

FOR BOARD ACTION

Agenda Item # 9.

Meeting Date:

3/28/06

SUBJECT:

Energy Conservation Sales Consulting Services

PREPARED BY:

Jim Walters, Director of Customer Relations

ITEM DESCRIPTION:

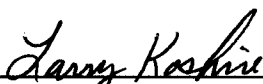
The study, *Report on the Electric Utility Baseline Strategy for 2005-2030 Electric Infrastructure*, was completed in June 2005. Phase II of the study recommended more aggressive energy conservation efforts...“Considering the Phase I forecast, RPU has several years before it is in a capacity deficit condition due to load needs. Estimates of Demand Side Management (DSM) and renewable impacts to the forecast provide the opportunity for RPU to delay the installation of resources by two to three years, depending on the successful acceptance of the DSM programs by the RPU customers.”

Due to tight labor resources, staff plans to outsource all of the additional work needed to accomplish more aggressive conservation goals. Our original energy saving conservation goal for 2006 was 8,388 MWh and 1.7 MW. Our new goal, which includes Aggressive DSM, is 10,309 MWh and 2.1 MW. Morgan Marketing Partners (MMP) in Madison, Wisconsin was hired to provide direct selling of energy conservation solutions with a special focus on our commercial accounts. They will begin their work April 3, 2006. Our agreement with MMP is through December 31, 2007. The agreement is dependent on MMP meeting stated goals. A copy of MMP's proposal is attached for the Board's review. The final contract will be reviewed by the City Attorney prior to the execution.

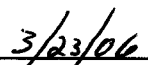
The total budget for 2006 for our energy conservation efforts is \$1,863,627 and aggressive efforts are \$297,125 of this amount.

UTILITY BOARD ACTION REQUESTED:

The Board is requested to approve a two-year contract agreement with Morgan Marketing Partners (MMP), and request the Mayor and the City Clerk to execute the Agreement for MMP to provide DSM services not to exceed \$120,500 for 2006 and \$149,000 for 2007, subject to review by the City Attorney, and with the 2007 expenditure subject to Common Council approval of the 2007 electric utility budget.



General Manager



Date

ROCHESTER PUBLIC UTILITIES



Morgan Marketing Partners

February 24, 2006

Mr. Bob Ledebuhr
Mr. Mike Smith
Rochester Public Utilities
4000 East River Road
Rochester, MN 55906-2813

Dear Mr. Smith & Mr. Ledebuhr,

Thank you for the opportunity to submit this proposal to Rochester Public Utilities (RPU) for the *Aggressive Demand Side Management* program assistance. This is an important initiative for RPU and we are looking forward to sharing how the Morgan Marketing Partners/ Franklin Energy (MMPF) team can help you reach your goals cost effectively.

To accomplish the goals, RPU needs a combination of planning experience, implementation experience, administrative support, and an understanding of its market. The MMPF team provides all those skills. Rick Morgan, Morgan Marketing Partners, has worked on various RPU projects since 1998. Having conducted much of their customer research, he understands not only the goals of RPU and its operations, he understands RPU's customers. Franklin Energy is a successful efficiency implementation firm. Their team of over 40 engineers, technical specialists, field energy advisors and support staff has worked throughout the Midwest helping utilities and regional efficiency organizations successfully reach their efficiency goals.

The MMPF team is comprised of two small but very effective Midwest firms that are nationally recognized, yet have the Midwest attitude and experience that fits Rochester Public Utilities. This team has a long track record of success delivering what its customers want. The MMPF team has worked together on other projects. This team also has direct experience not only in programs similar to RPU, it has direct experience with RPU and its customers.

Our hope is that this proposal clearly demonstrates the difference of our team's depth of experience and skills that we can offer, plus our flexibility to meet your need. If not, please feel free to contact me.

Again, thank you for this opportunity,

Best Wishes,
Rick Morgan
President, MMP



**Aggressive Demand Side
Management
Proposal Feb. 24, 2005**

MP

Morgan Marketing Partners

&



Rochester Public Utilities Proposal

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Introduction

Rochester Public Utilities (RPU) has been a leader in municipal utility energy efficiency and “value added” services for many years. This has resulted in many successful programs and high customer satisfaction. However, to keep costs low and avoid additional capacity contracts, RPU seeks assistance with the planning and implementation of the Conserve & Save program particularly in the commercial market. Morgan Marketing Partners and Franklin Energy have teamed to provide this proposal to achieve the RPU energy goals cost effectively and help staff focus on more strategic initiatives.

