

Home Energy Audits and Loans Emerge as Linchpins in Utility Marketing Efforts

Leading utilities transform legacy weatherization programs into residential marketing platforms

Web-based home energy audits, and tighter contractor certification for home energy improvement loans, are transforming the effectiveness of these fundamental residential utility marketing programs. Leading utilities are learning to integrate these traditional programs so they serve as cutting edge, permission based marketing platforms to cross-promote an entire portfolio of energy efficiency and home comfort initiatives.

These are among the findings of two new reports, **Home Energy Audits** and **Home Energy Improvement Loans**, in a Leading Energy Utility Marketing Programs report series published by Market Development Group. Each report candidly details the strategies, tactics, tools and structure behind at least 10 utility program case studies. Each report also offers insightful profiles on the service providers and other partners that play key roles in program implementation.

Home Energy Audits includes utility case studies from: Anaheim Public Utilities; Atlanta Gas Light; Jackson EMC; Lincoln Electric Service; Ontario Hydro Energy; PPL Electric; Puget Sound Energy; Salt River Project; Southern California Edison; and TVA distributors Memphis Gas, Light and Water; Nashville Electric Service; and Tri-County EMC. Partners profiled are: Electrotek Concepts; Enalasy; Enercom; Energy Star; Lawrence Berkeley Labs; Nexus Energyguide; and Xenergy.

Home Energy Improvement Loans includes utility case studies from: American Electric Power; Austin Energy; Cass County Electric Cooperative; Central Hudson Gas & Electric; Cooperative Finance Corp; Duke Power; Fort Payne Improvement Authority; Sacramento Municipal Utility District; Snohomish County PUD; Southern Company; and Tennessee Valley Authority. Partners profiled are: Chevy Chase Bank; CMS Capital Financial Services; FannieMae; Key Bank; Volt VIEWtech; and Wisconsin Energy Conservation Corporation.

Market Development Group documents and promotes leading practices and lessons learned from innovative energy utility marketing programs implemented by investor-owned utilities, municipalities and electric cooperatives. Its mission is to help management, marketing executives and staff of utilities and their partners leverage the experience and expertise of industry leaders as they create and improve their product and service offerings.

The report authors are Ed Thomas and Peter Buttrick. Thomas is a consultant who specializes in tactical implementation of utility marketing programs. He is a prominent conference presenter and his clientele include: National Rural Electric Cooperative Association, The C Three Group, and The Hughes Group.

Buttrick is a consultant specializing in financing energy-related products and services to mass markets. His clients have included Edison Electric Institute, Allegheny Power, Home-Link Services, Pacific Gas & Electric, BPA, and PacifiCorp. Peter was a Vice President with GMAC, and a Regional Manager with First Union Bank.

The complete tables of contents for both reports, along with sample case studies and profiles are now available at www.marketdevelop.com.

home energy audits

by ed thomas

leading energy utility
marketing program


a report series published by  market
development
group

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Atlanta Gas Light

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Corporate: www.atlantagaslight.com

Home audit: <http://www.energydepot.com/aglc/security/logon2.asp>

Residential programs: http://www.atlantagaslight.com/content/for_residential/aglc_forres_enetoo.shtml

Ownership: Investor-owned gas

Number of customers and service territory:

Provides delivery service to more than 1.5 million customers in Georgia and Chattanooga, Tennessee.



BACKGROUND

Atlanta Gas Light Company is the largest natural gas distributor in the Southeast. It also is the primary subsidiary of AGL Resources Inc., a regional energy holding company with operations throughout the Southeast. The Gas Advantage™ Program is the over-arching brand that aims to:

- Increase Customer Loyalty by promoting natural gas as the fuel source of choice
- Improve Customer Retention by increasing burner tips and creating a forum for customers to leverage AGL's natural gas expertise through the web.
- Project a new Brand and Personality as a Modern and Forward thinking company that is Dependable and Trustworthy as well as Approachable and Available
- Focus on Residential and Mass Markets to address targeting the 25-54 age group

History:

Up until 1998, with the passage of deregulation of the state's natural gas market, Atlanta Gas Light Company was the supplier and seller of natural gas to residential customers. In 1999, AGL became the 1st natural gas utility in US to fully deregulate. Today, certified gas marketers 'own' the customer experience and billing function, with AGL still operating and maintaining the gas pipes and reading meters. The marketer is the first point of contact. However, an increase in competition from other fuel sources meant that retention of gas customer took on added importance for AGL as a commodity supplier. The entire program administration and marketing budget is intended to be self-funding. Under regulatory guidelines, advertising dollars for the type of promotion described in this study must come from shareholder, not ratepayer, dollars

RELEVANT PROGRAM NAME AND DESCRIPTION

Energy Tools

AGL set out to remake the company's Website in order for it to be an integral part of all future marketing efforts. AGL does not offer onsite or mail-in audits. Enercom's Online Energy Audit is presented under an Energy Tools banner that includes its online energy audit, Calculator, Library, Advisor and rate comparison applications. Emailed questions to the Advisor are automatically routed to a marketing staff member to be answered within 24 hours of receipt.

