

A CASE FOR MULTIYEAR FACILITY PLANNING IN UTILITY ENERGY EFFICIENCY PROGRAMS

2017

A Study Conducted by the California Sustainability Alliance

A Navigant Consulting Program, Sponsored by Southern California Gas Company, Funded by California utility customers under the auspices of the California Public Utilities Commission.



**California
Sustainability
Alliance**



**California
Sustainability
Alliance**

The California Sustainability Alliance (the Alliance) is an innovative market transformation program funded by California utility customers under the auspices of the California Public Utilities Commission. The Alliance leverages action on environmental initiatives such as climate, smart land use and growth, renewable energy, waste management, water use efficiency and transportation planning to help the State of California achieve its aggressive energy efficiency goals more effectively and economically. In partnership with public and private organizations throughout California, the Alliance precipitates widespread market transformation by tackling major barriers to sustainability.

For information about the California Sustainability Alliance, go to: www.sustainca.org



A  Sempra Energy utility®

NAVIGANT



TABLE OF CONTENTS

INTRODUCTION.....	4
THE MULTIYEAR FACILITY PLANNING APPROACH.....	5
THE UTILITY PERSPECTIVE.....	6
IOU EFFICIENCY PROGRAMS.....	7
THE LODGING SECTOR.....	8
LODGING SECTOR OWNERSHIP MODELS.....	9
CHALLENGES RELATED TO PROMOTING ENERGY EFFICIENCY.....	11
OPPORTUNITIES FOR INCREASING PROJECT IMPLEMENTATION....	12
SUCCESSFUL MODELS FOR MULTIYEAR FACILITY PLANNING.....	13
RECOMMENDATIONS.....	17



INTRODUCTION

The passage of California Senate Bill (SB) 350,¹ the adoption of a 10-year rolling energy efficiency portfolio, and the increased difficulty of achieving cost-effective energy efficiency savings through traditional utility programs are challenging utilities to develop approaches that provide deeper savings. Serving utility customers through a multiyear facility planning (MFP) approach can open new energy efficiency opportunities and help utilities to achieve their energy efficiency goals. Utility program engagement with MFP can result in capturing greater savings by working collaboratively with customers to identify high levels of energy efficiency savings, including opportunities in future planning, and allocating resources appropriately.

Utility managers have historically faced challenges in penetrating the lodging segment, thus the California Sustainability Alliance (Alliance) used the lodging segment within SoCalGas' territory as a case study for the focus of this work. The segment provides SoCalGas a unique opportunity to apply MFP and showcase its program design flexibility. This approach highlights the importance of the utility-customer relationship. Several of the findings and recommendations (see Table 1) for lodging are broadly applicable to applying a MFP engagement approach to other key segments (such as colleges and universities).

This report identifies key opportunities to utilize MFP approaches to optimize customer relationships and achieve long-term, cost-effective energy savings. The concept of MFP is based on the development of a mutually beneficial relationship between the utility and the customer, where the customer agrees to include energy efficiency investments into MFP and the utility agrees to provide technical and financial assistance to support these long-term project planning cycles. Many utility customers already have ongoing MFP efforts that include detailed renovation plans and assigned capital budget expenditures. By developing a relationship of trust between the utility and the customer and building a seat at the table, the utility has an opportunity to leverage these existing planning efforts for greater energy savings.

The Alliance's report provides an overview of the MFP engagement approach, offers insights into the practices for applying MFP to lodging sub-segments, presents lessons learned from current utility programs, and discusses opportunities to apply a MFP approach to encourage greater energy savings across the utility portfolio.

¹ 2015 legislation establishing new goals for 2030 and beyond. This legislation is referred to as mandating the doubling of energy efficiency. More information can be found at <http://www.energy.ca.gov/sb350>.



THE MULTIYEAR FACILITY PLANNING ENGAGEMENT APPROACH

Historically, the California regulatory environment has been a challenge for multiyear utility-customer engagements because of misalignment between utility program cycles and business planning/budgeting cycles. California’s new 10-year rolling portfolio and regulations allow for utility commitments of customer incentive funds over a period longer than 1 year. It is now opportune for utilities to develop MFP approaches.