Goal and Approach

The Morgan Marketing Partners/Franklin Energy (MMPF) team expects to deliver the commercial program goals outlined in Table 7 of the July, 2005 Aggressive DSM report. These goals at an aggregate level are approximately 7,900,000 kWh in 2006 and 10,800,000 kWh in 2007. This will be accomplished through a mix of working with RPU’s staff and their customer/network connections, working with local allies/contractors, and direct marketing by MMPF. It is the intent of the team to have one person operating out of the RPU offices as an extension of the RPU staff who focuses on the marketing and support of the Conserve & Save commercial program offerings. Rick Morgan of MMP will manage the team overall and also provide guidance and planning assistance for program adjustments, targeting, marketing, and incentives. Franklin Energy will provide the field staff person onsite and remote administrative support plus the strength of their experienced technical and implementation staff. In addition, MMPF provides an option in the Budget section to shift administrative processing and support of other RPU programs to the Franklin staff, if it met with RPU’s needs. We are providing similar services for several other programs. Please note the hourly rate, for these services is slightly reduced from our base bid. We envision this work provides synergies with other efforts.

Why the MMP/Franklin Team

To accomplish its goals, RPU needs a combination of planning experience, implementation experience, administrative support, and an understanding of its market. The MMPF team provides all those skills. Rick Morgan, Morgan Marketing Partners, has worked on various RPU projects since 1998. Having conducted much of their customer research, he understands not only the goals of RPU and its operations, he understands RPU’s customers. Mr. Morgan also has worked with numerous other utilities and regional efficiency organizations throughout the country on their program planning & design, implementation, evaluation, and research. Two of his largest clients are Focus on Energy, the statewide efficiency program in Wisconsin, and Cinergy, a gas/electric investor owned utility in Ohio, Indiana, & Kentucky. He has provided work

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direction and oversight to Franklin Energy staff on an ongoing basis as part of the Focus on Energy program and on a project basis for Cinergy. Other clients and projects are outlined in Appendix A.

Franklin Energy is a successful efficiency implementation firm based in Wisconsin. Their team of over 40 engineers, technical specialists, field energy advisors and support staff has worked throughout the Mid-West helping utilities and regional efficiency organizations successfully reach their efficiency goals. Franklin Energy is also on the Focus on Energy team managing all the statewide Commercial programs in Wisconsin. They have also worked with utilities in Minnesota, Colorado, and Kentucky providing program implementation services. Additional descriptions of Franklin, their experience and team are also provided in the Appendix A.

The MMPF team is comprised of two small but effective Mid-West firms that are nationally recognized, yet have the Mid-West attitude and experience that fits Rochester Public Utilities. This team has a long track record of success delivering what its customers want. The MMPF team has worked together on other projects. And this team has direct experience not only in programs similar to RPU, it has direct experience with RPU and its customers.

Approach/Process

To help RPU reach its savings goals cost effectively, we are proposing three aspects of assistance; planning/management assistance, implementation staff, and administrative support.

Planning/Management Assistance

The planning and management assistance will occur early in the project to refine the offers, marketing, targets, incentives, etc. Rick Morgan would provide this assistance along with Paul Schueller, President of Franklin Energy. They would work with RPU to seek their input and experience, review the offerings and review the customer data to assure that the programs are cost effective and can meet the targets. Based on the over 50 years of combined experience of these two professionals, and their experience around the country, they can quickly identify opportunities for refinements to enhance results. Mr. Morgan would then continue as project manager and primary RPU liaison.

Implementation Services

As indicated in the RFP, implementation support locally will be critical to the success of this effort. Our team is committed to insuring local staff meets your needs. MMPF plans to assign a local program staff person to meet the program's customer service needs. We

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envision that this individual will report directly to the RPU office on a majority of days and take work direction from RPU staff. The assigned individual needs to mesh well with RPU staff, contractors and customers in order to maximize their effectiveness. If a quality working relationship doesn't develop we will change staffing to meet RPU's needs in a timely and professional manner.

The local person will also have access to the 25 Franklin Energy engineers and technical field staff. These individuals have gained specialized expertise by end use technology (i.e. lighting, drives, compressed air etc.) and by sector (food service, food processing, hospitality, etc). This allows local program staff to cost effectively access these individuals. We have found that this mentoring/guidance process is more cost effective than one individual spending research time on something that's previously been investigated.

