

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of San Diego Gas & Electric
Company (U 902-E) Requesting Approval and
Funding for 2018-2022 Demand Response
Portfolio in compliance with Decision 16-09-
056.

Application No. 17-01-____
(Filed January 17, 2017)

**CHAPTER 3
PREPARED DIRECT TESTIMONY
OF HORACE TANTUM IV
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY**

JANUARY 17, 2017

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**PREPARED DIRECT TESTIMONY OF
HORACE TANTUM IV
CHAPTER 3**

I. OVERVIEW AND PURPOSE

This testimony addresses Local Marketing, Education and Outreach (LMEO) for San Diego Gas & Electric Company's (SDG&E) demand response (DR) programs.

LMEO for demand response will promote general awareness of demand response programs to new customers, with ongoing education to existing customers incorporating the benefits of dynamic rates. Marketing will consist of general market awareness tactics, targeted communications, and stakeholder outreach and engagement through resources such as SDG&E's Account Executives and a network of Trade Professionals. Targeted communications to customers based on size (kWh) and available rate options will educate customers about dual participation between load modifying event-based rates and supply side demand response, dynamic rates, and if approved, the upcoming change to the peak hours.

SDG&E routinely designs Marketing, Education and Outreach (ME&O) activities to integrate with other efforts where feasible. For example, as part of the transition for small and medium commercial customers to time-of-use (TOU) rates, SDG&E developed a thematic marketing campaign, "Whenergy," to help them understand TOU and the correlation to demand response. In addition, video testimonials from actual customers who incorporate DR as part of their business' energy efficiency habits are promoted during SDG&E's annual Energy Showcase events and through other marketing efforts. In 2016, for instance, a popular local museum was highlighted in a testimonial for their implementation of auto enabled DR technologies. In 2014, SDG&E conducted focus groups with mid-size business customers on the concept of demand response and the upcoming

1 change to dynamic rates. The research revealed confusion and dislike among participants
2 regarding the explanation of demand response events. Most customers wanted to know
3 exactly when and how many events would be occurring and did not like the idea of having
4 limited advance notice to act. Most customers also indicated they were unable to shift
5 energy use to off-peak times, and any savings on their bill would not be worth the effort to
6 make the necessary adjustments to shift. These are some of the challenges marketing will
7 address when engaging customers.

8 In addition, customers will be receiving messages about the upcoming residential
9 default to time-of-use rates with an option for enrollment in a dynamic time-of-use plus
10 (TOU+) rate. The ME&O plan filed November 1, 2016 in SDG&E Advice Letter 2992-E,
11 includes goals to increase customer awareness, understanding and engagement with rate
12 options, energy management tools and behaviors that help manage energy use, and increase
13 adoption and retention of customers on time-of-use rates.¹ Customers have been hearing
14 about rate structure changes since 2014 with the most recent messages centering on the
15 move from four rate tiers, to three tiers and then two tiers. ME&O activities for demand
16 response must seamlessly integrate with other messages presented to customers through
17 outreach and other efforts for various programs.

18 Marketing goals for demand response during 2018-2022 will be threefold:

- 19 1. Increase awareness and understanding of the benefits of demand response;
- 20 2. Increase awareness and participation in energy management technologies that
21 can help customers realize energy savings;
- 22 3. Educate customers about the link between demand response and time-of-use
23 rates.

¹ This advice letter was submitted in compliance with D.15-07-001 (*Decision on Residential Rate Reform ... and Transition to Time-of-Use Rates*), and is pending Commission approval.

1 In order to achieve these goals, SDG&E will use a variety of marketing and
2 engagement approaches to ensure customers are educated about the value of demand
3 response, available programs and eligibility criteria, benefits of enabling technology
4 products and/or services available to them, and appropriate online energy management tools
5 that best suit their needs.

6 In summary, with demand response programs changing, and with more enabling
7 technology available and customer options expanding, education efforts must clearly define
8 the options that are the best fit for customers and deliver the right message in the right time
9 and the right way. Customer satisfaction will remain a critical component, but a challenging
10 one as participation in demand response events often means customers sacrifice some level
11 of comfort or convenience. Marketing will need to emphasize not only customer benefit in
12 terms of energy savings or incentives, but also the wider, regional benefit of overall grid
13 management and how demand response is a critical component to achieving that objective.

14 **II. LMEO INITIATIVES**

15 The LMEO plan for program years 2018-2022 includes support for the following
16 programs and rates: Base Interruptible Program (BIP), Capacity Bidding Program (CBP),
17 Technology Incentives (TI), Critical Peak Pricing (CPP), Time-of-Use Plus (TOU+),
18 Technology Deployment (also known as Reduce Your Use Thermostat, or “RYUT”), and
19 AC Saver (formerly Summer Saver). These programs are described in the prepared direct
20 testimony of E Bradford Mantz (Chapter 1) also submitted with this application.