The concept of MFP is not new, but these engagements have not been institutionalized within utility program design. Exploring MFP approaches opens many doors, some of which are already used by CA utilities, such as the Savings by Design program. An MFP approach modeled after the Savings by Design program exhibits the promise of future savings from multiyear customer engagement efforts similar to what happens with new construction and major renovation. An approach could also be modeled along the lines of Strategic Energy Management (SEM) initiatives, which provide a structured framework for MFPs focused on corporate culture change. These potential program design strategies could be explored through utility MFP approaches.

Adopting MFP approaches requires understanding a customer’s business drivers, decision-making schedule, and budgeting/planning cycles. To take full advantage of an MFP

approach requires the utility to offset today’s cost of customer engagement with energy savings that will be realized in the future. The primary building blocks of a successful MFP approach are commitments from both the customer and the utility, as described in Figure 1.

Figure 1. Customer and Utility Elements of a Successful MFP Approach

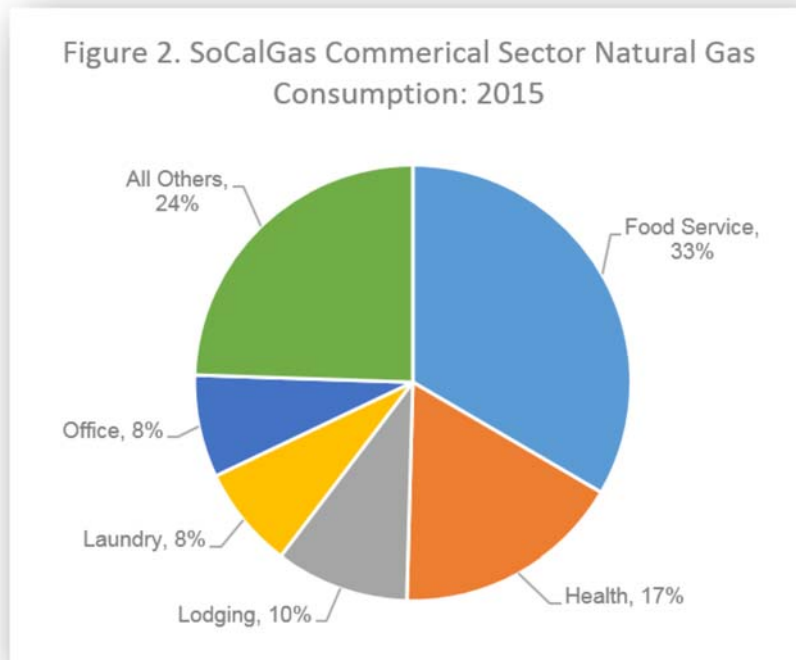
The Customer...	The Utility...
<ul style="list-style-type: none"> • Commits to including energy efficiency in capital budgeting and renovation plans • Gains pre-support of MFP goals from senior management • Commits to notifying SoCalGas prior to commencing any design and construction efforts 	<ul style="list-style-type: none"> • Develops an understanding of the client’s budgeting cycles, especially in consideration of major renovations • Commits funds and technical or administrative support in accordance with the MFP goals • Develops awards/recognition for climate friendly or sustainable commitments and achievements



To take full advantage of the MFP approach, the program’s infrastructure must accommodate the decision-making hierarchy and timing as it aligns to MFP, in contrast to traditional alignment with 1-year regulatory structures. Successful customer engagements will no longer be built on individual customer touchpoints; a truly integrated utility-customer MFP engagement relies on the development of mutual trust and understanding between the engaged parties.

THE UTILITY PERSPECTIVE

The lodging sector is a significant consumer of utility services, including natural gas. For example in SoCalGas territory, the commercial sector, composed of all commercial building customers, consumed 18% of natural gas supplied by SoCalGas in 2015.² Within the commercial sector, the five top customer segments—food service, health, lodging, laundry, and office—consumed approximately 77% of the segment’s consumption in 2015, as illustrated in Figure 2.³



Overall, the commercial sector accounted for 14% of the energy efficiency savings claimed by SoCalGas in 2015.⁴ Although the lodging sector does contribute to meeting SoCalGas’

² SoCalGas, “Energy Efficiency Business Plan: January 17, 2017,” p. 6., https://socialgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF.