The access to a variety of personnel that can provide short term assistance also allows us to adjust the staffing level to meet changes in RPU's needs, program activity levels, special promotions or changes in RPU or our local staff.

The implementation services must be complimentary to the strengths that the RPU program has already developed. We feel before making a final selection on local staff it would be beneficial to analyze the potential needs in more detail. The relative importance of technical and sales skills can be weighed as well as the importance of writing, presentation and other skills.

In addition to the skill set, the priorities of the services where time and effort are to be concentrated should be reviewed. For example, we are assuming that "Conserve and Save" programs are the primary focus; however "Energy Solutions" is also addressed in the RFP and the Aggressive DSM plan. Additionally RPU's "Power Services" may be something that could benefit from additional exposure in customer service and site visit settings.

Administrative Services

Our team has provided clients with a variety of turnkey customer service and application processing services. We can provide these services not only for the commercial Conserve & Save offerings, we have the capability and capacity to offer these services for other RPU offerings if that meets your needs. The following are some of a menu of services available to RPU through this team.

Incoming call answering and routing – We can handle incoming calls to our phone center. Generally new callers are asked a few questions to insure that their call is routed properly. Calls are logged and provided to the program manager to insure proper follow up and internal accountability. While RPU has an internal customer service phone staff, this could be a special "efficiency line" or be hot linked. The important point is that there is this experienced capacity to add to RPU's capabilities if needed.

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Information Fulfillment – Customers requesting program brochures, applications or other information will receive it in a timely and professional manner.

Application Processing – Having reviewed the Conserve and Save program applications its clear that the qualification criteria , calculation review methodology and other details of application approval are similar to programs where our staff is already doing application processing and fulfillment. Part of quality fulfillment is insuring applications are complete and following up with customers to get important details like account number or federal tax ID numbers.

Although its not part of our base bid, processing incentive checks is a service we currently provide for other clients. This service includes required federal and state tax reporting and documentation.

Field Verification – Field verifications can help ensure program integrity and can enhance the comfort level of RPU senior management and regulatory oversight. This additional quality assurance assistance will meet the needs of RPU while freeing up RPU staff to work on other important projects.

Data Entry and Tracking – Specific customer and project data entry associated with incentive applications is routinely handled by our staff. Entry could be to a system supplied by RPU or one we develop to meet your needs.

We have approximately 10 administrative staff at the Franklin Energy corporate office that provides program administrative services. Generally we would assign one or two individuals to learn the details of the program and they would handle a majority of calls and customer contact, with the remaining staff as backup. The assigned individuals would handle all application processing and data entry functions because of their more intimate knowledge of the program.

Program Marketing & Delivery Plan

We anticipate efforts and resources will target three groups; RPU customer service staff, contractors and customers.

RPU Staff – The utility has a unique and trusted working relationship with its customers as seen in our research results and we want to utilize that relationship. When a customer has a need, they call RPU. The contacted RPU staff will be most comfortable with aggressively making referrals to the program if they see quality results for their customers. We envision regular attendance at RPU meetings to ensure exposure to and comfort level with our staff assigned to this program. It will be critical to follow up customer leads on a timely and professional manner to further develop credibility.

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Outreach Summary – Regular attendance of our staff at RPU program related meetings can, if your time allows, include presentations on new technologies or initiatives to help establish value and credibility. We plan to promote our services as field resources and challenge RPU Staff to use us as an extension of your team. We will regularly report back via e-mail to the lead source after a customer contact has been made. In addition leads will be tracked and reports will be made readily available to RPU staff. These efforts are all aimed at establishing a confidence and credibility in our ability to professionally handle leads from RPU staff.

Contractors – The leverage that contractors can provide will enhance overall program results. They are seeing numerous customers, and knowledge of the program, and a comfort level with program staff, will allow more exposure to more customers. Similar to the relationship with RPU staff, the MMPF Team must establish their credibility and meet the contractor's expectations. Repeat business with contractors will require that they see value in the form of quality customer service and incremental sales. While we understand there has been some historic work with these contractors, we also believe that due to staff time constraints, these relationships have not always been able to be nurtured and have follow-up as frequently as necessary.

