

Conservation Market Study

Final Project Report



Agreement # R10AP35274
The Metropolitan Water District of Southern California
700 N. Alameda Street
Los Angeles, CA 90012-3352
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2.	
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1. One Paragraph Project Summary:

The Conservation Market Study grant funded two projects that reviewed Metropolitan Water District of Southern California’s conservation programs. The Large Landscape Saturation Survey collected Geographic Information System (GIS) data on the location of past conservation programs, large landscapes, and recycled water systems. Results from the saturation survey can be used to guide future conservation programs at Metropolitan. The second project funded by the Conservation Market Study grant is a Multiple Strategy Document that reviews conservation strategies utilized within Metropolitan’s service area.

2. Final Project Description: *Briefly describe components of the project and the work completed.*

The Conservation Market Study had two tasks within the Scope of Work. Both tasks were accomplished on time and within budget.

Task one was a Commercial and Large Landscape Saturation Survey. This task included: 1) identifying large landscape sites within Metropolitan's service area, 2) overlaying data from Metropolitan's conservation past participation database to identify potential areas to target landscape conservation projects, 3) updating Metropolitan's recycled water system infrastructure data, and 4) gathering production data from recycled water treatment plants. The Saturation Survey results are included as Appendix A.

Task two was an Incentive Level Study. This task involved reviewing conservation strategies implemented in Metropolitan's service area. The deliverable for this task, a Multiple Strategy Document, is included as Appendix B.

Appendix A:

Large Landscape Saturation Survey

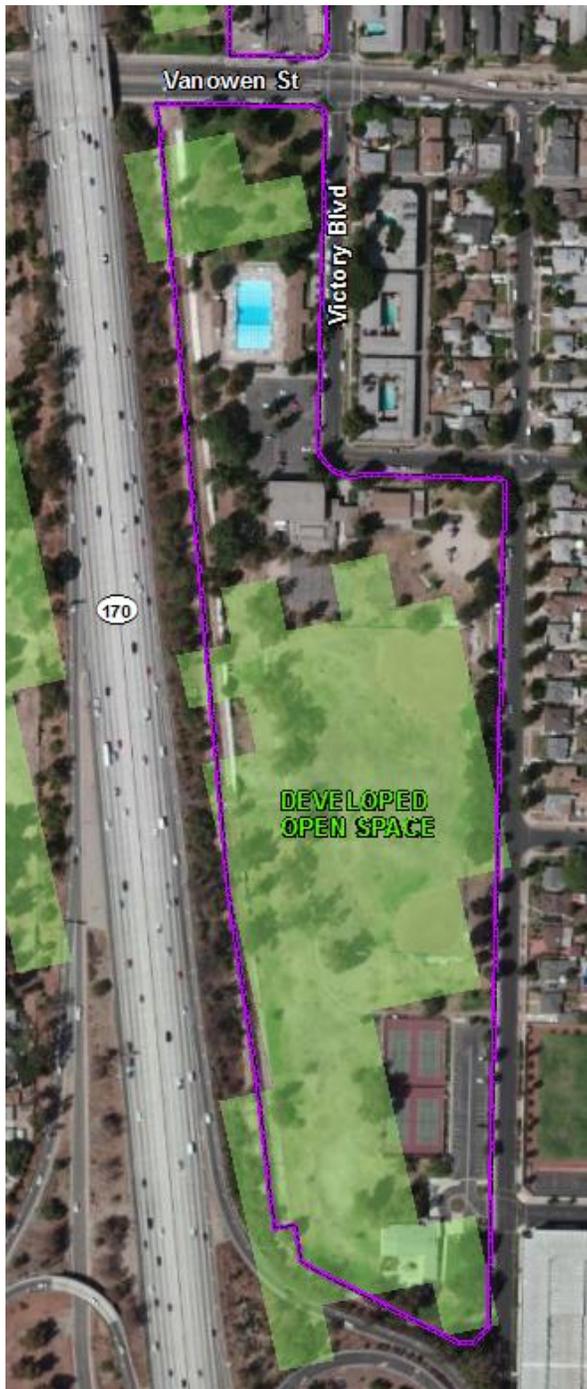
Project Objective

In 2013, a collaborative effort between Metropolitan Water District of Southern California (Metropolitan) and Geosyntec Consultants was initiated to identify areas with potential for landscape water-use efficiency projects and recycled water use opportunities within Metropolitan’s service area. The project was partly funded by the United States Bureau of Reclamation under Federal Grant Agreement No. R10AP35274 – Conservation Market Study. An approach was developed to identify areas with potential for irrigated landscapes and to update information on recycled water service coverage and production. The approach taken included 1) identify large landscape sites within Metropolitan’s service area , 2) overlay data from Metropolitan’s conservation past participation database to identify potential areas to target landscape conservation projects, 3) update Metropolitan’s recycled water system infrastructure data; and 4) gather production data from recycled water treatment plants. Spatial data plays a key role throughout the approach with data and analysis being managed in a Geographic Information System (GIS) geodatabase. The results are a comprehensive geodatabase that will help determine potential sites for large landscape conservation programs, sites receiving recycled water, recycled water infrastructure (pipelines and facilities) and production data.



Water Use Efficiency Opportunity

- ✓ Identify Potential Large Landscape Sites
- ✓ Update Recycled Water Systems Infrastructure
- ✓ Compile Recycled Water Production Data
- ✓ Deliver Comprehensive Geodatabase



Valley Plaza Park, North Hollywood
Potential Site; Parcel Size - 19 Acres
Land Use - Local Parks and Recreation
Land Cover - 57% Developed Open Space

Project Scope

The Metropolitan's service area covers areas in Ventura, San Bernardino, Los Angeles, Orange, Riverside and San Diego Counties. Large landscape areas were defined as parcels greater than 5 acres in area. The primary criteria for a potential area were a USGS National Land Cover data classification as a Developed Open Space or Grassland/Herbaceous, aerial imagery analysis, and other land use classification. Some parcels greater than 5 acres were not included if their classification was not generally associated with irrigated landscapes or aerial images did not show irrigated landscapes. Over 48,000 parcels were selected to be potential large landscape areas for participation in landscape related water conservation efforts. The selected parcels were added to a geodatabase that also contains recycled water infrastructure and production data.

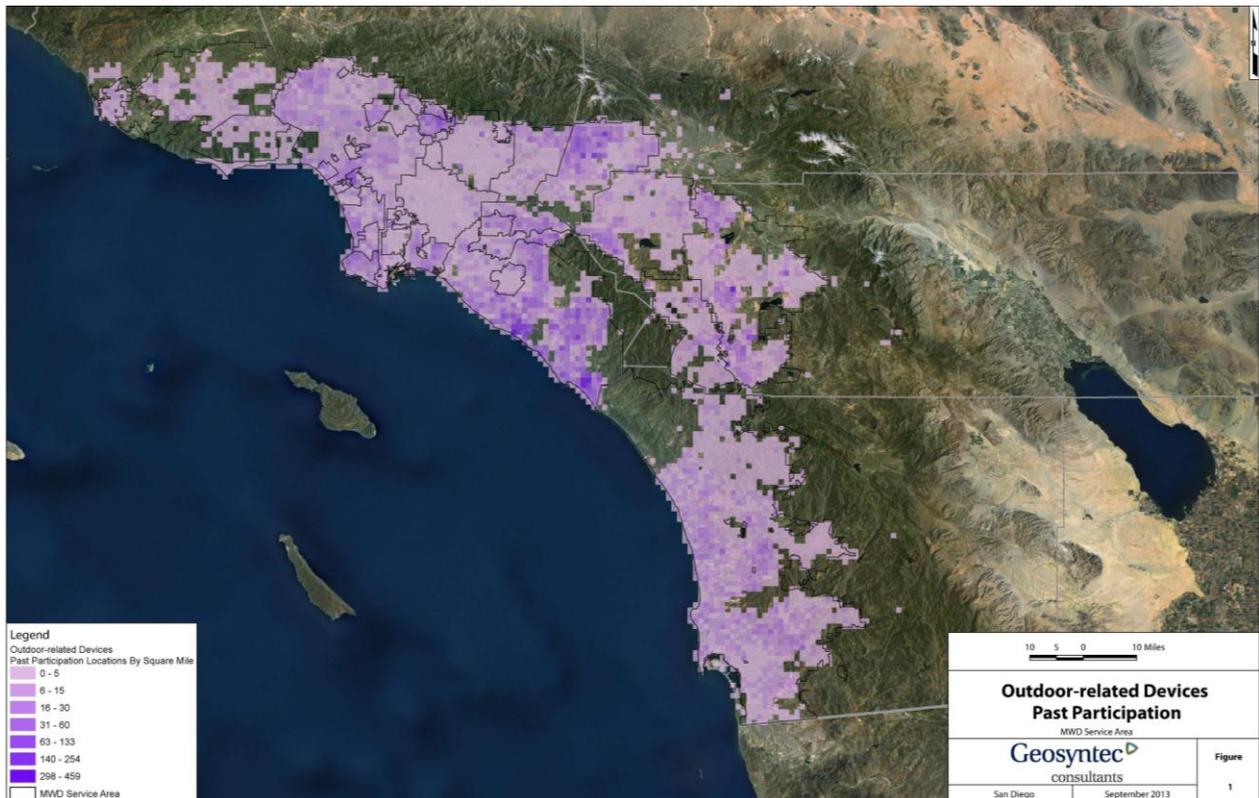
Past Participation & Saturation

Metropolitan provided a dataset of over 1.45 million locations that had previously participated in water conservation efforts. The large dataset was loaded into a geodatabase and used for visualization and spatial analysis. In order to gain a broad view of participation levels, past participation locations were displayed with large landscape parcels and sites with potential for recycled water use. To easily identify areas with low participation numbers, the Metropolitan's service area was divided into 1 square mile grids and symbolized to show low participation counts in lighter colors than grids with higher participation counts. Incorporating past participation information, recycled water infrastructure, production data and area of potential future use for recycled water irrigation provides a comprehensive foundation for future analysis.