³ Ibid., p. 108

⁴ Ibid., p. 6



energy efficiency goals, there are countless additional energy-saving opportunities that are not being captured by the utility.

IOU EFFICIENCY PROGRAMS

The California investor-owned utilities (IOUs) are under regulatory mandates to uncover energy efficiency opportunities at an even larger scale and faster pace than they have historically. Recent legislation set new greenhouse gas reduction goals that significantly increase statewide energy efficiency targets. Other recent laws and regulations, such as AB802 and the 10-year rolling portfolio, provide IOUs the necessary tools to drive deeper penetration of energy efficiency through new pathways.

California's newly designed 10-year rolling portfolio represents a new strategy for utility energy efficiency program planning. The SoCalGas business plan⁵ provides a guide to the utility's energy efficiency programs for the next 10 years. SoCalGas set the goal to increase energy efficiency adoption levels for commercial customers through efficient and effective offerings by:

- Creating programs that target commercial customers with high energy efficiency potential.
- Capturing operational energy savings and permanently modifying customer's organizational practices to consider energy efficiency.
- Highlighting non-energy benefits including improved comfort and productivity.
- Approaching the commercial sector based on segment-specific solutions for high potential customers.⁶

The SoCalGas business plan prioritizes utility-customer partnerships. The plan indicates that developing these partnerships will increase the number of customers adopting energy efficiency solutions; promote deeper, comprehensive energy efficiency solutions; simplify customer engagement; and reduce program costs. One way to develop strong utility-customer partnerships is through multiyear engagements. Under this model, the utility becomes a partner with the customer by developing a trusted and mutual relationship that allows the utility to influence sustainability projects within the long-term planning cycle.

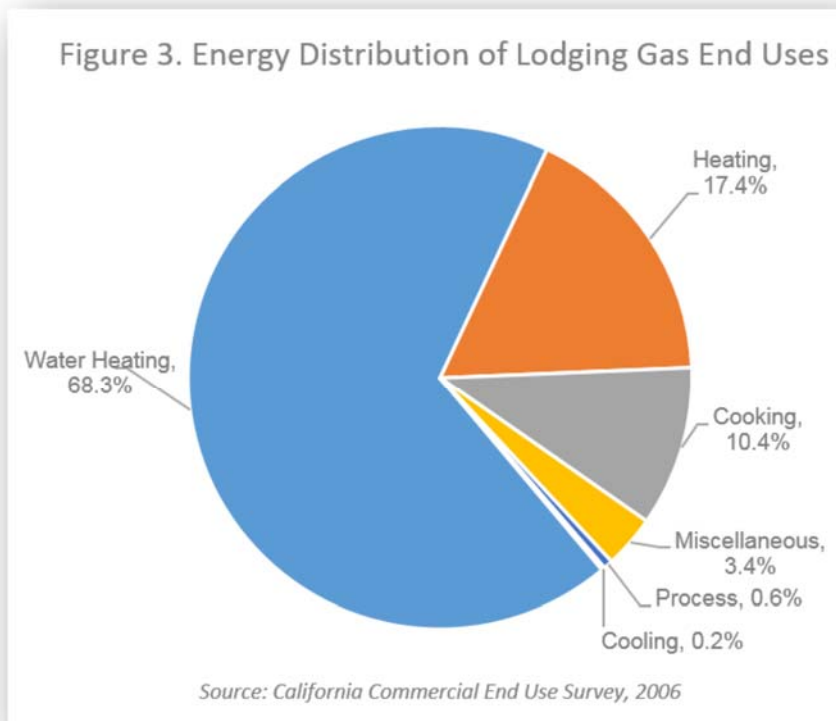
⁵ SoCalGas, "Energy Efficiency Business Plan: January 17, 2017," https://socialgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF.

⁶ Ibid.



THE LODGING SECTOR

The lodging sector has a significant energy savings opportunity and is one of the commercial building segments with the greatest gas savings opportunity. Lodging properties in California have an average energy intensity of 84 kBtu per square foot, with just over half of the energy intensity from natural gas usage.⁷ Within SoCalGas' territory, lodging facilities consume approximately 10% of total gas consumed by all commercial customers.⁸ Energy consumption factors, services, and amenities vary from facility to facility; however, the majority of the natural gas consumption in a typical California lodging property is from water heating, space heating, and cooking.



