

**STRATEGIC COMMUNICATIONS
AND OUTREACH PROGRAM**

DEMAND SIDE MANAGEMENT

Rocky Mountain Power

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A. INTRODUCTION

In the early part of this decade, Rocky Mountain Power recognized that Utah's growing demand for electricity would lead to higher overall prices for electricity. To mitigate the impact of growth, Rocky Mountain Power adopted a leadership position through the creation of a comprehensive strategy to aggressively pursue demand side management as a key ingredient in meeting growing demands, managing existing loads, and managing system costs.

This strategy has resulted in the implementation of a variety of programs designed to help customers improve the energy efficiency of their homes and businesses and reduce system demands – particularly during peak load times. While participation in Rocky Mountain Power's programs has grown year-on-year, there is a need to accelerate achievement of energy savings to address both the growth in the demand for electricity and concerns for the environment. This will require that Rocky Mountain Power further expand customer communications, outreach and education around actions that customers can take to save energy and money and increase their awareness of the tools available – Rocky Mountain Power's demand side management programs and services. This need for additional communications, education and outreach, and the impact it would have on demand side management program participation was identified in a 2007 Dan Jones & Associates survey commissioned by Rocky Mountain Power. Exhibit 1 - Residential Energy Efficiency Survey sets forth the complete study. The survey found that:

- Only 25 percent of participants in any one of the company's existing energy efficiency programs were aware of the availability of other company offered programs.
- Through an unaided question, less than 40 percent of non-program participants were aware that Rocky Mountain Power offered energy efficiency programs yet a high percentage expressed interest in participating when informed of the existing programs.

Given Rocky Mountain Power's historical approach to communications, e.g. more "program centric" in nature, the survey results were not completely unexpected. They also confirm that the opportunity exists to increase demand side management program participation levels through a greater emphasis on communications, education and outreach. To capitalize on this opportunity Rocky Mountain Power seeks to invest in a comprehensive communication, education and outreach program for DSM that is incremental to our current activities. The new program is intended to compliment existing communications and help drive customer participation in all programs and equally important, drive an overall commitment to reducing electric consumption.

The need to educate, communicate and reach out to consumers is even more important today. The tightening of the capital market puts consumers' ability to invest in energy efficiency improvements at risk. Maintaining consumer focus on the importance of managing long-term energy costs through energy efficiency will mitigate a potential prolonged market shift away from energy efficiency. In addition, providing no cost or low cost approaches to reducing consumption and information regarding the company's pricing structures, will aid consumers in managing their energy costs. This in turn will benefit all Utah consumers.

B. SITUATION ANALYSIS

For more than a decade, Utahn's have enjoyed a vibrant economy. Unfortunately, there is a downside to Utah's economic success that is seldom included in glowing reports of job increases, corporate expansions and increasing tax revenues. That downside is how to manage the increasing demand on Utah's electrical infrastructure and capacity that comes with economic growth, increasing population and corporate expansion.

To mitigate the growth in the demand for electricity, Rocky Mountain Power adopted a comprehensive strategy for demand side management in 2002 that has resulted in the development and implementation of a number of demand side management programs designed to reduce load, stretch capacity and generate interest among consumers toward energy efficiency and conservation issues. Annual program savings have grown year on year since 2002 with 2008 results 270% greater than 2002 program levels.

The company's 10 year integrated resource plan calls for further increases in energy efficiency and demand management. To ensure the company was positioned to meet the demand side management targets set out in the integrated resource plan, Rocky Mountain Power completed a comprehensive demand side management potential study in late 2007. The study identified the types and magnitude of demand side opportunities available to the company. It provided a forecast of achievable results over a twenty-year acquisition period, based on current program performance and best practice benchmarking of other utility programs.

In 2006, Governor Huntsman signed an Executive Order to improve energy efficiency in the State of Utah, creating a goal of 20% by 2015. Governor Huntsman's action plan relies heavily on the contributions from utility delivered demand side management programs in the achievement of the 20% target.

Rocky Mountain Power currently offers a broad set of residential and business demand side management program services and financial incentives to assist customers in reducing and managing their energy usage. Efforts such as Rocky Mountain Power's Home Energy Savings, Cool Cash Incentives, Cool Keeper, See ya later, refrigerator, ENERGY STAR® New Homes, Time of Day and mail-in energy analysis programs are examples of residential offerings producing solid results. Business programs include Energy FinAnswer®, FinAnswer® Express, Re-commissioning and Self-Direction Credit. Together these programs and others not listed provide a comprehensive portfolio of demand side management program services and incentives capable of helping customers tackle just about any possible energy efficiency related project.