West Covina

Past Participation locations with potential large landscape sites marked

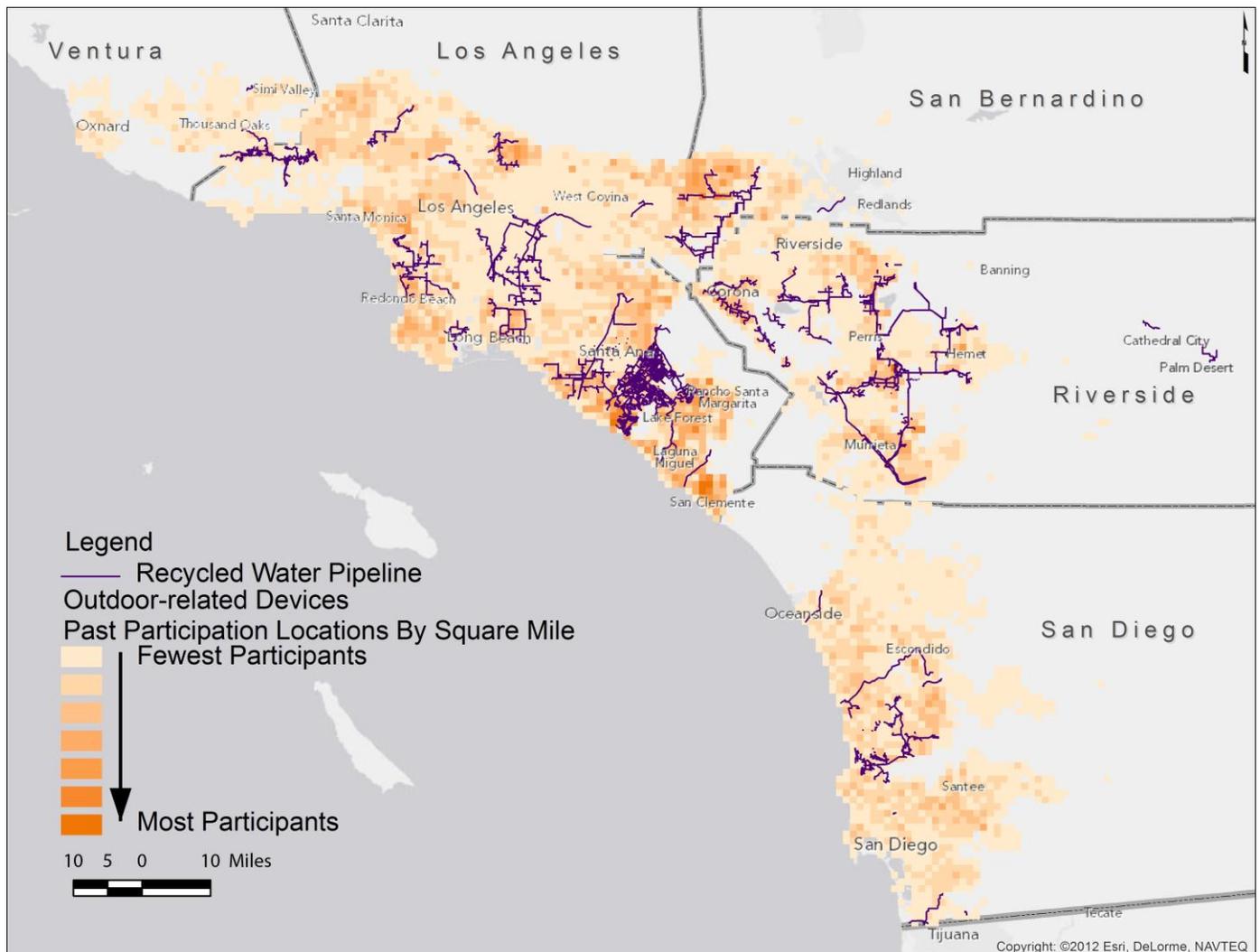


Outdoor-related Devices
Past Participation

MWD Service Area

Recycled Water Infrastructure

A review of Metropolitan’s existing data on recycled water infrastructure, treatment facilities, and recycled water storage areas was completed to form a foundation for the geodatabase. Recycled water infrastructure data (pipelines, connections, service points, storage areas) and production data (annual production and capacity) was requested from Metropolitan’s Member Agencies, Retail Agencies and nonprofit organizations. Due diligence was performed to determine the availability of data. To date, twenty-two agencies provided data which was supplemented by reviewing online data sources, reports and direct communication with agencies. Data was provided in a variety of formats including GIS data, PDFs, hard copy reports and spreadsheets. All available data was evaluated to determine if it was suitable for database population then organized according to its data type. A list of data sources was created and then incorporated into a single GIS geodatabase.





Results

Data relating to recycled water infrastructure and production is dispersed throughout the various agencies that manage it. It is stored in different formats and most likely not revised on an annual basis. Collecting and organizing recycled water data into a single geodatabase has provided Metropolitan with a comprehensive data set. The recycled water geodatabase provides Metropolitan with information to analyze their service area and identify areas to incorporate in future water conservation and recycled water efforts.

Mt. San Jacinto College
Riverside County, California
Potential Large Landscape Sites
Near existing recycled water pipeline.

Data Sources for LLA Analysis:

- Parcel layers from Ventura, San Bernardino, Los Angeles, Orange County, Riverside and San Diego Counties.
- 2008 Southern California Association of Governments (SCAG) Land Use Data was used for areas other than San Diego County where San Diego Association of Governments (SANDAG) 2012 data was used.
- U.S. Geological Survey NLCD 2006 Land Cover Map
- Retail agency, service area coverage, past participation in conservation efforts provided by Metropolitan.

Data Sources for Recycled Water Infrastructure

- Burbank Water and Power
- Central Basin MWD
- City of Corona
- City of Riverside
- City of San Diego
- Eastern MWD
- Glendale Water and Power
- Inland Empire Utilities Agency
- Lee Lake Water District
- Los Angeles Department of Water and Power
- Las Virgenes MWD
- Long Beach Water Department
- Metropolitan
- MWD of Orange County
- Otay Water District
- Pasadena Water and Power
- Pomona Water and Wastewater
- Santa Ana Watershed Project Authority
- Santa Monica Public Works
- WaterReuse
- Western MWD
- West Basin Municipal Water District

Data Sources for Production Facility Data

- Santa Ana Watershed Project Authority (SAWPA) One Water, One Watershed Plan 2.0. Adopted February 4th, 2014.
- 2013 San Diego Integrated Regional Water Management Plan
- 2010 San Diego County Water Authority Recycled Water Projections
- Sanitation Districts of Los Angeles County Twenty-Second Annual Status Report on Recycled Water: Fiscal Year 2010-2011
- City of Los Angeles Recycled Water Table: Fiscal Year 2012-2013
- 2010 City of Burbank Recycled Water Master Plan
- Diego Cadena personal correspondence with David Pederson. 13 Sept 2013.
- Los Angeles County Recycled Water Systems. WaterReuse Los Angeles Chapter. September 2012.
- Eastern Municipal Water District 2012 Recycled Treatment Summary
- Western Municipal Water District Wastewater Treatment Plants website
- Map of San Diego County Wastewater Treatment/Water Recycling Facilities (obtained from San Diego County website)

Appendix B:

Multiple Strategies Document

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Introduction

This Multiple Strategy Document, funded by the Bureau of Reclamation, reviews five types of strategies utilized by Metropolitan Water District of Southern California and other water agencies throughout Southern California. These strategies include region wide incentives, no-cost water efficient devices, pay-for-performance incentives, enhanced incentives, and trade ally partnerships.

Overall, no single strategy was found to be the most effective and cost efficient in every scenario. Each strategy reviewed has different benefits and challenges. However, understanding the implementation history of these strategies in Southern California and the lessons learned over the past decades will assist water agencies in selecting the most effective strategy for their situation.

Regional Incentives

Metropolitan's regional incentive strategy consists of a rebate program that provides customers throughout Metropolitan's 5,200 square mile service area, encompassing nineteen million people, with the same base incentive for water-saving devices. This strategy is unique because it provides a conservation program throughout the region, spans twenty six member agencies in six counties.

Background

The concept for a regional program began in the 1990s when Metropolitan conducted 900 onsite water audits for commercial sites to provide personalized water saving recommendations. Despite the diversity of commercial, institutional, and industrial sites surveyed, it was found that similar water saving measures were recommended across the board such as commercial low flow toilets, irrigation efficiency tune-ups, and cooling tower upgrades. This finding led to the transition away from labor intensive water audits for a limited number of commercial customers to a standardized incentive available to all commercial customers who installed eligible water-saving devices. Metropolitan funded the incentive for devices, but customers applied and received the incentive rebate from their water provider. With Metropolitan funding, there were nine different commercial rebate programs being run by Metropolitan's nine member agencies.

Despite having available funds, rebate activity was much lower than expected. A committee of member agencies was convened to discuss potential reasons for low rebate activity and solutions. This committee suggested that the problem was member agency conservation coordinators who were not familiar with the rebated devices and were thus not actively promoting the programs. In response to this suggestion, Metropolitan held numerous training workshops for member agencies on commercial toilets, cooling towers, and other commercial water saving devices. The training was popular among member agencies and had consistently high attendance. Unfortunately, a year of training and more informed member agencies did not significantly increase rebate activity.