AGL Store

Customers can also go online to shopping for appliances via Enercom's Energy Mall, in addition to learning more about how they are using natural gas and electricity. Customers can access through the recommendations of the online energy audit, or directly on the web site.

The first two products the company offered were gas water heaters and gas fireplace logs. Today, customers can view and buy Grills; Gas Logs; Water Heaters; Space Heaters; Generators and Gas Lights. Prices shown are determined by the retailer and can vary between market areas. A certified third party contractor completes product installations. Installers are paid directly by the consumer at time of service. The customer enters their zip to ascertain the availability of installation in their area. When ordering by phone, installation site is qualified by a salesperson and the customer is told up-front about any additional costs associated with bringing materials up to code, if applicable.

How marketed:

The re-launch of the corporate web site was handled very aggressively, much like a new dot .com launch, rather than like a typical utility program. Billboards, newspaper, direct mail, and broadcast advertising took on a light-hearted “useful vs. useless” theme to drive customers to the web site to learn about the audit and the product available for sale. Although gas retailers were initially curious about why AGL was taking this approach, they soon realized that AGL’s goal was to promote the value of natural gas to retain customers and expand load through more burner tips.

- The site is also promoted on banner ads that appear on www.weather.com and Yahoo. The ads can be tailored to specific locales and the rotation of ads on www.weather.com can even be triggered by temperature shifts.
- In the fall and winter of 2000, a campaign was launch to drive people to the web site and call center sales

As a sponsor of the Atlanta Braves, AGL leveraged an opportunity to partner with Publix Supermarkets, another Braves sponsor, for a “Grand Slam Grilling” campaign to promote their private label line of meat and chicken. In Spring 2001, 109 Georgia Publix locations and 25 Georgia grill dealers participated with co-sponsors WSB Radio, Cooks Warehouse, Broilmaster and Fire Magic. Seven Super Saturday Grill out events were conducted with proceeds donated to Junior Achievement. A Grill Master section was added to the web site with recipes, build your own grill interactivity, etc.

Media Vehicles Included: WSB Braves Radio, Publix Sunday Newspaper ads, AGL Newspaper Weekend Preview, Sponsorships and magazines. The marketing campaigns won awards in 2001 from the local American Marketing Association chapter as with as Utility Communicators International. In 2002, AtlantaGasLight.com won a Merit Award for Innovation in Marketing from the Association of Energy Services Professionals.

Number of customer sign-ups:

- In fall 2000 campaign, web site hits went up from 45,000 to over 600,000 with Unique user sessions quadrupled and average length of visit increased from just over 2 minutes to over 14 minutes
- Sold 1200 sets of gas logs (also sold space heaters, water heaters and generators)
- In spring 2001, sustained over 550,000 web site hits and customers spent an average of 11 minutes on the web site
- Over 5,000 customers entered to win grills and other prizes
- \$5,000 raised for Junior Achievement

How service delivered and billed:

- Customer Care Center/Sales Teams were formed to provide Marketing Program Training and create Collaborative efforts to prepare materials and deliver training modules. The groups come together to work on project teams across departmental boundaries
- Can purchase products on the web or by phone and pay by credit card or check upon delivery.
- All orders placed are automatically routed to the closest of 25 Gas Advantage™ specialty retailers for delivery and installation. The retailer fulfills the purchase at the web price and pays a referral fee to AGL.

- Inquiries for HVAC equipment are pre-qualified for utility financing through a partnership with Sun Trust Bank, then referred directly to one of 225 certified Gas Advantage™ HVAC dealers.
- One full-time AGL employee monitors and manages Gas Advantage™ dealer relationships, while another coordinate sales, delivery and installation through the electronic storefront.

