consider including customer facing 3P program content on SoCalGas's website</li> </ul>	M	M
Implementers lacks access to customer data, and AEs not using Implementer leads	Cannot target specific potential customers	Some 3P implementers communicate "warm" contacts to AEs	<ul style="list-style-type: none"> <li>• Drive participation by having SoCalGas AEs reconnect with "warm" contacts provided by the implementer</li> <li>• Provide customers with implementer contact information upon request</li> </ul>	L	M

*Figure 21 – Effectiveness of 3P Implementation: Conclusions and Recommendation*

## APPENDIX – THIRD PARTY CO-BRANDING EXAMPLES AND ISSUES

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# MEMORANDUM

March 29, 2012

To: Rob Rubin, Kevin McKinley, and other SoCalGas staff

From: Marian Goebes (HMG), Sue Hanson (Tetra Tech), Ryan Bliss (Research into Action), and the HMG Nonres Process Evaluation Team

**Re: Co-Branding Examples and Issues**

At the final presentations for the Nonresidential Process Evaluation in February 2012, the evaluation team recommended that SoCalGas review its policies on third party implementers co-branding with the SoCalGas utility. SoCalGas asked for further clarification on how this could be achieved, and specifically asked for examples of how other utilities across the U.S. use co-branding.

The following memo presents examples of co-branding from other utilities and describes some of the issues that were noted by those interviewed. While we focus on co-branding with 3P implementers, we also include examples on co-branding with trade allies (a.k.a., vendors).

We include this memo as an Appendix to Attachment 1 – Portfolio level Evaluations. It relates to several portfolio-level evaluations, including Marketing, Effectiveness of 3P Implementation, and Organizational (relating to legal issues).

### Sources for Examples and Acknowledgements

These examples were gathered by evaluation team members and their co-workers. Tetra Tech (TT) gathered information from a PEI marketing manager, a Pacific Gas & Electric Operations Specialist, and an AEP Ohio Business Manager. Research into Action (RiA) gathered examples from within their firm based on previous evaluation work. Heschong Mahone Group (HMG) staff from the Program Design and Implementation Group also provided information. We note the source of the specific information below.

### Issues with Co-branding

Co-branding can be helpful in the 3P establishing credibility with potential customers. In addition, co-branding increases the customers' awareness that the program services are provided by the utility. For example, in one 3P direct install program evaluated by HMG in the Pacific Northwest, HMG found that some participants did not realize that the utility had sponsored the program.



However, we found the following issues with co-branding in our research:

According to the PECO staff member, utilities are co-branding averse. Some of them will allow PECO, as the implementer, use of their logo but not allow vendors to use the utility logo (e.g. SCE). In the cases where PECO is the implementer and allowed to use the utility logo, PECO must go through many levels of legal review and document signing, “like we are utility employees.”

HMG Program Design and Implementation staff reported that California IOUs rarely agree to co-branding. They also reported concerns for the 3<sup>rd</sup> party implementer: If the IOU agrees to co-brand, the IOU takes over and changes graphics and other aspects paid for by the 3<sup>rd</sup> party. The IOU can also take such a long time to review the materials (e.g., months, one year) that the 3<sup>rd</sup> parties eventually need to move forward without it. As a specific example, it took “a lot of time” to gain the approval of multiple partnering organizations for a 1-page collateral for the Energy Upgrade California (EUC) Multi-family San Diego program.

## Co-Branding Examples

Below we provide co-branding examples for 3P implemented programs. We then provide information for “sub-branding”, one strategy for overcoming co-branding challenges both for 3P implementers and trade allies. Finally, we provide information on PG&E’s co-branding experience with its trade alliance (i.e., non-contracted network, *not* its contracted 3P implementers).

### *Third Party (3P) Implementer Co-Branding Examples*

The following examples were gathered by the evaluation team.

- ♦ Energy Trust of Oregon uses third-party program management contractors (PMCs) to implement its programs. They design the programs to carry out Energy Trust’s objectives. They do not represent themselves as Energy Trust staff, but the programs are seen as Energy Trust offerings. (RiA)
- ♦ Resource Action Programs, the implementer for the Livingwise K-12 education program, puts a sticker with the sponsoring utility’s logo inside the cover of its take-home kits. (This is a program that Resource Action Programs implement for different utilities; the website states that the program can be customized per utility needs.) (RiA)
- ♦ The EnergySmart Grocer program is a 3P program operating in multiple utility territories. It operates multiple websites – for PG&E, BPA, and Puget Sound Energy, and has utility logos and utility information on the websites. (RiA) (More information provided in Sub-Brand section.)
- ♦ In SCE territory, Synergy uses utility logos on a Mobile Home Program introductory letter and is currently working to get authorization to use utility logos on a wider range of marketing materials, including ID badges and shirt patches. (RiA)