Outreach Summary - We envision more contacts with these contractors through meetings to educate them on the program and demonstrate how it can be used to create incremental sales and personal calls where warranted. Depending on RPU's existing activity and preference, we would suggest regular contractor/ally meetings. The meetings need to be very time effective and structured to meet their needs. We have had success with 1 hour meetings in a 15 minute breakout session format. That way 3 or 4 breakout session topics or programs can be covered. Contractors can "get what they need and go". We've found that developing this "time effective" image enhances our overall contractor relationship.

In addition we might suggest a short term contractor bonus for project submittals, which could be incorporated to motivate program activity. The bonus could take the form of coop marketing dollars in order to further promote program activity. There are also numerous ways to target specific groups or customers to enhance the participation of customers. For example the bonus could target a subset of the contracting community like HVAC contractors, to enhance participation in air conditioning change out. Extending this example, a "bounty" could be offered for the retirement of commercial air conditioning systems over X years old. This and other ideas will be discussed as part of our initial planning task.

Customers – Direct customer marketing can compliment the leads generated through RPU staff and the contracting community. We envision utilizing direct mail and follow up calls as the primary mechanism for delivery. Other print or radio advertising could be considered but we feel the mail/follow up process has its advantages and is more cost effective. It allows targeting by customer type or technology. It also helps us start

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relationships with community groups and trade associations. This allows customer with specific potential needs to hear the program message directly. The sector/technology targeting allows the program to attempt to meet specific targets that may be lacking in program participation. The ultimate goal of the direct mail and phone follow up are face to face meetings that would not likely have occurred without this marketing effort.

Outreach Summary – Our view of direct marketing to commercial customers includes customer groups, trade associations, chambers of commerce and community groups with an exclusive or high concentration of commercial customers. This would be our highest priority due to the positive potential customer service impact and the leveraging to multiple commercial customers that it offers. The Aggressive DSM plan references the Rochester Energy Futures Coalition and Olmstead Clean Energy Resources Team as groups with concerns about coal based generation of electricity. Their concerns have the potential to be at odds with the electric generator, but their interest in conservation can create a positive response in the market. Our team has extensive experience with creating conservation program advocates from generation critics. Specifically in Wisconsin we have created a partnership with the Wisconsin Interfaith Climate Exchange to help us market and deliver programs to their congregations. They had been an outspoken critic of the utilities generation plans and are now a part of the program “team”.

We realize RPU already will have relationships with many associations and chambers. Our intent would be to learn more about these groups and your relationships and compliment those past efforts.

From the standpoint of specific customer, sector and technology targeting we offer the following examples to provide a feel for the types of activities we would pursue to create face to face customer opportunities.

1. We have worked with restaurant associations to identify members to target with specific technology promotions. Generally these promotions have provided something of immediate value to their members, such as a pre-rinse sprayer, so the association was more comfortable with creating access. The offer also requires installation, so it creates a face to face interaction.
2. Air conditioning in the hospitality market has proved an attractive target in our past program delivery efforts. It appears RPU’s own research would corroborate this. We have approached owners from the standpoint of offering options. Immediately considering only replacement would likely make customers apprehensive. Offering options such as Guest Room Energy Management and clean and tune have customers more open to consider change. Once trust is gained, replacement may still be an option.
3. Depending on the sophistication of the utilities billing system or the programs willingness to invest some time in analyzing records, we have been able to identify air conditioning opportunities. Relatively high summer consumption and/or high demand versus shoulder months (spring and fall) can be identified by looking at ratios of demand and energy consumption. Although it’s rarely been available, kw/ft² or kWh/ft² data can be very helpful.

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We will, if appropriate, also provide complimentary benefits to the water utility side of RPU's business. For example water conservation measures in customers with electric heat for joint RPU water/electric customers. This kind of targeting and "data mining" of existing commercial customers can lead to effective results and better implementation rates.

Sales Goals & Lead Qualification

In order to generate the quality and type of projects outlined in Table 7 of the Aggressive DSM Plan we must generate leads, beyond the projects that close, from each of the three main sources (RPU staff, contractors and customer marketing) previously identified. We envision needing to generate about twice as many leads as closed projects. We assume 20% of leads will come from RPU contacts, 40% from contractors and 40% from direct customer marketing.

We plan to track incoming leads by their source. In addition we will track who is assigned to the lead, if the lead results in a site visit and/or program participation. Over time this will help us gauge the effectiveness of each source and look for opportunities to improve on the delivery.

