Board Decision
Amending an Advertising Contract with Sockeye Creative

September 3, 2008

Summary

Authorize additional expenditures for a fall 2008 media campaign, extend contract term through 2009, and authorize further contract amendments provided they are consistent with the 2009 action plan and budget to be approved by the board in December 2008. Board authorization is required because the proposed additional expenditures would raise the total contract amount above $500,000, exceeding the signature authority of the executive director.

Background

- In March 2008, Energy Trust issued a request for proposals from advertising agencies to develop a fresh treatment of our creative look and messaging. Seven agencies submitted proposals and Sockeye Creative was selected. A contract was signed May 7, 2008, authorizing expenditures up to $295,300, including $165,000 to purchase media for a fall campaign.
- In April 2008, Energy Trust issued another request for proposals to recommend improvements in the navigation, architecture, design and other elements of the Energy Trust web site. Twelve proposals were submitted and Sockeye was again selected. On June 1, the Sockeye contract was amended to provide up to $60,000 for the web work. This brought the total budget for the contract from $295,300 to $355,300.
- In June 2008, NW Natural informed Energy Trust that rising commodity prices were likely to lead to the largest rate increase in the company's nearly 150-year history. NW Natural asked Energy Trust to consider increasing both program incentives and advertising designed to urge customers to use Energy Trust opportunities to help manage their energy costs.
- NW Natural's request was followed by the July Oregon Public Utility Commission annual workshop on the outlook for gas prices, generating media coverage of projected rate increases of 35-40% for NW Natural customers, 15-20% for customers of Cascade Natural Gas and 10-15% for Avista natural gas customers.
- In response to these changing market conditions and the opportunities they create, Energy Trust is planning to increase gas furnace incentives by $50 (to $200), and to offer $100 "bonus" incentives to those customers who bundle more than one action together during the 2008-09 heating season.
- To further promote energy conservation and savings opportunities, Energy Trust is also developing a comprehensive print, radio and online advertising campaign for the 2008-09 heating season. "Umbrella" advertisements will broadly address anticipated cost increases, informing and motivating consumers to better manage their energy use. Gas-specific advertisements will complement these broad concepts and reinforce similar themes and alert gas customers to increased incentives.
- To allow time and resources necessary to secure fall media buys, the executive director amended the Sockeye contract on July 29, 2008, adding $80,000 in expenditures. This action increased the Sockeye contract from $355,300 to $435,300.

Discussion

- An additional $165,000 media of media buys is needed to fully implement the proposed 2008-09 campaign, including a targeted reach to NW Natural and Cascade Natural Gas media markets.
- When added to the existing contract total of $435,300, the additional media buys would bring the contract to $600,300, exceeding the $500,000 threshold for the executive director and requiring board approval.
- The current Sockeye Creative contract term ends December 31, 2008. Staff recommends extending the contract term with Sockeye Creative through 2009.
- In preparing the 2009 budget and action plan, staff will develop a plan for continuing the campaign through early 2009 and continuing the web site improvement work.
- Based on a fully-developed work plan, it is possible that the staff will suggest modifications to these expenditures or potentially recommend additional 2009 activities for consideration in the 2009 budget. Staff will highlight such considerations for the board as part of the budget process.
- The resolution below would authorize the $600,300 contract amount, extend the term through the end of 2009, and authorize the executive director to sign future amendments, provided they remain consistent with the 2009 action plan and corresponding budget scheduled for board action in December 2008.

Recommendation

Authorize the executive director to amend the Sockeye Creative contract value and term by adopting resolution 484 below.

RESOLUTION #484

AMEND CONTRACT #754 WITH SOCKEYE CREATIVE, INC. TO INCREASE PAYMENT AND EXTEND CONTRACT TERM

WHEREAS:

1. **Energy Trust has entered into a contract with Sockeye Creative for advertising, messaging, and web-related services, up to a total expenditure of $435,300;**
2. **NW Natural is projecting record-setting 35-40% rate increases this fall, Cascade Natural Gas projects 15-20% rate increases and Avista natural gas anticipates 10-15% rate increases, all stemming from increases in commodity costs;**
3. **In cooperation with NW Natural and Cascade Natural Gas, Energy Trust has established higher incentives for natural gas customers to help them manage their energy use over the 2008-09 heating season;**
4. **An enhanced advertising campaign, requiring additional expenditures of $165,000, would inform and motivate customers about Energy Trust programs and the limited time offers to access higher incentives, encouraging actions to be taken to better manage increasing energy costs;**
5. **The additional campaign expenditures would increase the total for the contract to $600,300, exceeding the $500,000 threshold for executive director signature authority above which board approval is required;**
6. **Energy Trust intends to continue its work with Sockeye Creative on additional advertising and website activities in 2009, the details of which will be developed as part of the 2009 budget and action plan process;**
7. **As part of the budget and action plan review, Energy Trust staff will highlight for the board any changes or additions to the Sockeye Creative contract;**

It is therefore RESOLVED that the Board of Directors of Energy Trust of Oregon, Inc., hereby:

1. **Authorizes the executive director to amend the Sockeye Creative contract to commit total expenditures of $600,300, including up to $165,000 for an enhanced media buy in connection with pending gas rate increases.**
2. **Authorizes an extension of the Sockeye Creative contract term through December 31, 2009.**
3. **Authorizes the executive director to sign future contract amendments consistent with a board-approved 2009 budget and two-year action plan.**

Moved by: Seconded by:

Vote: In favor: Abstained:

Opposed: [list name(s) and, if requested, reason for "no" vote]