Metropolitan re-convened the member agency committee to discuss other potential rebate program improvements. The committee found that the past year had revealed several other causes of low participation that could not be addressed by additional technical training. First, the fragmented implementation and marketing of the program throughout the service area led to less market penetration. Second, the lack of a centralized customer service and administration center caused duplicative efforts between member agencies. Third, many member agencies lacked the staff time or resources to adequately promote or implement a rebate program. Fourth, the application processes were complex and the variations depending on the installation site's water service provider confused many customers. Finally, many commercial installations were occurring in franchises with offices in several member agency service areas. The decision for these installations came at a corporate level and differing application processes for each store based on location deterred corporation wide participation.

The ultimate recommendation of the advisory committee was to consolidate the separate member agency programs into one regional “one-stop shop” rebate program managed by a Metropolitan vendor. The Committee also recommended that Metropolitan:

- Create a seamless customer experience throughout the service area from learning about the rebate, to purchasing the product, to receiving the rebate check
- Market the rebate program in a consistent manner throughout the region
- Centralize rebate processing and customer service
- Maintain member agency flexibility to decide which of the region wide rebates would be available in their service area.

The member agency recommendations helped create the first regional commercial rebate program, “Save Water- Save a Buck,” that launched as a pilot in 2001. Save Water-Save a Buck had a three year budget of \$2.5 million with Metropolitan funding supplemented by the United States Bureau of Reclamation (USBR). Metropolitan selected a vendor to manage the program through a competitive process. A toll free number was created as a single point of contact for the public and the vendor handled all inquiries, requests for applications, rebate processing, installation verification, and marketing. For the first time, Metropolitan also entered into agreements with member agencies to create the framework needed to collaborate on a region wide program. Save Water – Save a Buck was immediately successful and incredibly popular. Rebate activity increased by 500 percent. Many of the issues that caused low participation were addressed through a regional rebate program.

Based on this success, the Save Water – Save a Buck program became a long-term regional conservation program in 2004. Metropolitan’s Board authorized a five year \$20 million contract with a vendor selected through a competitive request for proposals. The core of the vendor’s responsibility was to provide Metropolitan incentives to businesses that installed eligible water-saving devices. Second, the vendor would market the program utilizing an annual marketing plan reviewed and approved by Metropolitan. Finally, the vendor was tasked with providing reports to Metropolitan and member agencies.

Between 2004 and 2012, the general structure of the Save Water-Save a Buck program remained the same but the administration and customer experience were continuously improved as new information about managing a regional program was discovered. Areas with the greatest change were the application process and vendor payment structure.

Application Process

Metropolitan initially relied on paper applications either downloaded from the program website or provided at a retail store. The challenge with paper applications was that Metropolitan had no way to predict actual rebate activity. Tracking the number of applications picked up was difficult and that number was not an indicator of how many applications would be submitted for payment. In addition, customers could hold paper applications for months or years and assumed that when they submitted the application funding would still be available.

Applications clearly stated that funding was limited; however, customers still had the expectations that they could turn applications in at any time and receive funds. This problem was compounded by the scale of commercial rebates. For example, a hotel that installed three hundred toilets might plan on receiving \$100 per toilet for a total rebate of \$30,000. The large amount of this rebate made its denial a greater financial hardship.

To address this issue, the Save Water –Save a Buck program moved to an online application system. Customers had to fill in an initial rebate reservation request with basic information such as their intended installation address, type of device, and number of devices. The customer was then notified whether funding was available for their project. If funding was available, Metropolitan reserved that funding for the customer for a set period. To receive funding the customer had to mail in a paper proof of purchase and water bill within the allotted time. Online rebate reservations ensured that customers had accurate expectations of their rebate amount and that Metropolitan could accurately track anticipated expenditures.

Payment Structure and Administration Fees

The payment structure for vendors also evolved over time. Initially, administration fees were based on the device type. This structure evolved to a standard flat rate per device and then to a flat rate per device and management fee. Over time the percentage of vendor costs devoted to administration and marketing dropped from 20% in 2001 to around 15% in 2011. This decrease was attributed to payment structure negotiations and other administrative efficiency improvements. First, moving the initial reservation online saved significant vendor processing time. Second, many cost-effective marketing strategies were developed such as contractor webinars and target audience marketing. Third, Metropolitan was responsive and flexible to customer and vendor feedback on the application process allowing it to be continuously streamlined decreasing costs. And finally, continuing to use a competitive bid processes encouraged vendors to increase efficiency in order to offer lower administrative fees.

Residential Program goes regional

Throughout the development and evolution of the regional commercial rebate program Metropolitan's member agencies were also managing individual residential rebate programs. Residential rebates were already popular with the general public. However residential rebate programs had challenges that mirrored those seen in the commercial rebate program. Metropolitan found that strategies to improve the commercial rebate program could be transferred to a residential rebate program. In 2008, Metropolitan created the Regional Residential Rebate program.

This residential rebate program, SoCalWater\$mart, was modeled closely after the commercial program utilizing a vendor and creating a one-stop shop for residential customers to receive rebates on common household water-saving devices. Examples of eligible residential devices include high efficiency toilets, high efficiency clothes washers, weather based irrigation controllers, and rotating nozzles.

Overview of current Metropolitan regional rebate program

Metropolitan's current regional rebate program was established in 2012 when the commercial and residential programs were combined under one vendor and one name, SoCalWater\$mart.



The banner features a blue background with a white wave of water at the top. Below the wave is the SoCal Water\$mart logo, which consists of a blue water drop containing a green house icon, followed by the text "SoCal Water\$mart" in green and blue. Below the logo, the text "Residential and Commercial Rebate Programs" is written in green. The banner is framed by a blue border.

Select the applicable rebate program below.



The image shows a residential house with a red-tiled roof and a palm tree in the background. Below the image is a blue banner with the text "SoCal Water\$mart For Residential Customers" in white and green.



The image shows a commercial building complex with several skyscrapers. Below the image is a blue banner with the text "SoCal Water\$mart For Commercial Customers" in white and green.

SoCalWater\$mart was formed to increase program efficiency and eliminate duplicative efforts between the residential and commercial program. The combined streamlined approach provides efficient customer service to residents and businesses throughout Metropolitan's service area. Joining the commercial and residential programs under one vendor also reduced the administrative fees from about 14% to 10% of the conservation rebate dollars funded by Metropolitan.

Member and retail agency benefits

The current regional rebate program provides many benefits for member and retail agencies. First, rebates are available throughout Metropolitan's service area and all customers can participate. Second, agencies can add additional funding over Metropolitan's base incentive to promote specific devices. For example, in 2013 Metropolitan provided a base incentive of \$85 for high efficiency clothes washers. With supplemental member agency funding, the actual customer rebate ranged from \$85-\$300 depending on their service provider.

In addition, the administrative infrastructure of the regional program is available to member and retail agencies even if Metropolitan’s funding is exhausted. If member agencies provide all of the funding for the rebates and associated administrative costs, the regional program can persist even when Metropolitan funds are exhausted. This provides continuity and autonomy to member and retail agencies.

Water-Saving Devices

Devices are chosen for the program when there is market demand, sufficient measurable water savings, and characteristics that lend themselves toward per-unit rebates. The incentive amount is based on the water savings per acre foot and limited to the cost of the device. The devices rebated through the SoCalWater\$mart program in 2013 include:

Residential	Commercial
Weather-based irrigation controllers	Weather based or central computer irrigation controller
Rotating nozzles for pop-up spray head retrofits	Large rotary nozzles
High efficiency clothes washers	High efficiency toilets
High efficiency toilets	Low use urinals
Turf removal (?)	Dry vacuum pump
	Connectionless food steamer
	Cooling tower pH controller
	Ice Machine
	In-stem flow regulator
	Laminar flow restrictors

Metropolitan considers devices for inclusion in the regional program annually. Common reasons that devices may be removed from the regional program include market saturation, release of new type of device, or legislation that makes rebates unnecessary.

Marketing

The regional applicability of the SoCalWater\$mart allows Metropolitan to engage in coordinated and comprehensive marketing activities throughout its 5,200 square mile service area. The SoCalWater\$mart vendor utilizes several marketing strategies:

- Advertisements- Includes advertising through various industry related publications such as food service, multi-family, landscape, or coin-laundry.
- Trade shows, events, and presentations – Includes presentations to Chamber of Commerce, commercial business request, member agency events, and partnering with energy or gas events.

- Website development and maintenance – involves keeping website up-to-date on program and member agency information.
- Trade ally partnership with manufacturers and vendors – includes education and advertising within MET guidelines. This includes providing program pop up display and operational support such as past participation eligibility check, pre-inspection request coordination, and application processing support.
- Member agency outreach support- Includes setting up booths on event, providing display holders, and collateral materials.
- Water energy partnership with Southern California Edison and Southern California Gas – involves collateral development, attending meetings, presentations, and other collaboration for program promotion.
- Direct mail campaign and custom mailers – available upon request by agencies.

Marketing samples are included below:

Save Water, Save Money

Rebates are available!

Save water and money with the following water-efficient products:

- **High Efficiency Clothes Washers**
Water Factor of 4.0 or lower
- **High Efficiency Sprinkler Nozzles**
See qualifying product list
- **Rain Barrels**
See qualifying product list
- **Soil Moisture Sensors**
See qualifying product list
- **Smart Irrigation Timers**
See qualifying product list

Why conserve?
Every drop counts. Choosing water-efficient products helps reduce water consumption.
Saving water is easy. Products eligible for rebates enhance performance and make it simple to conserve.