Key vendors/partners/allies:

- Enercom for web applications
- Area specialty retailers for order delivery;
- Certified contractors for installations
- Manufacturers and distributors
- Publix Supermarkets
- Junior Achievement

Lessons Learned:

- Proactive destruction rules, or, if it ain't broke, break it. Utilities can make quantum leaps when they shed stodgy images and business practices to integrate the web into everything they do. This is as true for utilities as it has been for brokerage houses to booksellers to General Electric.
- Utilities must follow a consistent, thoughtful media plan. AGL's annual plan calls for a rotation of sales-oriented as well as brand-building messages. Regardless of the message, the constant images are home comfort centered around the use of gas appliances
- Customers react very positively to the online energy audits. Numerous customers have told AGL that they have used the online energy audit to show their children the potential for energy savings.
- Emails must be answered promptly and professionally. All customer service and marketing staff are in the rotation to automatically be routed emailed inquires to the Energy Advisor. Staff is required to respond within 24 hours.
- It's not enough to satisfy customers; utilities must delight them. AGL works hard to exceed the expectations of customers and strives to create Nordstrom-like legends such as the customer who wanted a gas log set just before Thanksgiving and was astonished to receive same-day installation.
- Leverage Trade ally relationships to lower out-of-pocket promotional expenses. Specialty manufacturers and their distributors have identified enormous benefits from working with the utility to place their products in key locations. In some cases, the manufacturers private label the equipment with the AGL logo. In the parking lot grill promotions, the market paid for the food and labor, manufacturers provided the equipment as well as promotional specialty items such as cute chef hats, and both AGL and Publix provided the advertising support. AGL could never have afforded to put on such an event entirely at its own expense. AGL relies heavily on outside resources in the form of both partner and vendor relationships to reduce up front capital expenses and shrink implementation time.
- AGL has focused on partnering with smaller retailers because they typically have greater knowledge about the products and will promote natural gas more readily than large mass retailers. Smaller retailers are eager for a marketing edge and like being able to leverage a relationship with the utility. In addition, working with smaller businesses allows AGL to keep a quality control.
- More gas utilities are now considering the value of promoting their commodity online. High gas prices in other areas of the country are leading other utilities to embrace AGL's approach to promote efficiency and new products in a highly interactive and high tech manner

Future enhancements planned/anticipated:

- Expand the program in 2002 to a Commercial and Industrial web offering
- Automate the order process and create new opportunities for low income customers
- Implement web strategy for sister utilities Virginia Natural Gas and Chattanooga Gas Company
- Repeat spring and summer parking lot promotions in partnership with Publix.
- Create new partnerships and alliances with additional product partners, marketers and non-traditional areas
- Continue consumer research as well as investigate online research and instant customer surveys
- Perform additional usability testing on web sites
- Continue to listen to the customer and make their needs actionable plans
- AGL is establishing an interactive data warehouse, initially for market research purposes, to cross-reference customer email addresses with other information such as location and product interest to test receptivity to new offers.

Key staff individuals:

Michelle Fallon, Manager, Marketing

Paul Arrington, Manager, Gas Advantage™ Sales

Charles Rawson, Director, Marketing

Nick Popielski, Manager, NGV and Data Warehouse Development

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Corporate: <http://www.enalasy.com/>

Residential Programs: <http://www.enalasy.com/utilities.html>

Home Audit: http://www.jacksonemc.com/news/news_stories/digitalair.html



COMPANY DESCRIPTION

Enalasy™, in partnership with Honeywell International, Inc.™, provides turnkey solutions to Heating Ventilation and Air Conditioning (HVAC) contractors and utility companies, for diagnosis and online monitoring of energy comfort, efficiency and indoor air quality. Specially trained and certified contractors implement the HomeScan™ business system and computerized diagnostic technology to pinpoint HVAC system inefficiencies, and identify opportunities for energy savings and comfort improvement.

Utilities implement the HomeScan™ business system and technologies to improve customer value and brand awareness. HomeScan™ will also create new partnerships with local contractors. These contractors become an implementation resource for new HVAC programs while the utility becomes a source of leads for participating contractors.

History:

Founded in 1997, the company's initial focus was to perfect and patent a technology invented by co-founder John Faircloth that measured the performance of heating and cooling systems. The company changed its name to Enalasy™ in 2000.

In 1999, Enalasy™ began a pilot program with Jackson EMC, an electric cooperative in Georgia. This program was made possible through a grant from the Cooperative Research Network of the National Rural Electric Association. Since the successful conclusion of this pilot program, the company's strategic relationship with the Cooperative Research Network is on-going and expanding. CRN has agreed to present this business opportunity to its member utilities nationwide. In 2001, the company entered into a strategic partnership-alliance with Honeywell™.