There are several barriers to implementing energy efficiency within the lodging sector. In addition to barriers common to other sectors (e.g., lack of knowledge concerning energy usage and resistance to change), the lodging industry's priority is optimizing the customer experience—which may be at odds with energy efficiency goals. Lodging facilities often try

⁷ Itron, *California Commercial End-Use Survey*, California Energy Commission, March 2006.

⁸ SoCalGas, "Energy Efficiency Business Plan: January 17, 2017," https://socialgas.com/regulatory/documents/a-17-01-016/SoCalGas_Business_Plan-1.17.17-FINAL.PDF.



to differentiate themselves through the customer experience (e.g., soft linens and towels) and the amenities provided (e.g., gyms and breakfast buffets). As the focus of business strategy, the lodging customer experience drives the decision-making process. Because efficiency is not often visible to lodging customers, efficiency priorities can become secondary to other budget planning priorities. Efficiency measures may even compete with capital investments directly tied with customer-facing functions, such as upgrades to lobbies or rooms. Additionally, facilities may even worry that energy efficiency upgrades will have a negative effect on customer experience.

LODGING SECTOR OWNERSHIP MODELS

The lodging sector is composed of three basic ownership/management structures (sub-segments): national chain ownership and operation, franchises, and independent facilities.

Figure 4. Lodging Ownership/Management Sub-Segments

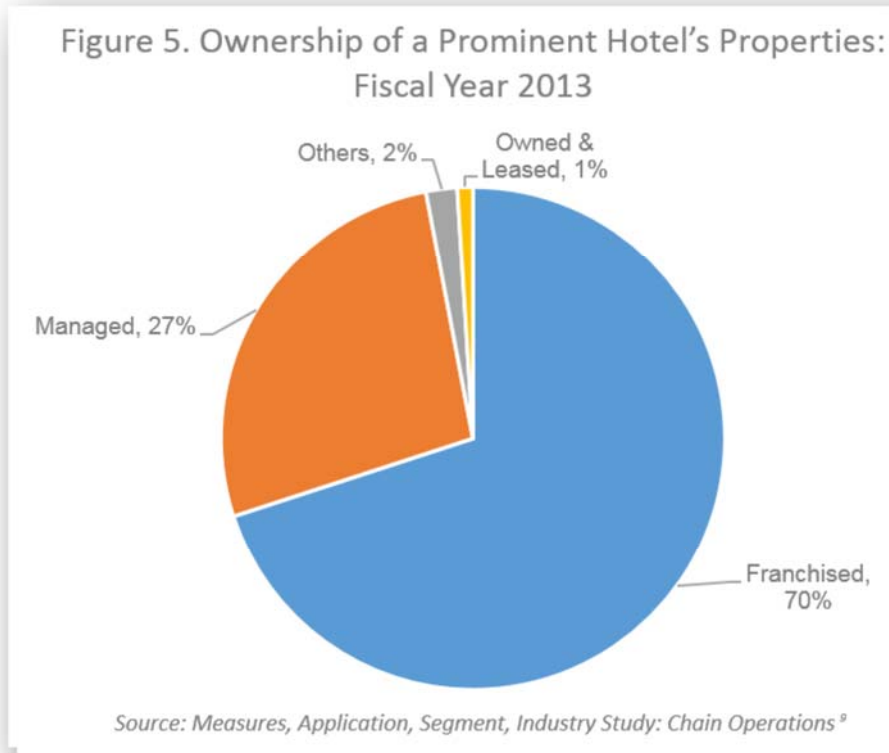
National Chain	Franchise	Independent
<ul style="list-style-type: none">Owned and/or managed by a larger national corporationAsset managing company is the ultimate decision maker on expenses and is driven by financial metrics and business opportunities (e.g., improving the customer experience)Decision makers may be regionally or centrally locatedThird-party property managers may oversee site-level operationOften difficult to contact the decision maker	<ul style="list-style-type: none">Owned and managed by the franchisee or owned by franchisee and managed by the parent management company (i.e., the franchiser)Decision makers are often regionally located and may be difficult to identifyFacilities are named after the franchiser for brand recognition	<ul style="list-style-type: none">Owned and managed by individual/company or owned by one company and managed by a management companyConsidered hard-to-reach (HTR) facilities because they fall into the small-to-medium business categoryMost decisions are made locallyDecision maker wears many hats (budget limitations, timeline misalignments, prioritize other business needs over energy efficiency)

Understanding these ownership models is critical to developing the right strategies to engage with this sector. These structures are described in greater detail in Figure 4.