21 **A. Technology Incentives Program**

22 Marketing efforts for the Technology Incentives program will focus on the support
23 and recruitment of new customers through channels that include outreach through Account
24 Executives, Trade Professionals, Controls Vendors and Third Party Aggregators. Marketing

1 efforts will also consist of ongoing engagement with current participants in order to stress
2 the importance of remaining enrolled in a demand response program and the ease of auto-
3 enabled participation in an event. Other marketing efforts include revisions to program
4 collateral, customer testimonials or case studies illustrating program participation, and
5 collaboration efforts with program outreach partners. These efforts will employ general
6 market tactics such as newsletters, social media and digital advertising. Engaging current
7 customers is just as important in order to maximize their demand response performance.
8 Marketing efforts will address the challenge of customers continuing their commitment to
9 load reduction and participation beyond their three-year commitment. Contributing to a
10 positive customer experience will help maintain an ongoing relationship with customers.
11 One way to contribute to that process is by connecting with the Controls Vendors on a
12 regular basis in order to leverage their best practices and use key learnings to develop
13 strategies to further enhance program participation and continued engagement with current
14 participants.

HT – Table 1: LMEO Budget for Technology Incentives Program					
2018	2019	2020	2021	2022	TOTAL
\$63,411	\$77,368	\$79,143	\$80,960	\$82,819	\$383,701

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B. Capacity Bidding Program

Marketing, education and outreach efforts for the Capacity Bidding program will communicate the proposed program changes to Aggregators and will include any necessary revisions to program collateral.

HT – Table 2: LMEO Budget for Capacity Bidding Program					
2018	2019	2020	2021	2022	TOTAL
\$14,091	\$15,474	\$15,829	\$16,191	\$16,564	\$78,149

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C. AC Saver

Marketing efforts for the AC Saver program will consist of direct communications to both residential and non-residential customers with pre- and post-season reminders, revisions to collateral, promotional efforts around products and the development of customer testimonials for increased customer participation. In addition, current Summer Saver customers will need to be informed about the program name change to AC Saver. Education efforts will take into consideration any approved changes to peak times as a result of upcoming decisions in the 2016 General Rate Case (GRC) Phase 2.² Education efforts will also provide customers with information about their rate options as an AC Saver participant and any new incentive payment structures that might be approved as a result of this filing. Marketing efforts will continue to foster the relationship with current customers since the program provides the most consistent load drop of any opt-in demand response program. General awareness efforts may include social media and digital advertising, while direct marketing efforts may include email and/or direct mail campaigns.

HT – Table 3: LMEO Budget for AC Saver					
2018	2019	2020	2021	2022	TOTAL
\$116,254	\$118,373	\$121,088	\$123,869	\$126,715	\$606,299

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² See, A.15-04-012.

1 **D. Technology Deployment**

2 Marketing efforts for Technology Deployment will educate new and existing
3 customers about options available to them, peak hours, benefits of energy management, and
4 pricing plans. If new program eligibility guidelines are approved, marketing will engage a
5 new audience of customers – that is, all customers with load curtailment technologies,
6 regardless of size. New incentives will be communicated in order to increase customer
7 participation and requirements of the program will be part of the customer education
8 process. Marketing tactics may include social media, digital advertising, and direct
9 marketing efforts such as email and/or direct mail campaigns.

HT – Table 4: LMEO Budget for Tech Deployment					
2018	2019	2020	2021	2022	TOTAL
\$123,299	\$125,547	\$128,427	\$131,376	\$134,394	\$643,043

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11 **E. Base Interruptible Program**

12 Marketing, education and outreach efforts for the Base Interruptible program will
13 continue to support SDG&E’s account executives, the main channel for engagement with
14 BIP customers. Marketing for the program consists of communicating the annual option to
15 opt out of the program, the customer’s credit amount, and revisions to program collateral.
16 LMEO efforts include direct communications to customers via email, direct mail, or
17 communications from the customer’s assigned account executive.

HT – Table 5: LMEO Budget for Base Interruptible Program					
2018	2019	2020	2021	2022	TOTAL
\$7,046	\$7,033	\$7,054	\$7,074	\$7,095	\$35,302

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1 **F. Non-Residential TOU+ and Residential Optional TOU+**

2 Since one DR event was initiated last year, 2017 will still be an adaptive year for
3 small non-residential customers that were defaulted to a TOU+ rate. Marketing efforts in
4 2018 and beyond will continue to educate non-residential customers about time-of-use and
5 time-of-use plus rates. Efforts will include mass awareness, targeted direct marketing, and
6 stakeholder outreach and engagement.