To be an effective service provider the MMPF Team must create incremental leads. The customer leads need to be handled by the MMPF team in order to avoid adding to RPU staff workload. In addition, our staff needs to handle RPU referrals and normal contractor activity in order to improve RPU's overall availability for other assignments.

Expected Results

The MMPF team plans to deliver the commercial program goals outlined in Table 7 of the July, 2005 Aggressive DSM report. These goals at an aggregate level are approximately 7,900,000 kWh in 2006 and 10,800,000 kWh in 2007. These goals will necessitate higher participation rates than historic program results which is also a goal discussed in the Aggressive DSM Report. Based on the earlier research conducted by MMP, the mix of project type, size and quantity seem reasonable given the customer base. We see no reason to alter the anticipated project mix at this time.

MMPF envisions that our involvement will allow RPU to reduce and potentially eliminate its administrative support of the commercial programs if desired by RPU. Table 5 in the above referenced DSM Report indicates that the program currently utilizes about 600 hours of administrative time. We see that as overlapping with much of the administrative time in our base bid. Consequently we have provided a cost option in the following Budget section to RPU for MMPF to handle additional administrative duties for other RPU programs.

Budgets

The following table is our team's proposed budget to implement the services that we have outlined in this proposal. We have assumed nine months of operation in 2006 and a full year of operation in 2007. We feel our services would allow RPU to transition all of the current commercial program clerical effort outlined in Table 5 of the Aggressive DSM Report in 2006. We further assume that our efforts would allow for more targeted concentration of other work on design and customer service efforts that provide more benefit to RPU.

Please note we have identified the clerical administrative functions as "Administrative Support/Project Coordinator". We tend to classify Administrative Support functions as application processing, data entry and follow up on missing application data. The Project Coordinator role is something we have developed internally. We rely on these individuals to handle incoming customer questions, interface with contractors and other customer service functions.

The text in the project indicates Paul Schueller's involvement in the planning and management assistance process but hours are not included in the budget. The MMPF Team views his assistance as adding value to the project and he will be involved. We, however, didn't want to take resources away from other tasks so his time will not be charged to this project if we are selected.

Our hourly rates include labor, benefits, employment taxes, computer and cell phone use, access to some assessment equipment (such as a light meter and digital camera), and basic software such as Microsoft Office, email, and our proprietary time tracking system.

The Proposal Cost makes the following assumptions:

- The bid price does not include cost for development, production, or mailing of marketing materials;
- RPU will supply an office space for one person with access to a phone for local calling to RPU customers;
- Project incentives for customers are not included in our pricing detail;
- Mileage reimbursement is invoiced at the IRS Standard Rate.
- There is a 2.5% hourly rate escalation that takes effect on January 1st of each year.

The next page shows the pricing detail for our proposal for 2006 and 2007.

Pricing Detail

Base Proposal Bid

Position	2006 - Hrs	2007 - Hrs	2006 \$	2007 \$
Engineer II	80	60	\$5,200	\$3,998
Technical/Sales Specialist	1,200	1,600	\$66,000	\$90,200
Administrative Support	450	600	\$18,000	\$24,600
Program Director	120	100	\$18,000	\$15,375
Travel/Mileage Expense			\$3,300	\$4,200
TOTAL Program Cost			\$110,500	\$135,000

Additional Bid Option

Position	2006 - Hrs	2007 - Hrs	2006 \$	2007 \$
Administrative Support	450	600	\$18,000	\$24,600

Position	Name	2006 Hourly Rate
Engineer II	Dean Laube; Kelly Kavanagh Other technical support	\$65.00
Technical/Sales Specialist	Local Hire	\$55.00
Administrative Support / Project Coordinator	Stephanie Gaede Erica Roller	\$40.00
Program Director	Rick Morgan	\$150.00

Time Frames

The following are the approximate timeframes for program implementation. It is based on the time after contract signing.