Company Location(s): Calexico, CA headquarters with an office outside Atlanta, GA jointly owned with Jackson EMC.

Number of employees: 40

Ownership: Private Company

RELEVANT PRODUCT NAME AND DESCRIPTION:

The Enalasy™ technology fall into two main categories: **HomeScan™** and **Homepulse™**.

HomeScan™

The HomeScan™ testing protocol includes whole building diagnostics and whole HVAC system diagnostics. These protocols enable a specially trained service technician to perform a quick and comprehensive "whole system" diagnostic for homes and commercial buildings to diagnose, repair and

set the standard for the heating and air conditioning systems in a home or commercial building. It includes analysis of the complete system to determine:

- Actual A/C system efficiencies/ deficiencies (air flow or refrigerant charge)
- Zone specific temperature and air flow problems
- BTU's delivered to the structure; BTU's rejected by the condenser
- Building infiltration and leakage
- Room-to-room static pressure
- Indoor air quality

The core technology, called the EscanAC™, consists of a system of electronic, temperature, humidity and airflow sensors that transmit wireless input signals to a technician's laptop computer via Radio Frequency (R/F) technology, on a real time basis. An attached printer then generates diagnostic reports for both the HVAC technician and the customer. The report notes the areas at "fault" and the necessary corrective action to be implemented.

Following voice commands from the EscanAC™ computer, the technician collects data from both the air and refrigeration sides of the HVAC system both before and while the system is in operation. Additional data is collected from separate wireless sensors placed on the condenser and in the basement, attic, or other areas where ducts are located. By troubleshooting both the refrigerant and air-side of an HVAC system simultaneously, a technician can collect data identifying problems affecting comfort and efficiency.

The EscanAC™ measures and evaluates the supply and return airflow, temperature and relative humidity, as well as the ambient temperature and humidity in the area of the duct run. It also measures and evaluates the refrigeration system and components, and outside air condition including barometric pressure. Sensors communicate in real time with the laptop computer via a "wireless" radio signal, generating continuous feedback through charts and graphics (including dynamic representations of refrigerant gauges).

Special software analyzes the data, identifies the specific deficiencies and suggests corrective action/renovations needed to bring the system up to and maintain it at peak efficiency. These are presented in an understandable and prioritized computer printout for the contractor and user customer.

Homepulse™

The Homepulse™ Monitoring System monitors and manages, on an ongoing basis, the performance of the HVAC systems, and informing the owner of the results and maintenance options.

Homepulse™ (with its wireless, two-way device), is a small, permanently installed proactive monitoring system that automatically notifies the Enalaysys National Data Center if certain parameters are breached in a residential or commercial HVAC system. This timely notification process can avert potentially serious problems, heat or air inefficiencies, and unnecessary expenses. Homepulse™ monitoring device uses the Internet to continuously monitor air quality, comfort, and energy usage.

Business Model

As part of a pilot program at Jackson EMC, a special jointly-owned independent testing agency" was set up to market and perform Whole Home and HVAC diagnostic services on behalf of the utility. The resulting diagnostic reports and service leads are forwarded to Certified HomeScan™ Contractors, who provide a quotation to the homeowner for renovations. After servicing and upgrading the HVAC system, the certified contractor performs a "completion diagnostic scan" to assure that optimum performance, energy savings and comfort improvements are achieved.

Enalaysys' Business Model is detailed on the corporate web site in six key elements:

- **Promote:** Utilities promote the Enalaysys™ services to their client base through advertising, incentives, and financing.
- **Test:** Using the HomeScan™ system, technicians analyze and diagnose the building's comfort and efficiency levels, and recommend solutions where problems exist.
- **Repair and Verify:** Honeywell certified contractors make the necessary repairs and verify the work using the HomeScan™ tools.
- **Monitor:** Contractors install Homepulse™ for ongoing monitoring, to ensure that the HVAC equipment is operating properly, and air quality is within the defined standard.
- **Notify:** Where air quality and/or energy efficiency falls below the previously set standard, the system detects the breach and automatically notifies the owner by email or phone.
- **Manage:** Enalaysys™ will continue to build local and national networks of utilities, technicians and contractors

Strategic Alliances:

Honeywell signed a Marketing & Distribution Agreement with Enalaysys in January 2001. Under the agreement, Honeywell has exclusive marketing and sales rights to the Enalaysys HomeScan™ System a brand licensing agreement and will create a national network of certified contractors and license the system to them through a leasing arrangement. These contractors will receive training and certification, technical support and marketing assistance from Enalaysys.