Ownership diversity is a challenge for program outreach, as difficulties can arise even in identifying the decision makers for project implementation. For example, it can be difficult to know if a hotel is managed by a national chain or is a franchise unit with a local owner. There is additional difficulty in identifying the correct decision maker when a parent company operates facilities under many different brands. For example, one prominent US



hotel manages 27% of its branded facilities and directly owns only 1% of its branded properties, as illustrated in Figure 5. Each different management structure requires the identification of different key stakeholders involved in decision-making around energy efficiency.



At least two key stakeholders are always involved in decisions that affect lodging operations: the owner and the manager. In smaller facilities, these key stakeholders can be the same person, while in larger facilities, they can be two separate groups of people. Stakeholders are not always aware of energy usage within their own facilities, complicating the practicalities of developing an engagement plan. The more complex the decision-making channels, the more critical the flexibility of the MFP framework to identify the full specifics around each customer's situation.

Effectively engaging the diverse lodging sector in energy efficiency programs requires a flexible market delivery model that can meet the needs of each lodging sub-segment. Lodging owners/managers generally do the following:

- Consider the effect on customer experience when making decisions

⁹ Navigant Consulting, Inc., *Measure, Application, Segment, Industry (MASI): Chain Operations*, February 9, 2015.



- Do not take steps to manage energy costs, as energy costs are not a budget priority
- Use financing and technical assistance/expertise to help turn opportunities into operational projects
- Plan for renovations and upgrades that may span multiple years prior to implementation

CHALLENGES RELATED TO PROMOTING ENERGY EFFICIENCY

There is currently some frustration on both sides of the energy efficiency discussion, from both building owners and energy efficiency program implementers. Utility and service providers can get frustrated when building owners do not move forward with planned energy efficiency projects. On the other hand, owners are often frustrated because many vendors and utilities present programs that their CFOs cannot accept. Often the problem is not the efficient technology; it is the sales pitch, project, and program structure.

Communication gaps between building owners, vendors, and utilities are a major stumbling block to making lodging facilities more efficient. The interviews conducted by the Alliance indicated that lodging businesses within each sub-segment¹⁰ have planning horizons spanning multiple years and involving multiple decision makers. This section describes the most common mistakes building owners see in pitches for efficiency projects.

Within the lodging sector, it is typical that **multiple decision makers** including technical experts, property-specific managers, and financial managers are involved in making budget decisions. All of these individuals need to come together to make decisions around energy efficiency projects. A major pitfall that derails efficiency vendors and utilities is a lack of understanding of who is responsible for the costs associated with energy, water, and waste. It is often assumed that the owner has full control over a building's energy use and would benefit from any energy savings, but this is not always the case. Some property owners also manage their buildings and therefore can both implement and benefit from efficiency solutions, but other property owners use third-party managers and relinquish control over the day-to-day or long-term building decisions. It is important for utility programs to engage all decision makers in the process to ensure that the correct information gets to the correct decision maker.

If utility intervention misses **annual budgeting cycles**, it becomes a challenge to incorporate new projects and expenditures. These additions often require an annual budget variance, necessitating an additional feedback loop. Upgrades that were not included in the budget will typically be pushed to the following year so property teams can meet the performance targets associated with annual operating expense budgets. Typically, building owners begin capital budget development in June, finish the process

¹⁰ This is not applicable to some companies in the independent (hard-to-reach) sub-segment.



before the end of September, and work through a budget approval process between October and December. Therefore, proposals made in October that require upfront funding might be delayed at least a year. If the utility representatives (IOU program manager, third party program team, account executive, etc.) is a trusted resource for the customer, it becomes simpler for the utility program to engage at critical budgeting decision points.

Other cost issues associated with efficiency projects can cause additional delay, or cause enough annoyance to make it easier for an owner to say no. For some owners, projects above a certain cost threshold trigger a competitive bidding requirement where the owner needs to source at least three competitive bids. Many efficiency projects rely on the use of tax credits to overcome the cost barrier, and not all owners have an appetite for using tax reimbursements. Finally, owners and vendors often struggle to model the financial benefits of efficiency investments, and utility program managers struggle with supporting this effort because every building owner uses different financial models.