Task	Purpose	Completion Time Frame
Kick Off Meeting	Gain further RPU market insights. Better understand existing programs and discuss options.	Week 1
Program Review and Revisions	Propose refined delivery and any potential changes to offerings, marketing, incentives, etc.	Weeks 2 & 3
RPU Feedback	Comments on "Program Review and Revisions"	Week 4
Implementation Action Plan	Identification of all the actions necessary to fully implement field activities. (Incorporates RPU feedback)	Week 4-Week 5
Hire Local Staff	Interview and hire with RPU input as they see fit	Week 1-Week 4
Tracking System	Coordinate tracking needs with RPU staff.	Week 3-Week 5
Training	Train staff and support on RPU offerings	Week 5
Launch	Begin initial field work	Week 6
Implementation		Ongoing
Develop Mailings	Prioritize technology and sector targets	Ongoing
Contractor Meetings	Need and timing to be coordinated with RPU	Week 8 and updates as needed
Management Review	Review of progress and activities jointly with RPU	Week 12
Monthly Reviews	Visits or calls to RPU on progress as well as monthly reports	Ongoing
Revisions for 2007	Review and refine for 2007	Fall 2006

Marketing Services Program Questions

Some of the questions outlined in the RFP have been previously addressed but we have included all of the listed questions here to help ensure we met your needs. Some references to previous sections are made.

Limitations:

- *Do you have any geographic restrictions or limitations that might affect working on RPU programs?*

None that we feel will impact program delivery. The initial conservations and work regarding initial program delivery would involve Rick Morgan and Paul Schueller. They can be available in Rochester on short notice but work out of Madison and Milwaukee, Wisconsin, respectfully. An Energy Advisor will be available locally with access to a wide variety of support staff.

- *Are there any programs we identified that you are unable to work on?- No*
- *Time constraints and availability?*

No time constraints on the part of start up staff. We can have staff available in the field and in the “back office” from the first day of launch to visit customers, answer phones or do anything else necessary to meet RPU’s needs.

Process:

- *Describe the timeline and how the process will work from the initial RPU contact to completion of the marketing plan and initiation of the promotions.*

Timelines to allow for end of first quarter field activity will be very tight depending on when RPU makes its decision and signs a contract. Steps include initial meetings with RPU. Understanding of current marketing activities and interaction with contractors. Determining the importance and priority of “Conserve and Save,” “Energy Solutions” and “Power Services.” Promotions will need to be prioritized based on time constraints, budgets, etc. Additional timeline details have been provided in a previous section.

Documentation:

- *Provide sample marketing plans and promotions you have developed.*

Promotional material samples are provided in Appendix B. They include We Energies promotional materials, Focus on Energy technical fact sheets and a sample custom program form from the Energy Incentives from We Energies program.

- *Provide information on sales lead generation programs you have done.*

Specifically the MMPF team has been responsible for the direct sale of products to customers as part of our program delivery on several occasions. We did direct mail and phone follow ups to sell setback thermostats to several thousand

customers in targeted communities. We have also sold industrial customers on installing electric infrared process dryers. The utility compensated our firm on a performance basis for these installations.

From the standpoint of generating leads for DSM programs we have viewed this as an integral part of every program implementation. We have not viewed this process as a separate program and thus provide the following sales lead generation processes that have been part of our past program delivery.

1. Developed mailings and phone follow up to have approximately 150 contractors represented at We Energies Program introductory meetings. This exceeded the goal of 100 contractors.
 2. Introduces a low income weatherization program in cooperation with neighborhood associations. This allowed us to control delivery to geographic targets and to match capacity to assist customers with the need for services.
 3. Announced a Lighting Coupon bonus through contractors that has resulted in a 3 fold increase in program activity.
- *Provide information about the staff person who will be our main contact and service provider.*

Rick Morgan will be your main management contact. The Energy Advisor for the local area will be hired after the award of the contract and their skills will be based on the needs of RPU and this specific contract. Technical staff engineers who will support the project will be available as needed. We have included a sample of resumes of the technical support staff in Appendix A that are available and we would be happy to share additional resumes and details as you see fit.

Program flexibility:

- *Provide evidence of as many approaches as possible that you have taken to market products and services.*

Given that this team has been involved in projects for a combination of 50 years, we have utilized multiple approaches successfully in the market. They have included direct mail, direct mail with phone follow up, print and radio ads, trade ally co-op advertising, trade ally training sessions and customer training sessions and each could be utilized based on the specific market need. Incentives have included rebates, financing, contactor incentives, etc. These approaches are developed to match the specific markets, the barriers for the customers, and the specific technology to assure success.

Marketing/Operational support:

- *Provide examples of your work in: joint marketing through advertisements, brochures and trade shows.*

As previously indicated samples are provided in Appendix B. We worked jointly with We Energies and ICF to create the natural gas program marketing materials. Focus on Energy program delivery has utilized case studies and technical data

sheets that provide credibility to technologies and applications that we have promoted. Appendix B includes examples of GREM and commercial ice machines.