Dive Into Savings
Homes are the largest urban water users in California, consuming more than 2.2 trillion gallons of water each year—enough water to fill 26,000 Rose Bowl stadiums.

Follow these simple steps to participate in the SoCal WaterSmart program:

- 1 Go online to initiate your application and determine the right qualifying product for your home: www.socalwatersmart.com
- 2 Purchase a qualifying product
- 3 Complete the online rebate application and mail the required documentation within 60 days

You will receive your rebate check by mail.
Rebates are offered on a first-come, first-served basis and may be terminated without prior notice.

Estimate Your Rebate
To confirm the rebate available in your district, please visit www.socalwatersmart.com/EstimateYourRebate and in 2 simple steps, you'll find out how much you can save.

IMPORTANT INFORMATION:

- Only one rebate application per product category, per customer
- Rebates available while funding lasts. Please check program website for updates on funding status.
- Required documentation must be postmarked within 60 days of submission confirmation; this includes a copy of your water bill, sales receipt, and a signed rebate application confirmation page
- Rebate amounts vary by participating water agency and are subject to change without notice
- Metropolitan reserves the right to verify and inspect rebated devices. If installation cannot be verified, the applicant must reimburse Metropolitan, including all associated processing costs
- Check the SoCal WaterSmart website for program funding updates

Save Now!
Ask a sales associate how you can save water and money by choosing a high-efficiency clothes washer.*
Qualifying models must meet a water factor of 4.0 or less.

\$85 REBATE
* Rebates start at \$85; some water agencies may offer higher amounts.

SoCal WaterSmart
SoCal WaterSmart is a region-wide residential rebate program brought to you by the Metropolitan Water District of Southern California.
Hotline: 866-376-3314
www.bewaterwise.com
*Rebates are offered on a first-come first-served basis and may be terminated without prior notice. Effective date funds are available.

www.socalwatersmart.com or call: **(888) 376-3314**

SoCal WaterSmart is a region-wide program brought to you by the Metropolitan Water District of Southern California. For more information go to www.bewaterwise.com.



Administration

The administration of the SoCalWater\$mart program includes processing rebates, providing customer support, and reporting on activity levels.

Processing rebates

Residential customers are required to submit an on-line rebate application with rebates issued on a first-come first-served basis until funding is exhausted. After submitting an application, the customer receives a confirmation that rebate funding is available. The customer then has sixty days to submit supporting documentation such as a water bill and proof of purchase. Metropolitan's vendor confirms that all necessary documentation has been received. The vendor then issues a rebate check directly to the customer.

Commercial customers have a slightly different process for receiving rebates. Commercial customers must request a reservation for their qualifying device before purchasing it. After receiving a confirmation of their reservation, the customer then has sixty days to purchase and install the device. After installation, customers must complete an online application and submit it along with a water bill for the property and proof-of purchase showing manufacturer and model numbers.

The difference between residential and commercial processing is due to the nature of the two sectors. In the commercial rebate program, the amount of each incentive can be much larger than a residential incentive due to quantity purchased or price of the device. For example, hotels may install hundreds of high efficiency toilets or a commercial site could install a cooling tower that is exponentially more expensive than any residential rebate.

Providing customer support

Customers of the SoCalWater\$mart program include residents, businesses, and Metropolitan's member and retail agencies. For residents and business, Metropolitan provides a one-stop website to learn about available rebates and the application process. There is also a toll free number for applicants with questions or those without internet access. For member and retail agencies, Metropolitan provides reports on rebate activity and responds to ad-hoc informational requests. Large projects can also be pre-qualified, coordinated, or provided an elevated level of customer service.

Reporting and tracking

Tracking activity on a region wide program that coordinates activities of many member agencies has proven complex and essential. The following types of reporting strategies are utilized for Metropolitan's tracking and the member agency's benefit:

- On-line reports of rebate activity by member agency updated daily
- Ad-hoc reports on activity or other factors as requested by member agencies

- Member agency fund status report for agencies providing supplemental funding
- Reservation report that tracks reservation numbers and funding available
- Program budget that shows rebates received weekly, invoice summary, and contract authority balance
- Incomplete application summary that provides the number of incomplete applications received by month and reason for incompleteness
- Annual acre feet and lifetime acre feet water savings

Utilizing a vendor to manage the rebate program allows Metropolitan to ask for many types of reports and more easily track water savings. Initially, reports were provided to Metropolitan and staff passed the information on to member agencies. With so much useful information available, the requests for new reports from member agencies became overwhelming. To address this issue, an online reporting “Dashboard” was created. Member agencies and retail agencies were issued unique identifications and passwords. This Dashboard allows member agencies to access their data in real-time, in several different formats, and immediately whenever they needed information. Examples of queries from member agencies that can be answered by the Dashboard are the number of hotels involved in a hotel program or funding expenditure to-date.

Program Performance

Reporting and tracking has been a key to effective program management. Information on the number of devices rebated, rebate funds distributed, and water savings achieved assist in creating a cost effective and high impact program.

Summary

The concept of a regional program that allows all customers throughout an entire region to receive the same incentives for water conservation has been popular with customers and cost effective for achieving water savings. Benefits of the regional approach include:

- Reduced regional overhead – Centralizing administration reduces overhead costs that would be incurred by member and retail agencies if they managed individual programs. This reduced overhead leads to more funds available for conservation efforts.
- Improved access to incentives – Region wide marketing ensures a consistent conservation message and access to incentives throughout a service area.
- Increased water savings – Use of a one-stop shop processing center for customers improves program activity.
- Improved public outreach – Providing incentives through a single point of contact ensures consistency in Metropolitan’s conservation outreach and advertising.

Many lessons were learned since the concept of a regional incentive strategy was born thirteen years ago. First, maintain control of program activity. On a regional scale, the potential for program activity is exponentially higher than local efforts. Maintaining the ability to control

activity, whether decreasing or increasing is essential. A few strategies Metropolitan used to create a manageable program were requiring rebate reservations, planned marketing, and real-time reporting.

Second, respond to feedback and maintain flexibility. Evaluating eligible devices on an annual basis allows Metropolitan's regional program to be flexible and responsive to public needs. In addition, accepting customer input and member agency suggestions has improved the customer experience and increased effectiveness.

Third, capitalize on the potential of efficiency at the regional scale. Managing costs at a regional level is more difficult but also presents many opportunities for efficiency. Examples include moving the application online, which was able to decrease administrative costs because of the volume of applications received. Another example is the combination of the residential and commercial program; through volume of applications processed the administrative overhead was reduced from 14% to 10%.

Finally, think proactively. When region-wide programs are successful, they saturate the market for water saving devices. This creates a situation where success leads to dropping some devices and adding others. To maintain program momentum, Metropolitan has continued to think proactively and seek out new devices for the regional program. An example is the 2012 shift toward outdoor water saving devices, as the indoor devices such as clothes washers or toilets approached market saturation.

No cost water efficient devices

The no cost strategy involves providing water efficient devices at no cost to the customer. This water conservation strategy is used by member agencies throughout Metropolitan's service area.

There are three common methods for distributing no-cost devices utilized by Metropolitan's member agencies: 1) direct installation of devices at the customer's property either through a water agency contractor or staff; 2) distribution of devices at public events or through distribution programs; 3) vouchers that allow customers to obtain the device for no cost at participating retailers.

Direct Installation of Water Efficient Devices

Direct installation programs have many benefits. Water agencies can ensure water savings by guaranteeing the device is installed appropriately at the correct property. Agencies can also target specific audiences that are historically less likely to participate in water conservation. Examples are low-income neighborhoods, multi-family complexes, senior citizen homes, and neighborhoods with high rental home concentrations. Other target audiences could be based on high water users, customers with large landscapes, or those exceeding their water budgets.

The main disadvantage of direct installation programs is higher implementation costs compared to distribution or voucher programs. In addition to greater cost, liability of direct installation programs is also an issue. Entering customer homes and making modifications to private property increases the possibility of accidental injury, customer complaints, or damage.

In fiscal year 2012-2013, Metropolitan's member and retail agencies managed thirty-five direct installation programs utilizing Metropolitan funding. These installation programs were located in twenty-three member and retail agency service areas and focused on high efficiency toilets and urinals, weather based irrigation controllers, or high efficiency rotating nozzles. These three devices are well suited to direct installation programs because of the skill level required for correct installation, potential water savings, and initial high cost of the product.

High efficiency toilets (HET)

In FY 12-13, there were sixteen direct installation programs focused on high efficiency toilets and urinals in fifteen different member and retail agency service areas. Toilets have been one of the most popular direct installation devices with over \$1 million in Metropolitan funding distributed. The majority of HET direct installation programs targeted a specific audience such as high water users, specific sectors, or public agencies. Table 1 shows examples of target audiences reached by HET direct installation programs.

Table 1

Target Audience
Multi-family units.
Commercial, industrial, and institutional (CII)
High water use older toilets
Older multi-family (MF) dwellings with existing toilets of 3.5 gallons per flush.
Pre-1994 homes with 3.5 gallon per flush toilets or higher
High multi-family density neighborhood.
Public agencies (school districts, parks, museums)
Low income disadvantaged residential community

Landscape devices: weather based irrigation controllers and rotating nozzles

Landscape related devices are also suited for direct installation programs. The landscape devices most common in direct installation are irrigation controllers and rotating nozzles. Like the HET direct installation programs, the majority of landscape device installation programs focused on specific audiences. Table 2 shows examples of target audiences reached by landscape device direct installation programs in FY 12-13

Table 2

Nozzles: Target Audiences	Weather based irrigation controller: Target Audiences
Public agency (schools and city parks)	High water use HOAs
Single-family residential	High water use and water run-off HOA
CII	High water using CII
Homeowner Association	High water use residents
	Large landscapes
	Public agencies

Summary of direct installation programs

Direct installation programs remain a popular conservation strategy among Metropolitan’s member agencies. In general, it was found that member agencies that were larger and had additional funds or staff were most likely to participate in direct installation programs.