OPPORTUNITIES FOR INCREASING PROJECT IMPLEMENTATION

The issues described in the previous section pose barriers to the implementation of otherwise good efficiency projects. Aligning utility incentive programs with standard business practices, including budgeting and planning cycles, will create programs with higher success rates. Under the multiyear program paradigm, a productive relationship will develop from the mutual development of trust between the utility program teams (and account manager, if applicable) and the customer.

The multiyear approach may elicit concern because the increased account management or increased number of handshakes may not be practical or sustainable within existing utility efficiency program teams. However, the initial investment from the utility will be rewarded by a significant increase in the penetration of energy efficiency decisions. The initial input required to manage these multiyear engagements will vary significantly in scope and effort across customers. To spread the load, the development of this relationship can be multi-pronged via an account representative, program manager, and/or software tool (such as customer relationship management system that has auto-generated messages).¹¹

A communication infrastructure that enables recording of all customer touchpoints is critical, and makes it clear to the customer that each discussion builds upon the last rather than starting anew. At each point, the utility ideally provides new information, building value and greater trust with the customer. Once a relationship

On-Premise Ozone Laundry

The SoCalGas OPOL program provides rebates to hotels, motels, gyms, hospitals, and nursing homes for installing ozone oxidizers on new or existing commercial washers. Within the lodging sector, the program targets what might be considered hard-to-reach (HTR) facilities, specifically those that are locally owned or franchised. The OPOL program provides the following:

- A free initial energy audit
- 2 years of equipment monitoring/maintenance
- Add-on (second) rebate after 2 years of ozone equipment operation
- On-bill financing option

The program has been successful in overcoming lodging-specific barriers. These barriers include:

- Trust in new technology
- Focus on the customer experience with good smelling, clean linens
- Long-term contracts with laundry chemical providers
- Funding
- Complexity in financial decision-making

The OPOL program reaches these HTR lodging customers through door-to-door and cold call outreach efforts. The program also supports early cooperation with chemical companies that have contracts with lodging facilities. This helps overcome the inertia barrier by already having a contract supporting a chemical laundry facility. The budget, timeline, and resource cost assistance provided by the OPOL program helps to overcome lodging segment-specific barriers, allowing for successful program operation.



of trust is established and the utility is seen as a key partner in the MFP approach, a semiannual renewal meeting may be sufficient to maintain the relationship.

Table 1 summarizes the challenges and opportunities of engaging lodging facilities in MFP initiatives in relation to each of the lodging industry sub-segments.

SUCCESSFUL MODELS FOR MULTIYEAR FACILITY PLANNING

The concept of multiyear relationships is not new, but as of yet these engagements have not been institutionalized within utility program design. However, in some cases utility-driven customer engagements have effectively used MFP strategies to drive deeper energy savings. Most customers who have had touchpoints with customers can be further engaged in a more longterm strategy. If there is a programmatic framework with documented certainty for customers, then customer acquisition timelines should be aligned to similar program approaches discussed here. This section identifies examples where this strategy has been successful, highlighting key tactics utilities can employ to meet the diverse needs of each lodging sector sub-segment. These strategies include but are not limited to: a blueprint approach, program cycles that align or are flexible with customer project deadlines, financing or guaranteeing future incentives, and technical assistance in line with business needs.

A **blueprint approach**, such as SEM,¹² has proved to work for utilities—utilities guide customers to develop a culture of energy management that sustains savings over time, specifically for multiple building portfolios. The concept of planning for energy efficiency and accounting for savings within budget and procurement processes is not standard for many businesses. However, when employed it can create a cycle of continuous energy improvement, and if done right, slow or stop energy cost increases. Sustained customer engagement with utility **account managers** and outreach professionals works to build trust with the utility as a partner. For the utility to have a seat at the table as part of the customer’s long-term planning process requires:

- Developing the relationship long before energy efficiency decisions are considered
- Ensuring that the account manager or other representative meets decision makers¹³

¹¹ The software tool to aid account management maybe an chatbot that supplements intermittent person-to-person contacts to ensure there is continuous engagement with the customer even in times of little activity.