The main selling feature to Honeywell contractors is that, as part of the national network, certified contractors can sharply differentiate their company's service offering by promoting their advanced HVAC system testing and diagnostic capabilities.

Association memberships:

Cooperative Research Network has provided a research and development grant.

Competitive Strengths: Innovative coupling of HVAC diagnostic technology with an entrepreneurial-driven business model that should appeal to leading electric utilities or other home energy services companies ideally positions the utility as providing a service that helps customer objectively validate the effectiveness and efficiency of their HVAC system. HVAC contractors can improve their business with HomeScan™ strategies.

Competitive Weaknesses: Unproven as to whether enough customers will value and be willing to pay enough to sustain and/or prosper as a stand-alone utility HVAC and building diagnostic service. Too early to tell if utilities will partially subsidize the business in return for building customer value and loyalty. However, reputable contractors appear to be very interested in participating in the Jackson EMC program to improve marketing and lead generation.

Key Customer Accounts

- Jackson EMC is the first and furthest developed and deployed implementation of the technology and business model. See case study.

Total Number deployed (products and utilities): In addition to Jackson EMC, Tennessee Valley Authority is considering a proposal to promote and offer the business model to its distributors. Other unnamed investor owned and municipal utilities are said to have reviewed and are considering the HomeScan™ strategy and technologies.

Price Structure to Utility and Customer:

Customer pays a one-time fee for the diagnostic based on the number of HVAC systems at the location. The monitoring service pricing has yet to be established.

The utility co-funds with Enalasy a business venture to offer the diagnostic HVAC service. The investment is to be recouped through service fees to customers and referral fees from HVAC and weatherization contractors for lead generation and qualification.

HVAC contractors are encouraged to purchase the diagnostic equipment as well for follow-up testing and to offer complementary diagnostic services as a value-added aspect of their installation and repair business.

How/where product sold: Direct sales to utility companies and HVAC Contractors throughout North America

How/where marketed: Primarily through HVAC-oriented industry promotion and trade shows.

Best way to learn of new developments: Web site

Future enhancements planned/anticipated:

Enalasy™ expects to take carbon monoxide and indoor air quality readings in the home as well to broaden the appeal and value of the service as an environmental monitoring and diagnostic service.

KEY INDIVIDUALS

James Eric Taylor, Chairman, CEO spent 18 years in the air freight industry as founder, Chairman and CEO of Jet Express Inc. He was responsible for establishing state, regional and nationwide distribution networks for more than a dozen major corporations.

Dwaine Canova, President and Chief Operating Officer was formerly Chairman, President, and CEO of a website development and management consulting company offering marketing, customer support, and Web site design services. In 1980, Dwaine founded Zacson, one of the first B2B outsourced call center service companies that grew to over 2,800 employees in 5 countries. He holds an MBA from the Wharton School at the University of Pennsylvania.

John Faircloth, Director, Cofounder, is the inventor of the EscanAC™ and Homepulse™ Systems. He has spent 33 years in the HVAC service industry and founded two successful companies: Artic Cold Controls in Houma, Louisiana and Faircloth Air Conditioning in Jacksonville, Florida.

Michael Cogbill, Director, Senior Vice President, Chief Technology Officer, previously founded InteliHome, a home automation company, and was a key member of the CEBus (Consumer Electronics Bus) standards committee, which developed a new standard for networking all appliances, systems and electronic products in the home.

Michael Basch, Senior VP and CIO, was a founding Sr. Vice President of Federal Express.

Steve Arnholt, Sr. Vice President of Strategic Partnering, prior to coming on board with Enalasy, had a 20 year career with Honeywell in top management positions including regional sales director for the Energy Products Division; national trade sales director of Honeywell's Building Controls Division; director of U.S. operations for Honeywell Braukmann, which makes water control and filtration

products; director of commercial products and applied systems for Home and Building Control; director of H&BC's trade business unit; director of Honeywell's Home Automation & Security business; and director of the Perfect Climate business unit.

Jim Carr, Director Business Development, started his business career with Honeywell in the Home and Building Control business unit. Over a 22-year career, he held many positions at Honeywell including sales engineer, branch manager, national director of installation and finally area sales manager before changing careers in 1998.

Primary staff contact

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