7 In addition, residential customers will begin defaulting to TOU rates in 2019, with an
8 option to default to TOU+. Marketing efforts will include presenting customers with their
9 options through a variety of channels in order to prepare them to make the choice that best
10 fits their needs. The complete ME&O plan for residential TOU default was submitted
11 through Advice Letter 2992-E on November 1, 2016.

HT – Table 6: LMEO Budget for Non Residential TOU+ & Residential Optional TOU+					
2018	2019	2020	2021	2022	TOTAL
\$317,055	\$322,835	\$330,241	\$337,822	\$345,584	\$1,653,537

12 **G. Critical Peak Pricing Rate (CPP)**

13 2017 is also expected to be an adaptive year for mid-size non-residential customers
14 due to one event being called in 2016. Marketing efforts for Critical Peak Pricing (CPP) in
15 2018 and beyond will include education and awareness around events and capacity
16 reservation. In addition, ongoing communications and engagement will continue to occur
17 with customers on their anniversary date. Marketing efforts will incorporate a mix of direct
18 marketing and general awareness such as email and/or direct mail campaigns, digital
19 advertising, social media, newsletters, and bill package content.
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HT – Table 7: LMEO Budget for Critical Peak Pricing (CPP)					
2018	2019	2020	2021	2022	TOTAL
\$211,370	\$215,223	\$220,160	\$225,214	\$230,390	\$1,102,357

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The following two programs will require no marketing budget in 2018-2022:

H. Permanent Load Shifting Program

Permanent Load Shifting (PLS) projects are typically large undertakings that require a significant capital investment by the customer. Vendors and equipment manufacturers who operate in this space are actively looking for customers and often include SDG&E’s PLS program incentives as part of their sales strategy. These market participants are very active in trade organizations, such as ASHRAE. SDG&E will employ a two-prong strategy for marketing the PLS program by 1) enlisting account executives to educate assigned customers about the program, and 2) through active engagement at industry events to raise awareness about PLS. SDG&E believes this strategy will be the most cost effective approach in creating market awareness and is therefore requesting no additional LMEO dollars for PLS in 2018-2022.

I. Pilot Program for Armed Forces

The Armed Forces Pilot is tailored exclusively for the Navy as the first customer segment and will not be marketed to other customers. The Department of Defense will assist SDG&E in recruiting additional customers under its auspices based on the success of the pilot.

III. CONCLUSION

In program years 2018-2022, marketing, education and outreach efforts must continue to engage new and existing customers on the importance of demand response, peak

1 energy use, participation in events, and energy management technologies. Existing
2 customers will need ongoing education around program changes and their options. As the
3 residential segment of customers begins defaulting to time-of-use rates in 2019 with an
4 option to move to an event-based rate, customers will need to understand all components of
5 the pricing plans that will be available to them. This includes, but is not limited to,
6 understanding events, their ability to adjust peak use, and the difference between time-of-use
7 rates versus dynamic rates. Multiple touch points may be needed in order to ensure
8 customers understand their options, how they use energy, the movement towards changing
9 energy patterns in response to events, and the energy management solutions available to
10 them. Demand response efforts will complement other ME&O activities around time-of-use
11 rates and enhance customer's education of the concept.

12 This concludes my prepared direct testimony.

13 **IV. WITNESS QUALIFICATIONS:**

14 My name is Horace Tantum IV. I am employed by SDG&E as the Local Marketing
15 Manager. My business address is 8690 Balboa Ave., CPA03, San Diego, California, 92123-
16 1569. I have been employed by SDG&E as Marketing Manager since May, 2014. I am
17 responsible for leading the marketing team to develop and implement local marketing plans
18 for residential and commercial/industrial customer programs, including goals and objectives,
19 strategies, target audiences, key messaging and metrics. Prior to my current position, I held
20 the position of Senior Communications Advisor primarily supporting commercial/industrial
21 programs.

22 Before joining SDG&E in December 2012, I spent nearly two years as Marketing
23 Director for MJE Marketing, where I was responsible for the development, implementation
24 and supervision of integrated marketing, advertising, PR and social media campaigns for

1 clients including the Port of San Diego, California Bank & Trust, First 5 San Diego, and the
2 City and County of San Diego. From 2002-2011, I was the Senior Account Supervisor for
3 Brandon Taylor, SDG&E's general market advertising agency of record. I graduated from
4 the University of Colorado in 1989 with a Bachelor of Arts degree in Economics. I also
5 earned an MBA with a marketing emphasis in 1992 from the University of Colorado. I have
6 more than twenty years of experience in marketing, communications, advertising, business
7 management, and creative direction in various industries.

8 I have previously testified before the Commission.

9 This concludes my prepared direct testimony.

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