¹² Programs that use SEM methodology can include the SoCalGas continuous energy improvement program and other related examples including LEED and Building Performance with ENERGY STAR, for more information see <https://www.socalgas.com/for-your-business/energy-savings/cei>.

¹³ If multiple individuals are developing a customer relationship or engaging a customer with an established utility relationship, it is important to have a well-documented customer relationship management system to keep all team members informed.



Table 1. Challenges and Opportunities for Engaging Lodging Facilities in MFP, by Lodging Sub-Segment

	All Lodging Sub-Segments	Corporate
Challenges	<ul style="list-style-type: none"> Lodging customer experience is the priority Budget competition where energy is not a priority with other capital requirements Aligning utility program, facility upgrade, and budget cycles Lack of customer awareness Rigid program requirements; variability across regional or overlapping utilities Sometimes buy equipment as needed; budgets updated annually Lack of trusted service providers to guide properties through the process Projects may take 1+ years to implement 	<ul style="list-style-type: none"> Identifying appropriate contact; developing and maintaining relationship Difficult to engage central and regional decision makers and get the required decision makers to approve the project Need projected (guaranteed) rebates for rollout plans Corporate teams responsible for finding efficiency opportunities might be unaware of local utility rebate programs
	Opportunities	
Budgets	<ul style="list-style-type: none"> Saving money > saving energy Consider explaining value beyond cost-savings benefits in energy savings opportunities Provide confidence in incentive levels; financing opportunities to subsidize cost of efficiency Provide access to energy efficiency cost-savings calculators to help owners quantify projected financial costs and benefits 	<ul style="list-style-type: none"> Consider sustainability as part of the company's vision Plan budgets and renovations years in advance Develop strategy and tools to make it easier for owners to incorporate efficiency projects on annual budgets
Utility Engagement	<ul style="list-style-type: none"> Understand the business needs as the customer states them Keep the paperwork required simple Provide technical assistance and evaluate non-energy benefits Maintain customer relationships to understand ownership/management framework for the lodging facility Consider that investor-owned utilities (IOUs) are in a 10-year planning cycle and their time horizons are often regulatory driven 	<ul style="list-style-type: none"> Build trust between key account representatives with individual customers and improve the knowledge transfer process within the utility Consider sustainability as part of the company's vision
Multiyear Planning	<ul style="list-style-type: none"> Utilize a multiple year iterative approach aligned with planning and project implementation cycles Provide more predictable rebate amounts for lucrative lodging-specific measures Provide sustainability recognition awards for marketing opportunities and competitive advantages 	<ul style="list-style-type: none"> Program model designs allow for multiyear customer engagement Project planning including 5 to 10 year capital improvement plans often happens when the building is purchased Synchronize the rebate application process with corporate timelines



	Franchise	Independent
Challenges	<ul style="list-style-type: none"> • Must follow corporate rules, but each franchise site is its own entity • Have regional and centralized decision-making • Under multiple layers of decision makers • Utilities suffer from account manager attrition issues 	<ul style="list-style-type: none"> • Sometimes operate at an energy loss to distinguish themselves from competition • Promote sustainability awards • Are more transactional; shorter planning cycles • Smaller facilities prefer fast ROI on savings • Do not often have an energy champion to coordinate with or do not have knowledge of utility energy efficiency programs
Budgets	<ul style="list-style-type: none"> • Understand local codes and regional business needs • Engage project teams in first, second or no later than third quarters annually (depending on each company's planning cycle) or years in advance 	<ul style="list-style-type: none"> • Owner is the decision maker and is onsite • Promote utility financing options
Utility Engagement	<ul style="list-style-type: none"> • Identify if the decision maker is onsite or offsite and what drives them • Build relationship and trust via case studies or through education centers 	<ul style="list-style-type: none"> • Utilize sales representatives and onsite visits • Facilitate faster rebate approvals • Build relationships through ongoing maintenance support or engagement
Multiyear Planning	<ul style="list-style-type: none"> • Multiyear planning makes the most sense for chain and corporate accounts • Project planning often happens when the building is purchased • Synchronize the rebate application process with corporate timelines 	<ul style="list-style-type: none"> • Provide free facility audits and long-term technical assistance for customer to plan ahead