In addition to the benefit of target audiences and correct installation, member agencies found several other benefits to direct installation programs. One added benefit is the ability to maximize the water savings of a device. For example, one member agency limited their high efficiency toilet direct installation program to replacing 3.5 gallon per flush or greater toilets

with 0.8 gallon per flush toilets. Limiting the eligibility to toilets with a larger per gallon flush maximizes the water savings of each installation. Another added benefit was the ability to respond to specific environmental mandates or environmental situations. For example, the City of Newport Beach created a Runoff Reduction Program that installed WBICs and high efficiency nozzles. This program focused on residential and HOA landscapes in high water runoff and high water use areas. The targeted geographical implementation of this program allowed the City of Newport Beach to reduce polluted urban runoff caused by overwatering and meet a mandate by the California Regional Water Quality Control Board.

Distribution Programs

Distribution programs are a way to provide no-cost devices to customers who must then self-install the device. Examples of distribution strategies are community events, public requests, or neighborhood based distribution. In FY 12-13, Metropolitan funded seven distribution programs. All of the programs were directed at residential customers with six high efficiency toilet programs and one WBIC program. At least three programs utilized community events to distribute the devices with the rest distributed via registration or other methods. Three programs required the exchange of an old device to receive a new device. Table 3 includes various types of distribution programs within Metropolitan’s service area

Table 3

Strategy
HET Event give-away
HET distribution to qualifying customers
Event for exchanging old toilet for new toilets
Event for exchanging only 3-5 gallon per flush toilets for new toilets
Event for exchanging old controller for new weather based controller

Summary of distribution programs

There are several benefits to distribution programs. First, the water agency does not need to devote staff time or fund a contractor to visit customers and install devices. Second, distribution events remain popular with the general public and can promote good-will for the water agency. Third, the marketing and publicity surrounding distribution events can raise public awareness of water conservation. And finally, distribution events can reach customers who are unwilling or unable to purchase the device or participate in a direct installation program.

The main disadvantage of a distribution program is that customers must self-install the device. Therefore, there is no guarantee that the devices will be installed within the service area or correctly.

Voucher Programs

Voucher programs provide customers with a voucher that is accepted as “payment” for water efficient devices at participating retail stores. Vouchers are different from rebates that cover the entire cost of the product because the customer gets the incentive at the point of purchase instead of after the purchase. This may be more appealing to customers who are unable or unwilling to cover the cost of the product for the period between purchase and receipt of the rebate check. In Metropolitan’s service areas, customers commonly receive rebates for water efficient devices from two to six weeks after purchase.

Free Sprinkler Nozzle Program

The Free Sprinkler Nozzle (FSN) Program is the largest voucher program providing free water saving devices in Metropolitan’s service area. The FSN Program is a web-based voucher program that offers free high efficiency sprinkler nozzles to customers in eligible service areas. The program is able to provide nozzles through a partnership between Western Municipal Water District, one of Metropolitan’s member agencies, and The Toro Company, a producer of high efficiency nozzles. Customers may only receive Toro Precision Series Spray Nozzles through the program.

To receive the nozzles, customers must visit FreeSprinklerNozzle.com and verify that their water provider is participating in the program. After verifying their eligibility, customers must watch brief videos explaining how Toro Precision Series Spray nozzles work, how to determine which nozzles are needed for their yard, and how to properly install the nozzles. Customers are provided with forms to assist them in conducting a survey of their current irrigation system and making a list of the types of nozzles needed. After agreeing to program terms, including guaranteeing installation, the customer is emailed a voucher. The customer can then exchange the voucher at participating retail stores for high efficiency nozzles.

The FSN program has spread from Western Municipal Water District’s service area, throughout Metropolitan’s service area, and into other areas of California. Each year, the FSN Program has gained momentum; in the program’s first two years 171,633 nozzles were redeemed and in the third year alone more than 400,000 were redeemed. Figure 1 displays the counties in California currently participating in the FSN Program.

Figure 1



Summary of Voucher programs

Voucher programs provide a distinct advantage to customers over the more standard rebate programs because no up-front costs are needed. For water agencies, voucher programs have the advantage of reaching audiences who do not have the financial ability to purchase devices and wait for their incentive. Voucher programs may also be appropriate for new devices that customers would be unlikely to try, even with substantial rebates provided. The FSN program is an example of vouchers that resulted in much higher program participation than rebates, direct installations or distribution events. Metropolitan has been providing rebates on high efficiency nozzles for seven years. In that time, it has rebated 620,762 nozzles. Included in this number, are vouchers for nozzles provided through FSN. In only four years, the FSN has already provided vouchers on 427,474 nozzles.

There are also several disadvantages of voucher programs to water agencies. First, the water agency must find retail stores willing to partner with them and accept the voucher. Second, the possibility of non-installation increases. With a “free” product involving no investment on the customer’s part, it is more likely the customer will never install the device.

The FSN program is an example of a voucher program that has strived to minimize these disadvantages. By partnering directly with one nozzle producer, they have been able to connect more easily with retail outlets (confirm this is true). Currently sixty four retail outlets in sixteen counties will accept the vouchers. Requiring customers to watch videos on nozzle installation and create an accurate list of which nozzles they need increases customer investment in the project. This increased investment in the project not only helps ensure installation, it also helps to ensure proper installation.

Because of its popularity, Metropolitan is funding a study on the effectiveness of the FSN program. This study will focus on the installation rate of free nozzles and actual water savings of participants. The results, due in November 2015, will provide greater insights into the effectiveness of voucher programs.

Summary

The distribution of no-cost water efficient devices through direct installation, distribution programs, or vouchers can be effective in certain situations. Direct installation allows water agencies to help customers install devices correctly and control the location of installations. This strategy is most helpful in situations where installation is difficult or costly such as HET toilets or weather based irrigation controllers. The distribution strategy allows water agencies to provide devices to targeted audiences. The final strategy, vouchers, allows customers to receive devices with no out-of-pocket costs. This strategy is effective in promoting devices to customers who are unable or unwilling to cover the cost of the product for the period between purchase and receipt of the rebate check. Vouchers also effectively market new products customers are unwilling to purchase.

Pay-for-Performance Conservation Programs

Pay-for-performance conservation programs provide financial incentives to customers based on the amount of water saved. This strategy is typically used for water saving upgrades, devices, or processes that cannot be incentivized through a rebate program. Because of this, pay-for-performance programs are most often used in commercial, industrial, institutional, and agricultural sectors.

History of Pay-for-Performance Conservation at Metropolitan

Metropolitan has had various pay-for-performance programs since 1997. The initial program, Industrial Process Improvement, offered incentives to industrial customers based on measured water savings. Participation was low due to the complexity of the program and challenges in sector specific marketing. To address these issues, Metropolitan held focus groups and reevaluated and updated the program several times over the next ten years. Adjustments included partial up-front payment, streamlined application process, technical advice, and minimum project sizes. These changes culminated in a new program, the Water Savings Performance Program (WSPP), which launched in 2007. WSPP provided incentives for both landscape water use efficiency and industrial process improvements.

Industrial improvements included installation of equipment that captures, treats, and reuses water or the replacement of existing equipment with more efficient equipment that reduces water demand. Landscape conservation, a new key component under WSPP, was revamped to make irrigation incentives more enticing for industrial, institutional, and large multi-family residential properties. Property owners were eligible to receive financial incentives up to 100 percent of the project cost for qualified projects. Eligible equipment included a broad spectrum of new, more efficient hardware such as nozzles, spray heads, sensors, and controllers. An audit component was also added to target high volume water users within Metropolitan's service area.

Successful WSPP projects include:

- A correctional facility that installed automatic toilet flush controls
- A textile dyeing-and-finishing facility that upgraded its equipment to more water-efficient dye machines.
- A university campus that retrofitted the campus irrigation system with weather-based irrigation controllers and operational strategy.
- A leading provider of premium fresh-cut salads, fruits, and vegetables to increase water-use efficiency in their processing, cooling, and sanitizing operations.

Over the years, conservation programs have broadened their focus to include agriculture and water/energy partnerships. These changes led to the launch of the current pay-for-performance program, Water Savings Incentive Program (WSIP) in 2012.

Current Water Savings Incentive Program

WSIP has a broader focus than prior programs providing financial incentives for customized water efficiency projects including installation of commercial or industrial high-efficiency equipment, industrial process improvements, agricultural and landscape water efficiency improvements, and water management services. It is open to all commercial, industrial, institutional, agricultural, and large landscape customers within Metropolitan's service area.

WSIP includes several new features:

- Estimated device lifetime of ten years instead of five.
- Two levels of incentives. A lower incentive level for customers who estimate their water savings and a higher incentive level for customers who measure actual savings.
- Inclusion of agriculture projects.
- Adjusted application that mirrors Southern California Gas Company's pay-for-performance incentive program. This allows customers saving both on energy and water to more easily participate in both programs.

Participation in WSIP is a multi-step process. Customers must submit an application for approval by Metropolitan prior to installation of any improvements or provision of water management services. Pre- and post-inspections may be required as well as water use reporting during project operation. Metropolitan works closely with customers to facilitate the review of their application, potential water savings, and payment processes.

The broader focus and new features of WSIP made it more enticing to customers. Participation in pay-for-performance increased significantly during WSIP's first year.