The availability and benefits of these programs, as well as general energy efficiency and conservation information is provided to customers through vendor communications and the company's communication campaigns. While an effort is made to coordinate vendor communications, by their nature vendor communications are program focused and lack a cohesive, consistent, comprehensive message regarding the need for energy efficiency, the availability of a broad range of services and incentives, and the company's pricing structures.

Rocky Mountain Power's customer communications budget covers energy efficiency, as well as electrical safety, renewable energy, customer service and other topics. As a result, the company lacks the dedicated funding to build the type of market transformation and social momentum necessary to establish an "energy efficiency mindset" among customers, business leaders and others throughout the state.

To fully capture market attention and get the most out of the company's programs, greater customer awareness and a plan to create this awareness is warranted. Evidence to this can be concluded from the results of the 2007 survey conducted by Dan Jones & Associates (Exhibit 1):

- Only 25 percent of participants in any one of the company's existing energy efficiency programs were aware of the availability of other company offered programs.

- Through an unaided question less than 40 percent of non-program participants were aware that Rocky Mountain Power offered energy efficiency programs.
- The study found that a high percentage expressed interest in participating when informed of the existing programs.
 - 65 percent expressed interest in the Home Energy Savings program
 - 55 percent expressed interest in the Cool Cash Incentive program
 - 47 percent expressed interest in the *See ya later, refrigerator* program
 - 46 percent expressed interest in the Cool Keeper program
- An overwhelming majority of all respondents felt it was very important (79 percent) or somewhat important (21 percent) that Rocky Mountain Power offer electricity-conserving programs.

These findings are supported by quantitative data uncovered by research conducted in Utah by Questar Gas in 2008 regarding their energy efficiency programs. Following the launch of their programs in 2006 – and an integrated communications campaign in support of those programs – Questar's research uncovered the following:

- Four out of 10 customers were aware on an unaided basis that Questar Gas offered energy efficiency programs.
- 80 percent of respondents indicated they were planning to take steps to improve efficiency or had already taken actions (up from 41 percent 12 months prior to the study).
- A majority of customers (67 percent) cited saving money as the primary reason to improve efficiency, while 12 percent cited environmental benefits.
- A majority of customers obtained information about the availability of Questar Gas' demand side management programs from television (64 percent).
- Respondents cited the utility as being among the most reputable single sources of information on energy efficiency.
- Participation in Questar Gas' energy efficiency rebates increased from six percent in 2007 to 25 percent in 2008.

These findings strongly suggest that consumers possess a growing desire to increase their energy efficiency efforts. In fact, societal inclinations, economic necessities and an increasing trend toward environmental consciousness are beginning to alter the social landscape in favor of increased energy efficiency. Consumers' interest in energy conservation was heightened in 2008 when gasoline prices topped \$4.00 per gallon. Evidence suggests that elevated gasoline prices became so distasteful to consumers that the price increases impacted driving habits during the summer of 2008 – a strong sign that consumer behavior is being heavily influenced by economic drivers.

Despite increased consumer acceptance of global warming theories, evidence suggests that consumer behavior is driven more through economic factors than environmental concerns. Some consumers may have adopted a "green disguise," positioned as concern to "save the environment" but in reality what they are really trying to do is save money and cut budgets wherever possible. Additional findings from the above-mentioned Dan Jones & Associates survey confirm this observation:

- Saving money was mentioned by nearly nine out of 10 (87 percent) non-participants in the demand side management programs as one of the main reasons for conserving electricity (protecting the environment was named by only 28 percent).

- Of program participants, 89 percent cited saving money as one of the main reasons to participate, while 24 percent identified protecting the environment

Responding to customers' desire to save money through decreased usage, a tiered pricing schedule was implemented during the company's peak demand months. A Dan Jones *Utah Residential Rate Survey* focusing on customers' knowledge of the company's pricing schedules showed that 58% of customers agree that the tiered pricing schedules would encourage them to use less electricity from May through September. However, the same survey showed that three-quarters of customers were unaware the prices charged by Rocky Mountain Power were tiered, creating yet another opportunity to educate consumers. Exhibit 2 - Utah Residential Rate Survey sets forth the complete study.