- Guaranteeing program funding for incentives and services to align with customer's MFP¹⁴
- Providing resources including free or discounted technical assistance, a list of preferred providers, and efficiency cost-savings calculators
- Providing a list of potential financial investment options

Timing is important for collaboration. Program cycles do not always align with customer project planning deadlines. Property renovations and budget cycles occur over long periods, and capital projects (typically greater than \$100,000) are often immovable until the next planning cycle. Because investment planning can be a slow process due to stakeholder coordination, capital budget planning, and property lifecycle stages, it is important to ensure that the utility understands the customer's decision-making and investment needs and aligns resources appropriately, including:

- Who is paying: What party benefits from the energy savings and how does that party best move forward?
- The capital budgeting process for the particular customer.
- The project lifecycle, which can be as short as 2-5 years.

Additionally, it is critical for the utility to recognize that **providing financial confidence** to the lodging customer through financing options such as the existing on bill financing program or guaranteeing future incentive levels will strongly enhance the utility-customer partnership required for MFP.

Finally, the **technical expertise** provided by the utility program is a significant benefit to the customer that cannot be understated. Technical expertise provides confidence to the internal decision maker by providing:

- Estimates for the ROI
- Pilot testing or example case studies of successful implementations
- Value streams for energy efficiency as service

¹⁴ Bruce K. Harrington and Ian Burnes, *The Longer Road to Deep Energy Savings in Commercial and Industrial Facilities*, 2016 ACEEE Summer Study on Energy Efficiency in Buildings.



RECOMMENDATIONS

In conclusion, the Alliance believes that MFP approaches offer a productive avenue for utility energy efficiency programs to reach challenging customer segments. Though the lodging segment within SoCalGas territory was used as a lens to explore the complex programmatic opportunity of MFP approaches, the findings are broadly applicable to various market sectors. To take full advantage of the MFP approach within program design, utilities should aim to achieve the following:

- Build trust by not displacing existing systems or processes through which customers have successfully received rebates in the past. These existing rebate/savings programs may be the entry point for customer conversations.
- Maintain flexibility on project completion timeframes, which often change. This flexibility may be significantly more possible under the 10-year rolling portfolio paradigm, which will allow savings to more fluidly move year-over-year.
- Focus program marketing efforts on the first 6 months of the calendar year to accommodate typical annual budget cycles. Account managers should be aware if it is better to engage with a customer in January or July, and whether it is of benefit to the customer to check in either every 2 months or every year. This strategy should account for how quickly facility related decisions are made and when they are made.
- Focus on specific educational needs that may vary by the individual's role and business type of energy-saving opportunities for owners and managers. Facility owners and managers need to know not only whether an upgrade is going to result in energy savings, but how it might affect their customers and underlying business goals.
- Develop customer-centric strategies to support multiple project touchpoints within the multiyear structure.
- Utilize door-to-door outreach efforts in targeted geographies, because it works for independent, HTR businesses.
- Simplify program requirements and paperwork. With a multiyear approach, businesses should be able to pre-qualify with a detailed primary application and simple follow-up applications.
- Develop incentive-level guarantees, as appropriate. This could be accomplished by publishing an expiration date with certain incentives or grandfathering in projects that may have been planned under a multiyear approach, but held up for a non-energy related reason.

If utilities are willing to take on the risk of exploring this innovative approach to program design, it could have a significant payback. California's current regulatory environment, including the switch to a 10-year rolling portfolio, means that it is time to explore the opportunities related to longer-term, utility-customer relationships. The Alliance sees an opportunity to achieve deeper energy savings in the lodging sector and many other hard to reach sectors through the application of MFP approaches.



California Sustainability Alliance

The California Sustainability Alliance (the Alliance) is an innovative market transformation program funded by California utility customers under the auspices of the California Public Utilities Commission. The Alliance leverages action on environmental initiatives such as climate, smart land use and growth, renewable energy, waste management, water use efficiency and transportation planning to help the State of California achieve its aggressive energy efficiency goals more effectively and economically. In partnership with public and private organizations throughout California, the Alliance precipitates widespread market transformation by tackling major barriers to sustainability.

For information about the California Sustainability Alliance, go to: www.sustainca.org