Benefits

There are several benefits to pay-for-performance programs. First, these programs allow water agencies to incentivize customized projects. This is a benefit to CII customers as their facilities and areas of potential water savings tend to be much more unique than residential customers. Second, pay-for-performance allows water agencies to incentivize devices/strategies that are projected to save water but have not yet been vetted by the EPA or other governing bodies. Because agencies only pay if water savings are achieved, they are able to offer the program to more innovative or new water conservation strategies without taking a large financial risk. Third, water agencies know the exact quantity of water savings they are reimbursing. Unlike rebates, the incentive for pay-for-performance is based on the specific project and not average water savings of the device. In addition, there is no risk of incorrect installation of the device, installation outside the service area, or removal of the device. Finally, pay-for-performance programs have the opportunity to capture significant savings per project if focused on larger CII customers.

Challenges

Marketing was a challenge faced early in Metropolitan's pay-for-performance history. Effectively reaching commercial, industrial, and institutional customers required a different and

unique approach. In addition, as a water wholesaler, Metropolitan faced the challenge of reaching individual customers within its member agencies' service areas.

The intensive staff time needed throughout every phase of the program is another large challenge. First, many customers need assistance in understanding the potential water savings, logistics, and cost-benefit analysis of their proposed project. They will also need assistance in navigating the program from application to entering into an agreement with the water agency, to receiving payment for the savings. In addition to staff time, pay-for-performance also required a much longer period of management than other conservation programs. Many projects take over two years to complete from design to payment. The large investment of resources into pay-for-performance program leads to the challenge of ensuring the program's cost effectiveness.

Lessons learned

Many lessons have been learned throughout the nearly two decade of experience implementing pay-for-performance programs at Metropolitan.

Marketing

Marketing pay-for-performance programs to commercial, industrial, institutional, and agricultural customers has been most effective through contractors and consultants. Consultants who design water efficient equipment or strategies and the contractors who install them are the most effective vehicle for targeted marketing to customers. By educating contractors and consultants on the pay-for-performance rules and eligibility, Metropolitan is able to reach the most relevant water customers- those who are considering or need a water efficiency upgrade.

Partnering with energy utilities to market the program has also been very effective. Many energy utilities have account representatives who manage their largest commercial, industrial, or institutional customers. These account representatives assist customers in managing and reducing their bills through energy and water efficiency. Pay-for-performance programs are an excellent opportunity for account representatives to offer customers who have large bills or are concerned about efficiency. Providing the account representatives with information is free publicity. In addition, larger utilities such as Southern California Gas Company have similar pay-for-performance programs that promote hot water savings. Coordinating with these programs so that customers can participate in both also increases participation without expensive marketing campaigns.

Staff resources

Metropolitan has addressed the challenge of staff resources by moving program information online for easier customer access. Staff has also begun using an online program to manage the contracts, share documents between departments, and better organize project data. These solutions have only partially addressed the intensive staff time required to implement pay-for-performance programs. An option worth exploring is hiring a vendor to provide customer

service and administer the program. Another challenge on staff resources is the long period of management involved for each project. To address this challenge, Metropolitan has reduced project contracts from five years to one year. This adjustment has made administration more efficient. Knowledge of CII and agricultural industries, the source of these sector's water usage, and potential savings upgrades can also make program administration easier. Water agencies should consider investing in staff development or hiring a consultant to offer guidance on specific projects.

An overall lesson learned is that pay-for-performance programs require a significant time investment and should not be utilized for immediate water savings. Stability and commitment to the program is essential for a successful program.

Cost effectiveness

Considering the staff time involved, maximizing the benefits for each project is important to success. Projects with lower water savings take as much staff time as projects with higher water savings. Providing a minimum acre foot savings for participation can ensure the cost-effectiveness of the program. Targeting larger savings also maximizes one of the main benefits of pay-for-performance, the ability to save significant amounts of water through a single customer and project.

Relationship building

One of the benefits of pay-for-performance is to support innovative water savings technologies. However, this also leads to one of the challenges – not all projects will save water. Therefore, it is important that water agencies are not in a position to advise whether a project saves water or not. Customers must understand that payment will only be made for actual water savings. Being clear on the expectations of payment and program rules avoids customer complaints. Interacting often with customers to monitor progress, establish relationships, and build trust with customers is also beneficial.

Summary

Pay-for-performance is an effective strategy to support unique water saving opportunities in commercial, industrial, institutional, and agricultural industries. These opportunities cannot be captured through rebate or other standard conservation programs and thus would be lost to water agencies. However, pay-for-performance also presents many challenges in marketing, staff time, and administration. Over 17 years, Metropolitan's pay-for-performance programs have continuously evolved to maximize benefits and minimize challenges of this unique strategy. The efficiency, effectiveness, and popularity of pay for performance programs with customers have greatly improved over the years and new strategies continue to be sought out.

Enhanced incentives Strategy

The enhanced incentive strategy is a variation of a standard incentive strategy, which provides financial incentives to customers who purchase water saving devices. In Metropolitan's incentive programs, the incentive amount for different water efficient devices is based on that device's water savings. With an enhanced incentive strategy, the incentive provided is greater than the projected water savings of the device.

This strategy is effective in transforming the marketplace by increasing the purchase of new or unknown water conservation devices. It can also be used to promote devices in specific sectors where there is a high water saving potential.

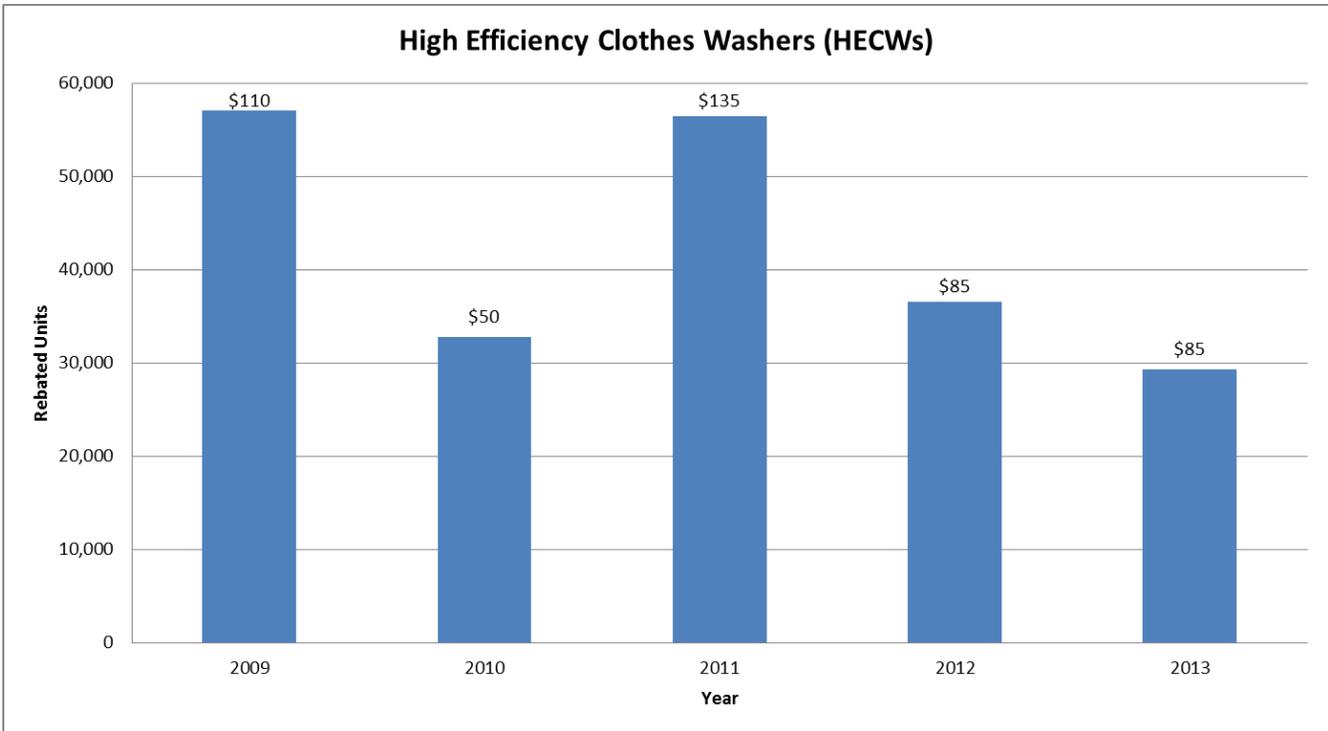
Market Transformation

Metropolitan has provided enhanced incentives on many devices over the years. These incentives have been found to successfully increase the number of customers requesting rebates on those devices.

High efficiency clothes washer rebates

Metropolitan's high-efficiency clothes washer (HECW) incentive program is one example showing the impact incentive amounts have on program activity and market transformation. Metropolitan first began incentives for HECW in 2000. At the time, there were a limited number of HECWs available in the market place. Metropolitan received various grants that funded enhanced incentives above Metropolitan's base incentive of \$85 per unit. These enhanced incentives increased program activity, changed consumer preferences, and helped effect customer preference for more efficient models.

The effect of incentive amount on high efficiency clothes washer rebate activity is shown in the figure below. When the incentive reaches \$100 or more, the number of rebates almost doubles. There are many other factors that affect program activity. However, the increase in activity based on incentive level is consistent and significant enough to be noteworthy.



The cost difference between conventional washers (top loaders) and HECWs still remains high. HECWs range from \$500 - \$1,000 and less efficient conventional washers range from \$400 - \$600. In 2014, Metropolitan began utilizing a Bureau of Reclamation grant that allows for a \$110 incentive per unit to close the cost difference between conventional washers and HECWs. Continued market transformation provides local, regional and statewide benefits.