- ◆ Resources Solutions Group (RSG), the PREPS implementer, uses PG&E's logo on its website for the School Energy Efficiency Program: <http://schoolenergyefficiency.com/>. This program is similar to SoCalGas PREPS, but PREPS does not include the SoCalGas logo on its website. (RiA)
- ◆ SDG&E is now allowing San Diego County Office of Education to use the SDG&E logo on marketing materials for the Energy & You Program. (This seems like something more like the Energy Trust model, where the Office of Education is basically a contractor hired to implement SDG&E's own program.) (RiA)
- ◆ HMG implements a multi-family program on behalf of Sacramento Municipal Utility District (SMUD). The SMUD website lists HMG as the administrator, although it does not include HMG's logo. However, SMUD does show both SMUD and HMG logos on program presentations. (HMG)
- ◆ HMG implements a 3<sup>rd</sup> party multi-family program in San Diego as part of Energy Upgrade California (EUC). The program website, which is also printed as a 1-page flyer, includes logos from the partnering organizations, including SDG&E, the City of San Diego, and Recovery.Gov. <http://www.h-m-g.com/multifamily/sandiego/>. However, HMG does not have a direct contract with SDG&E. The DOE is the original source of funding, and HMG's contract is with San Diego County. (HMG)

### ***Sub-Brand Strategy: Examples from PECI, AEP-Ohio, and LIEE***

According to the PECI staff member, one way PECI has worked around the issues of risk aversion and long approval processes is to develop "sub-brands." For example, PECI is the 3P implementer for an EnergySmart Grocer program (and is mentioned earlier in this memo) funded by Bonneville Power Authority (BPA). Rather than use BPA's logo, PECI developed a separate logo for this program, and then PECI allows trade allies to use the sub-branded logo. There are very few strings attached to the use of the sub-brand (size, color, and placement on collateral is about it). Even though PECI has an open door policy with the sub-brand, what PECI really prefer to do is create the collateral for the trade ally and then leave an area on the collateral for the contractor to attach their own business card. This way, PECI has complete control over the branding/use.

The PECI staff member believes there is a definite advantage to sub-branding – that is, with the sub-brand, the program does not bring along any potential "baggage" the utility may have in the market. Additionally, contractors are still able to use a program logo to help create that sense of credibility in delivering the program. (TT)

In contrast to the experience of PECI (an implementer), AEP Ohio (a utility) appears to have had more challenges with using a "sub-brand". The AEP Ohio contact reported the following: Until recently, AEP Ohio used the gridSMART branding. This covered the smart grid (meters and programs), energy efficiency, and renewable energy programs. However, customers "could not figure it out", so energy efficiency is switching to using the AEP Ohio branding. (TT)

In the statewide Low-Income Energy Efficiency (LIEE) program, contractors that were hired to enroll customers would introduce themselves as “from [utility name]’s Energy Team,” and they wore “Energy Team” ID badges. One of RiA’s staff who was in San Diego for the evaluation of LIEE remembered that the contractors in SDG&E territory used the “Energy Team” introduction but doesn’t remember if they had the SDG&E logo on the badge; but in at least some cases (e.g., PG&E) the badge had the utility company logo. (RiA)

### *PG&E Co-Branding with Trade Allies (TT)*

According to the PG&E Operations Specialist we spoke with, this utility has co-branding programs for their three partner types:

- ◆ Trade Pro Alliance – non-contracted network
- ◆ Third Party Programs – contracted with PG&E
- ◆ Local Government Partnership Programs – contracted with PG&E

The discussion with this PG&E staff member focused on the co-branding requirements for the Trade Pro Alliance group.

Because Trade Pro Alliance members are not contracted with PG&E, they have the strictest requirements.

In summary:

- ◆ PG&E’s Trade Pro Alliance is about 800 members strong.
- ◆ The co-branding program has been around since the fall of 2010. PG&E has received 20-30 applications to participate in the co-branding program, but only 5 have been approved.
- ◆ It was a “long, long journey” to get to where they are with the co-branding program (huge legal hurdles). It began recently, and PG&E only rarely releases the PG&E logo for use outside of PG&E.
- ◆ The logo itself is not the actual PG&E logo – it has been slightly modified and includes wording about program participation.
- ◆ The requirements for a vendor to participate in the co-branding program include:
  - Must be a Trade Pro Alliance member
  - Must have an active CA business license
  - Must have a BBB rating of B or higher
  - For newly-formed businesses, they must complete at least 5 program projects within 1 rolling year – there is a little leeway here, depending on the size and timeline for the projects)

- Must have no unresolved customer complaints related to PG&E EE programs (PG&E has a tracking system for customer complaints)
- Must have a QM pass/fail rate of 90% or better – this one is a little tricky because the PG&E staff member is discovering that some projects are failing when they actually should be passing, so they are continuing to investigate
- Complete the co-branding application, which includes an assessment survey given by a utility rep, who reviews logo requirements and reasons why the vendor wants to use the logo
- ◆ Once the vendor goes through these steps, they are approved. However, their work is not done. PG&E sends the vendor the logo license agreement and logo usage requirements. The vendor has to send an example of the collateral to PG&E and identify where the logo will go.
- ◆ From a staffing standpoint, this staff member sees this area growing (and PG&E staffing needs increasing), as there will also be ongoing monitoring of both requirements and collateral.
- ◆ PG&E is working on developing an online application to make all of this easier for both the vendor and PG&E staff overseeing the process.

PG&E also launched a Trade Ally Recognition program last year, including an awards ceremony. This event was well-received and the awards information was posted on PG&E's website.

A couple of other “perks” for Trade Pro Alliance members:

- ◆ If they complete their membership application online, they are listed on PG&E's website – there is a paper version that can be filled out, but PG&E is able to gather more information from the vendor with the online application.
- ◆ PG&E sends vendor members 2 letters each year summarizing the number of jobs that a vendor has completed through PG&E's EE programs, as well as the energy savings resulting from those jobs. Many vendors turn around and use this information in their marketing efforts.