Further research has shown that consumers are thirsting for strong leadership as citizens wrestle through the complex maze of energy issues they now confront. Research data from the Dan Jones & Associates study (Exhibit 1) demonstrates that Rocky Mountain Power maintains the knowledge and credibility to provide that leadership:

- Rocky Mountain Power was ranked highest among participants and non-participants for being trustworthy to give honest and accurate information on saving electricity.
- While residents are increasingly taking conservation measures such as adding insulation, reducing consumption and urging family members to turn off lights, they feel powerless to make a drastic difference. Initial costs and not knowing what to do are the major barriers to these customers taking meaningful action.
- Rocky Mountain Power is viewed as a natural resource for information about conservation, energy efficiency and load management. Customers want to know what to do and the bottom-line costs and benefits of the opportunities presented to them.
- While a percentage of customers are aware of the energy efficiency and load management programs sponsored by Rocky Mountain Power, few know the details of such programs and how to best access them. Because homeowners and businesses are wary of "scams," they look to Rocky Mountain Power for objective information and recommendations.

Based on the research, the primary goals of the communication, education and outreach program include:

1. Promote customer conservation (behavioral changes) and increase participation and savings through demand side management programs.
2. Provide Rocky Mountain Power customers with information on the company's portfolio of energy efficiency and load management programs – position Rocky Mountain Power as the primary source of tips, tools and programs that help households and businesses reduce electricity usage, save money and conserve resources.
3. Motivate customers to reduce consumption independently or to do so by participating in at least one of Rocky Mountain Power's demand side management programs.
4. Promote customer messaging around how participation in these programs can help customers save money on their utility bills, reduce the amount of energy consumption and keep costs down for all Rocky Mountain Power customers in Utah.
5. Encourage participation in multiple demand side management programs by increasing current "cross-selling" activities to current or former participants.
6. Create awareness of the longer term intrinsic benefits and costs of DSM.
7. Encourage customers to reduce consumption during the peak summer months by educating customers about the tiered pricing structure and how decreasing usage can reduce their costs.

8. Educate consumers on the role increased electrical consumptions plays in increasing prices for all of Rocky Mountain Power's Utah customers.
9. Create a sense of "ownership" among customers, turning them into advocates for efficiency and creating a movement in Utah toward improved utilization of energy resources.
10. Create a connection among Utah citizens between increased energy efficiency and the overall health and well being of Utah's economy, environment and future "quality of life."

C. LEVERAGING THE OPPORTUNITY

Rocky Mountain Power has adopted demand side management programs in an effort to encourage customers to modify their level and pattern of electricity usage. These programs have not only aided in reducing the overall amount of energy being consumed, but Rocky Mountain Power customers are also enjoying the benefits of saving millions of dollars on their utility bills as a result. Since 2003, cumulative bill savings by Utah demand side management program participants have exceeded \$75 million*.

Table A represents Utah's share of the energy efficiency and load management resource targets currently within Rocky Mountain Power's 2007 integrated resource plan update. The forecasted acquisitions represent a floor, not a ceiling, of the resources believed achievable over the next 10 years through current and planned demand side management programs and activities. Collectively the energy savings represent on average 0.7 to 0.8% of the company's forecasted Utah retail sales over the same period. Rocky Mountain Power is targeting results in excess of 1% per year over the period and believes the proposed communication and outreach program is critical to helping the company achieve these higher results.

Growth in Class 1 load management is expected to be derived through significantly growing Utah's Cool Keeper program, expanding the existing irrigation load management program, and the addition of a medium to large business curtailment program. The Class 2 energy efficiency targets projected level of growth in load management will not be possible without customer understanding of the energy picture in the state and the importance of the value of their participation in these programs.

**Demand-side Management Forecasted Acquisitions
Table A**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Expense (millions)	\$46.4	\$62.1	\$68.1	\$65.3	\$57.5	\$60.0	\$61.6	\$63.2	\$64.8	\$66.4
Capacity - Class 1 (megawatts) Cumulative	125	250	290	320	330	340	350	360	370	380
Energy - Class 2 (gigawatts) Incremental by year	183.9	215.3	191.3	198.9	201.2	212.3	225.6	217.5	184.1	187.8

* System average rate per kWh over the 2000-2008 period of \$0.0528. Savings are cumulative reductions and assume an energy efficiency measure life of 9 years or more. Savings were calculated based on savings realized at the customer site.