Turf Removal Rebates

Metropolitan first began offering a rebate for turf removal in 2011. At that time, the base incentive per square foot of turf removed was \$0.30. Through grants from the Bureau of Reclamation and the California Department of Water Resources, Metropolitan was able to offer an enhanced incentive of \$1.00 per square foot.

Between 2011- 2014, Metropolitan's turf removal program has transformed over 7.9 million square feet of turf to California Friendly landscapes with climate-appropriate plants, efficient irrigation, permeable surfaces to allow rainwater infiltration, and mulch to preserve soil moisture. These projects have included residential and commercial projects throughout Metropolitan's 5,200 square mile service area. In addition to the waters savings, the turf removal program has increased acceptance of non-turf lawns and began a market transformation.

Water agencies had the opportunity to add supplemental funding to Metropolitan's \$1.00 per square foot base incentive. Through yearly agreements, water agencies designated the amount

of supplemental funding added to the base incentive in their service area. With the added incentive, customer incentives ranged from \$1.25 to \$3.00 per square foot.

Metropolitan has tracked participation for two water agencies that changed their incentive over the grant period. Long Beach Water Department (LBWD) had a \$2.50 incentive per square foot from April 2012-July 2012. During these four months LBWD received 285 applications that requested 231,620 square feet of turf removal. The next year, from April 2013-July 2013, LBWD had an incentive of \$3.00 per square foot. During this four month period, they received 442 applications requesting 349,087 square feet of turf removal. This is an increase of 157 applications and 117,467 square feet of turf removal requests. LBWD believes that the higher incentive increased program participation and estimates that it increased applications by as much as 55 percent.

Los Angeles Department of Water and Power (LADWP) also changed their incentive between June 2011 and May 2013. At the start of LADWP's turf program in 2009 through June 2012, their turf removal incentive was \$1.00 per square foot. During this period, LADWP received 177 applications. In July of 2012, LADWP's incentive increased to \$1.50 per square foot. After only nine months LADWP received 268 turf removal applications.

Target high water saving sectors

Typically an enhanced incentive is greater than an incentive that is based purely on projected water savings of a device. However, in some instances the location of the device changes its water savings. In these instances, it is an effective strategy to offer a greater incentive for a device in targeted sectors. Research in water saving devices has allowed these targeted enhanced incentives to become more common.

Fitness Center Incentives

In 2011, Metropolitan conducted a study in partnership with the United States Bureau of Reclamation to analyze water conservation in the commercial market. The market study found that high efficiency toilets and urinals in fitness centers had a much higher usage than typical toilets and thus a higher potential water savings. The study also indicated that there are approximately 1,500 fitness centers within Metropolitan's service area. Based on this research, Metropolitan began a targeted fitness center incentive program in 2014 that will run through June 2016. This targeted fitness center program offers an incentive of \$300 per high efficiency toilet versus the \$100 offered in other commercial settings and a \$500 incentive for WaterSense urinals vs. a \$200 incentive in other commercial settings. As research on water savings becomes more sector-based and detailed, this strategy could become more common.

Public Agency Landscape Program

Public agencies such as schools, parks, and medians were found to have a high potential for outdoor water savings. Despite this, it is common for public agencies to defer making water

use efficiency improvements due to cash flow and budget limitations. These two factors led to Metropolitan's Public Agency Landscape Program (PAL). PAL offers an enhanced incentive of up to \$300 per acre foot to install water-efficient landscape devices, as opposed to the standard \$195 per acre foot. In addition, the program provides up-front incentives to address budget issues often faced by public agencies. PAL began in 2014 and is slated to run through June 2016.

Summary

Enhanced incentives are an effective way for standard rebate programs to respond to changing circumstances and utilize an established program to reach new goals. With minimal programmatic work, an enhanced incentive can push for a market transformation or take advantage of increased savings in specific sectors. Enhanced incentives can also be useful for agencies without a standard rebate program. By focusing on market transformation or high water savings, a limited rebate program can have a larger impact.

Collaborating with Trade Allies

Working with trade allies to promote products is a common strategy with for-profit corporations, energy utilities, and increasingly with water utilities. In Metropolitan's conservation programs, trade allies are third-parties who promote the sale, installation, or awareness of water conserving products and strategies. Examples of trade allies are manufacturers, retail and wholesale stores, landscape contractors, and other utilities. These allies provide an opportunity for different ways to provide rebates for water conservation devices and to promote conservation activity.

Provide incentives

Two avenues for sharing the price reduction of rebates with customers through trade allies are providing: 1) instant rebates to customers at the wholesale or retail store and 2) rebates directly to the contractor.

Instant Rebates

An "instant rebate" is a rebate that is provided at the cash register. Instead of mailing in information and waiting to receive a check, customers will see a price reduction at time of purchase.

There are several benefits of providing an instant rebate. First, the customer experience is faster and smoother. There is no paperwork or wait time for receiving a rebate check. Second, the lack of paperwork also means that the utility costs for program management are lower since utilities will not need to process rebate applications or cut checks. Third, marketing in stores can reach the target audience – customers who are ready to purchase a water using device. Marketing might include displays in the aisle, a booth with information, or displays at the checkout area. An example of this targeted marketing is a customer who has gone to a retail store to purchase an irrigation controller. The customer has not decided which product to buy. However, they see a marketing piece on the benefits of a water efficient controller and is an instant discount for an efficient controller on the shelf. These two influences might push the customer into purchasing an efficient controller.

Challenges are also present when initiating and managing an instant rebate program. The initial set-up of an instant rebate program requires coordination between the utility, retail store, and product manufacturer. Not only do all parties need to be interested in providing an instant rebate, they must also be able to work through bureaucratic hurdles. For example, Metropolitan has faced many delays while coordinating the start of an instant rebate program for smart controllers. Bureaucratic hurdles have included:

- Determining how Metropolitan would provide reimbursement to the manufacturer for each discounted product sold.
- Determining how the retail store will provide the instant rebate for the customer.
- Coordinating, producing and identifying placement for marketing materials acceptable to the manufacturer, retail store, and utility.

- Working with retail store managers to implement the instant rebate program within their store. For example, if a retail store is nationwide, the utility may only want to provide the instant rebate within their service area. In this case, each retail store must create its own strategy for providing the instant rebate.
- Making the project a priority for retailers and manufacturers. Often the instant rebate is provided to promote sales of a product or encourage customers to purchase products that are not “main stream” yet. These properties mean those products are not big sellers or as influential in retail or manufacturers’ profit margins. Therefore, the instant rebate program can fall to the sidelines for retailers and manufacturers involved.

Once instant rebate programs are established, there are several challenges with implementation. First, it is difficult to determine where customers who received an instant rebate live. Customers may take the product and install it outside the utilities’ service area. Second, retail store often cannot stop rebate programs instantaneously. Retail stores may need to change the SKU number of a product, change its price within their system, or reverse whatever strategy they utilize for the special pricing. This lag-time between the request to end the program and the actual end of the program could lead to utilities spending more than they allocated on instant rebates.

Contractor direct rebate programs

Contractor direct rebate programs provide contractors with the ability to receive rebate payments directly for installation of water efficient devices.

The benefits of a contractor direct program are that it allows contractors to better promote high efficiency products. One example involves two contractors who both install toilets in commercial properties. One contractor does not have access to a direct rebate program. They provide the customer with an installation quote for high efficiency toilets along with an estimated rebate amount. However, that customer must still apply for the rebate, carry the cost until a rebate check is received, and risk not receiving a rebate if their installation does not qualify. In this case, the customer may opt for a less expensive estimate on installing non-efficient toilets. The second contractor has access to a direct rebate program. Because of this, the contractor is able to offer an installation quote for high efficiency toilets that appears low because it includes the rebate amount. This reduced quote makes the high efficiency toilet price more competitive and could convince the customer to select that option.

The challenges of a contractor direct program are the risk of contractors abusing the system and the time needed to administer the program. Metropolitan’s current Contractor Direct Rebate option through the Regional program addresses both of these challenges.

Metropolitan screens and approves every contractor before they receive rebate payments. Contractors must have a relevant active contractor’s license, three years of business history, active commercial general liability and California statutory worker’s compensation insurance, no unsolved customer complaints on file, and information that is updated annually. In addition,

Metropolitan conducts random inspections and holds the right to suspend or drop contractors from the program. The processes and paperwork needed to prevent abuse contribute to the administration time required for a contractor direct program. Metropolitan's program utilizes a combination of staff time and an outside vendor to manage this challenge.

Promote conservation activity

Trade allies, with their assorted backgrounds and target audiences, offer water utilities the opportunity to reach a large and diverse audience.

Manufacturers

Product manufacturers have a direct marketing connection to contractors, retail stores, distributors, and customers. Some manufacturers may focus on one or a few of these segments to market their product. Successful manufacturers know which segment helps their product sell. Meeting with manufacturers to see where rebates and water conservation can be best integrated into their sales and marketing plans can be an efficient and effective strategy. Below is an example of a conservation rebate promotion by Rain Bird, a manufacturer of water efficient landscaping products.

The screenshot shows the Rain Bird website's 'Water Savings Rebates' page. At the top, there is a navigation bar with links for Homeowners, Professionals, Golf, Agriculture, and Online Store. Below this is a search bar and a breadcrumb trail: 'You Are Here: Corporate > The Intelligent Use of Water™ > Water Savings Rebates'. The main content area is titled 'Water Savings Rebates' and contains the following text:

Water-efficient irrigation technology can help homeowners and businesses lower their water consumption, save money, and maintain a healthy and beautiful landscape that reduces pollution and cools the environment.

Many municipalities and water agencies offer substantial rebates and financial incentives to help offset the cost of upgrading to highly efficient irrigation equipment.