- *Provide examples of your work in: sale of products and services – especially energy related products.* Sales of setback thermostats and industrial electric infrared heaters were previously provided as examples of direct product sales we have handled on behalf of our utility clients. A majority of the DSM work that we have done is based on “sales” of a products or services through contractors working in the market. From new lighting technologies to efficient sizing or maintenance of equipment all take the sales ability to match a customer’s true need with the best option. Our field staffs do this daily knowing that matching the right product or service and fulfilling a customer need leads to more work and opportunity with that customer.

We work hard to respect existing customer/contractor relationships by always inquiring as to a preferred contractor. If none exists, we push to have the customers allow us to have contractors contact them. We find this provides much better results than providing the customer with contractor names and waiting for them to initiate contact. In addition, the direct sales examples provided previously, the following “DSM Sales” efforts may provide helpful background.

1. Joint utility /product distributor training sessions on sales techniques for contractors
 2. Jointly scheduled appointments with program staff, product distributors and plumbers regarding installation of high efficiency water heaters. Leads developed by direct mail and phone follow up scheduling.
 3. Work through Building Owners & Managers Association (BOMA) to introduce program offerings directly to commercial property decision makers. Usually involves attendance at one of there regularly scheduled meetings.
 4. Meetings with Chamber of Commerce groups to introduce programs.
 5. Commercial space rental targeting. Many small business customers are tenants with limited interest in capital improvements. We have generally targeted this group with direct installation measures like showerheads and pre-rinse sprayers (for electric water heat) or CFL’s. Also quick payback items such as setback thermostats and incandescent lighting replacements, exit signs, etc.
- *What training will be available for RPU sales staff for program delivery?* Utility sales staff can be a critical program lead source. They provide “value added” services by providing information and support to their customers. In order to add value to their customers, the RPU staff needs to thoroughly understand the products and services available. We would be interested in setting up multiple meetings to summarize program options and answer questions. We could also bring in our technical experts to provide direct training on technologies of interest

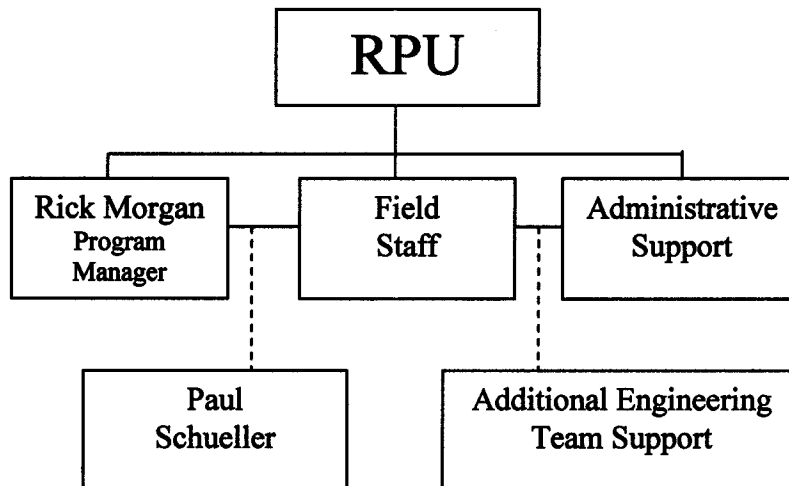
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to RPU. These of course would be in addition to the scope of work included in this proposal, but is an easy option to implement when required.

- *Additional support you provide?*

With the depth and breadth of the MMPF team we can provide a wide range of support options as described above. These include: Technical Support from Franklin Energy's staff, Administrative support from corporate office, and Planning and Program Design support from MMP. The level of support can be adjusted over time to meet RPU's needs.

MMPF Team Structure



Appendix A - General Qualifications

Appendix B - Marketing & Promotional Material



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve a contract agreement with Morgan Marketing Partners (MMP), subject to review by the City Attorney, and request the Mayor and the City Clerk to execute the agreement for

Consulting Services for Demand Side Management and Energy Conservation Sales

The amount of the contract agreement to be \$120,500 for 2006 and \$149,000 for 2007, with the 2007 expenditure subject to Common Council approval of the 2007 electric utility budget.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 28th day of March, 2006.

President

Secretary