To achieve these targets and the targets set by Governor Huntsman, Rocky Mountain Power must increase awareness and seek to change customer behavior. In addition to increasing demand side management program participation, the educational component of awareness campaigns have been shown to motivate customers to take non-program related actions around how they use and think about electricity. Studies have shown potential savings up to 15% from behavior changes, especially when coupled with complimentary demand side management programs^{††}. Although these behavior savings are often difficult and costly to track and measure, studies have suggested that utilities can expect at least a very modest degree of savings (equal to or greater than those expected to be acquired through demand side management programs, e.g. 1+%) to be realized and reflected in customer usage and future load forecasts.

D. RECOMMENDATIONS

Ultimately to satisfy the targets established in the company's integrated resource plan and those set by Governor Huntsman, encouraging changes in energy consumption/behavior within the state of Utah that compels citizens to take ownership of the issue – for themselves, their families and the community as a whole is needed. This is not an easy undertaking. It will require a cohesive, consistent and integrated program which combines traditional marketing tools of media buys, public outreach and public affairs communications with online and interactive portals, community involvement and social networking. Utilizing multiple touch points to reach customers will keep Rocky Mountain Power's message top-of-mind and is essential when attempting to change behavior. Exhibit 3 – sets forth in more detail the DSM communications recommendations.

It is an objective of the media buys that every Rocky Mountain Power customer is reached at least three times during the first year of the campaign. Further, the focus needs to be on increasing the frequency with audiences that are most likely to participate in demand side management programs. In order to meet that goal, the media buys must be strategically placed and must work together. Along these same lines, we will engage Questar to determine if synergies may present themselves in regards to their ThermWise campaign and website.

Public relations and public affairs will also be essential to the success of this campaign. In order to create a social movement, it will be vital to receive support from community leaders, government leaders, opinion leaders and the media. Events, sponsorships and the like can be an effective way to demonstrate Rocky Mountain Power's commitment to energy conservation and build awareness of the available demand side management programs.

In order for this campaign to be successful it needs to have a simple call-to-action. All mediums will point consumers to one central location to find out all the information they need to begin the process of behavior change. Our web site will function as the primary place for consumers to find answers to their questions, to learn about energy efficiency and conservation tips, and to learn about and sign up for demand side management programs. Alternative channels to request information on programs, services and tips will also be available for those in the program's target market not web enabled.

[†] Lynn Fryer Stein, "California Information Display Pilot Technology Assessment" (December 2004), prepared by Primex Inc., for Southern California Edison.

[‡] John Green and Lisa A. Skumatz, "Evaluating the Impacts of Education/Outreach Programs: Lessons on Impacts, Methods and Optimal Education," paper presented at the American Council for an Energy Efficient Economy summer Study on Energy Efficiency in Buildings (2000).

Funding for the new communications and outreach program would be derived through Schedule 193, Utah's surcharge mechanism in place to recover demand side management program costs. The new communication and outreach program would be identified as a separate and distinct demand side management program. The savings created by increased participation and awareness of energy efficiency will benefit all customers, however the savings would not be directly attributed to the investment. Instead, its effectiveness will be measured through pre- and post-campaign research. Using a third-party research firm, qualitative data will be collected on a yearly basis through the use of telephone surveys. The research will help determine:

- Opportunities for improvement to allow for adaptive management during the course of the campaign
- If there is a measured improvement in awareness of Rocky Mountain Power's demand side management programs
- If customers are hearing and understanding the message
- Whether there is increased participation in demand side management programs
- If customers are becoming more aware of the residential rate structure
- To what degree customer behavioral changes are occurring and whether customers are taking action outside of Rocky Mountain Power demand side management programs
- Whether customers associate the program messaging to Rocky Mountain Power
- Whether the presence of the program has influenced customer perceptions of Rocky Mountain Power as their source for expert information on the efficient use of electricity

The cost-effectiveness of Rocky Mountain Power's demand side management investments will be determined by including the cost of the communication and outreach campaign in with the overall demand side management program costs, creating a "cost-only" program in the portfolio. Rocky Mountain Power will maintain the cost-effectiveness of the company's demand side management program portfolio inclusive of the costs of the proposed communications and outreach program.

To successfully communicate and build awareness of the demand side management programs, create lasting behavior change in the state of Utah towards energy conservation, an investment not to exceed \$1.5 million dollars annually over the initial three years of the program is required. This level of investment, while modest in terms of Utah's overall DSM program investments, will provide the necessary dollars to accomplish the program's objectives and better support existing demand side management program performance.