Rain Bird has collected a list of links to various water conservation rebate programs across the United States. If there are none listed in your area, please contact your local water agency to inquire.

NOTE: all rebate programs are subject to change. Please check with your local water provider for qualified products, eligibility requirements and up-to-date program details.

Water Conservation Savings Rebate Programs by State

- [Arizona Water Rebate Programs \(PDF: 82 KB\)](#)
- [California Water Rebate Programs \(PDF: 139 KB\)](#)
- [Colorado Water Rebate Programs \(PDF: 95 KB\)](#)
- [Florida Water Rebate Programs \(PDF: 55 KB\)](#)

The left sidebar contains a navigation menu with the following items: About Rain Bird, The Intelligent Use of Water™, Overview, White Papers, IUOW Summits, IUOW Awards, IUOW Film Competition, National Public Gardens Day, Videos and Podcasts, Water Conservation Tips, Water Savings Rebates (highlighted), Infographic, Educational Curriculum, and Games/Trivia/Activities. The right sidebar features social media icons for YouTube, Facebook, Twitter, LinkedIn, and a 'More' link, along with a graphic of a hand holding a water drop with money.

Retail stores

Stores selling water efficient products have a direct connection to customers. Whether the stores target residential customers or contractors, they have the infrastructure to promote products effectively. Utilities can provide a service for the customer, assist the retail store in selling more product, and increase visibility with minimal financial investment by coordinating marketing efforts with retailers.

One example of “piggy-backing” on an existing retail event is when Metropolitan connected with HydroScape Irrigation and Landscape Supplies and attended their customer appreciation day barbecue events. These events allowed contractor customers to meet various vendors. By sending a water conservation representative to explain available conservation programs, Metropolitan was able to reach these contractors and vendors. A flyer for one of these events is below.

PLEASE JOIN US!

HYDRO-SCAPE
IRRIGATION & LANDSCAPE SUPPLIES

CUSTOMER APPRECIATION DAY BARBECUE!

COME MEET THE VENDORS & HAVE LUNCH ON US!

SAN DIEGO
Tuesday, May 1st
10:00am - 2:00pm

ORANGE
Wednesday, May 2nd
10:00am - 2:00pm

ESCONDIDO
Thursday, May 3rd
10:00am - 2:00pm

RANCHO CUCAMONGA
Tuesday, May 8th
10:00am - 2:00pm

CHULA VISTA
Wednesday, May 9th
10:00am - 2:00pm

VALENCIA
Thursday, May 10th
10:00am - 2:00pm

TEMECULA
Tuesday, May 15th
10:00am - 2:00pm

CITY OF INDUSTRY
Wednesday, May 16th
10:00am - 2:00pm

SAN JUAN CAPISTRANO
Thursday, May 17th
10:00am - 2:00pm

SPONSORED BY THE FOLLOWING VENDORS:

NETAFIM, Irritrol, Pacific Sod, Christy's, RAIN BIRD, VPC, FX, KICHLER, CORONA, Hunter, TORO, SWB, STOVER, PHOENIX PAVER, MONSANTO, VISTA, carrhill company, WILBUR-ELLIS, WeatherTRAK, CHAMPION, ECHO, NDS, Fire Magic

LIST OF VENDORS SUBJECT TO CHANGE PER EACH LOCATION

Several Metropolitan member agencies have had success connecting with Home Depot to promote water-wise plants and landscape water conservation to residential customers. The water utilities provide marketing support, cross promotion with their customers, and water conservation education at the event. In return, they are able to reach customers who are at the store because they are thinking about buying water-wise plants.



WATER CONSERVATION PLANT SALE



SAVE MONEY UPLAND SAVE WATER OCTOBER 12th

Free Kids Workshop
Hands-on workshops designed for children ages 5 - 12 between 9:00 - 1:00pm.

Great discounts on select varieties of low-water-use plants

The Home Depot and their vendors have partnered to offer you special deals and great savings on select varieties of low-water-use plants at each of the parking lot events throughout the Inland Empire. For more information on these plant fairs, visit www.iegardenfriendly.com



Lavender
1 gallon
WAS: \$5.48
SKU: 419-727

Bougainvillea
1 gallon
WAS: \$5.98
SKU: 412-794

Tulbaghia
1 gallon
WAS: \$5.98
SKU: 1000-029-863

Salvia greggii
1 gallon
WAS: \$5.98
SKU: 419-727

YOUR CHOICE! 3 for \$10.00



Calendar of Events

All Events Take Place
from 9:00 am to 1:00 p.m.



The Home Depot
3150 Case Road
Perris, CA 92570



The Home Depot
1151 West Lugonia Ave.
Redlands, CA 92374



The Home Depot
6140 Hamner Ave.
Eastvale, CA 91752



The Home Depot
1401 East 19th St.
Upland, CA 91784

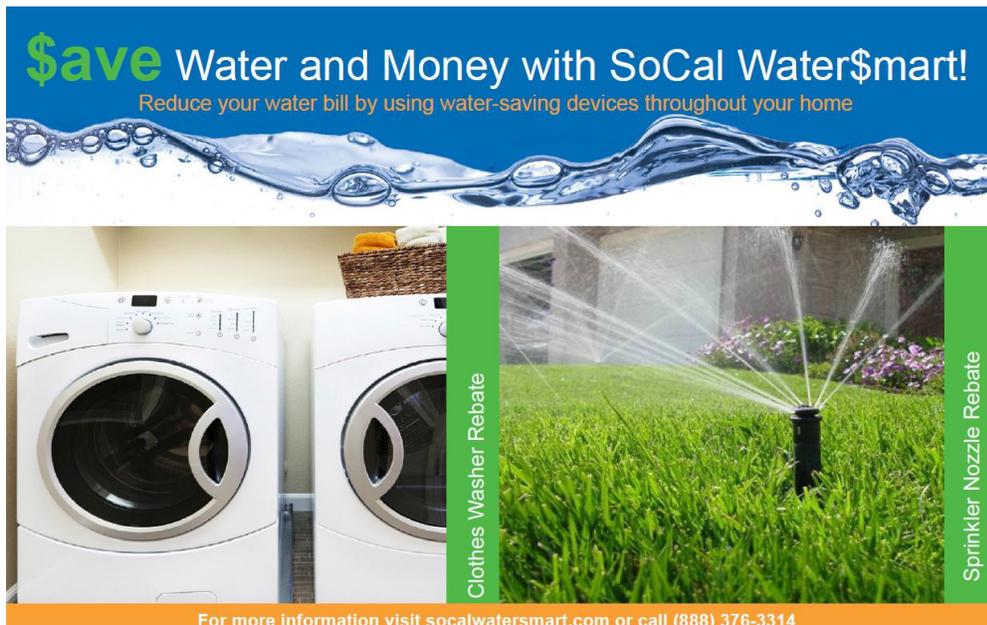
Product subject to change due to availability and location

Contractors

Contractors also have direct contact with customers who may be purchasing water savings devices. Like retail stores, contractors are highly motivated to sell products. Working with contractors to educate them on conservation programs can be an effective way to reach customers. One successful avenue Metropolitan has found for reaching contractors is online webinars. It is important to frame programs in a manner that benefits all parties – helps the contractor sell water efficient products, gives the customer a better price on the product, and promotes the utility’s programs. The contractor direct rebate program discussed earlier is another way to make contractor promotion of conservation more effective.

Energy Utilities

Energy utilities can be an important partner in promoting water conservation for several reasons. First, these utilities often have the same customers as water agencies. Coordinated marketing reduces costs for both groups. One example is Metropolitan’s coordination with Southern California Edison (Edison) and Southern California Gas Company (Gas Company) to include water saving information inside their energy efficiency starter kits. These kits, which included energy saving information, faucet aerators, and low flow shower heads, were mailed by Edison and the Gas Company to their customers. By including Metropolitan’s SoCalWaterSmart rebate information within the kits, Metropolitan was able to reach 80,000 customers at minimal cost. A sample of the card is below.



Act Now!

How to find out if you're eligible for rebates

It's simple and will only take a couple of minutes:

- 1 Please visit SoCal Water\$mart at www.socalwatersmart.com.
- 2 In the Residential section, click on "Estimate My Rebate" and enter your address and the product you're considering.
- 3 The rebate finder tool will let you know if your water agency is participating in the rebate program and the specific amount of the rebate available to you.



THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

SoCal Water\$mart is a region-wide rebate program brought to you by the Metropolitan Water District of Southern California. Customers served by water agencies participating in this program may be eligible for rebates

For more information visit socalwatersmart.com or call (888) 376-3314

In addition, partnering with energy utilities expands the funding and resources available for promoting conservation. This is especially true for Gas companies because a reduction in gas usage is often tied to a reduction in hot water conservation. Metropolitan and Southern California Gas Company (Gas Company) have both benefited from a conservation promotion partnership for several years.

Metropolitan has contributed to water conservation education at the Gas Company's Energy Resource Center. The Center provides an array of practical seminars, demonstrations and consulting services that help businesses and residents understand energy-efficient and cost-effective options. Metropolitan staff has been involved with the Center's "Energy Smart Landscape" series contributing speakers, technical advice on outdoor water efficiency, and display items such as rain barrels. In addition, educational materials on Metropolitan's commercial, industrial, and institutional water conservation programs are also displayed at the Center. Through this coordination, Metropolitan is able to reach a much larger audience and also provide the Gas Company with additional resources for their Center.

Summary

Working with trade allies to provide and promote water efficient devices is a cost effective strategy for promoting water conservation. Although partnerships and coordinated efforts take time to develop they are able to reach a new audience in unique ways. Water agencies can maximize partnerships by targeting trade allies with the same customer base or those interested in promoting water conservation.