

CUSTOMER ENGAGEMENT IN RATE DESIGN



Business & Financial Conference
September 17, 2018

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Agenda



Knowing Your Customers



Importance of Customer Engagement



Example Public Engagement Process



Questions

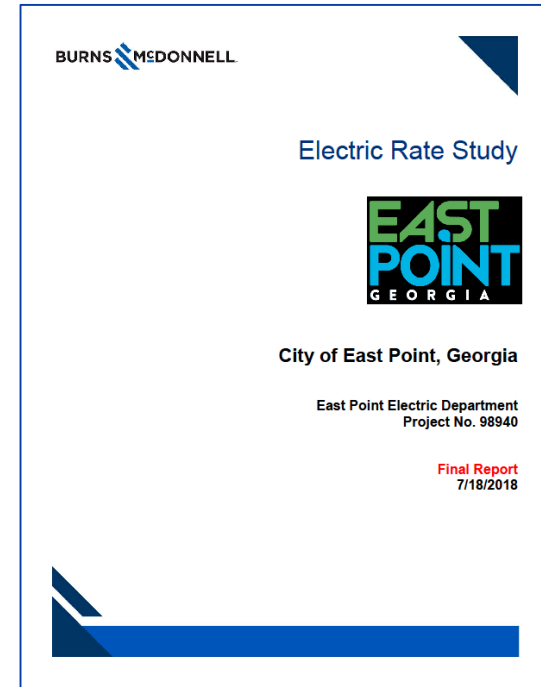
Today's Many Converging Challenges

- ▶ Sales are flat or declining
- ▶ Growth is stalled
- ▶ Many costs are fixed
- ▶ Aging facilities
- ▶ Demand for system upgrades
- ▶ Increasing regulations
- ▶ Little support for rate increases
- ▶ Feels a little like a perfect storm...



Why Do a Study Now?

- ▶ Changes in costs
- ▶ Master plan and/or budgeting process
- ▶ Shifts in class characteristics
- ▶ Advances in technology
- ▶ Proper revenue recovery
- ▶ **Develop rate options**



Why Include Customer Engagement?



KNOWING YOUR CUSTOMERS

Shifting Relationships

- ▶ Customer interactions have changed
- ▶ Customers now have more influence
- ▶ Information is everywhere, all the time
- ▶ Technology can produce a more engaged and aware customer
- ▶ Utility must engage the public proactively

What are Customers Looking For?

- ▶ Convenience through technology
- ▶ Immediate gratification
- ▶ Just the facts – harder to sell
- ▶ Recognition and appreciation: rewards for time and loyalty
- ▶ A deal all the time - entitlement



Research in Advance

- ▶ Electric rates are an issue with customers
- ▶ Methodical and informed approach needed to communicate
- ▶ Incorporate research, education and stakeholder engagement
- ▶ Know answers to some basic questions

Methods for Gathering Information

Lessons learned workshop
Customer research
Affordability analysis

**Non-retail
customer communication**
**Stakeholder
advisory committee**
Political considerations

Gathering Information



Lessons learned

Customer research

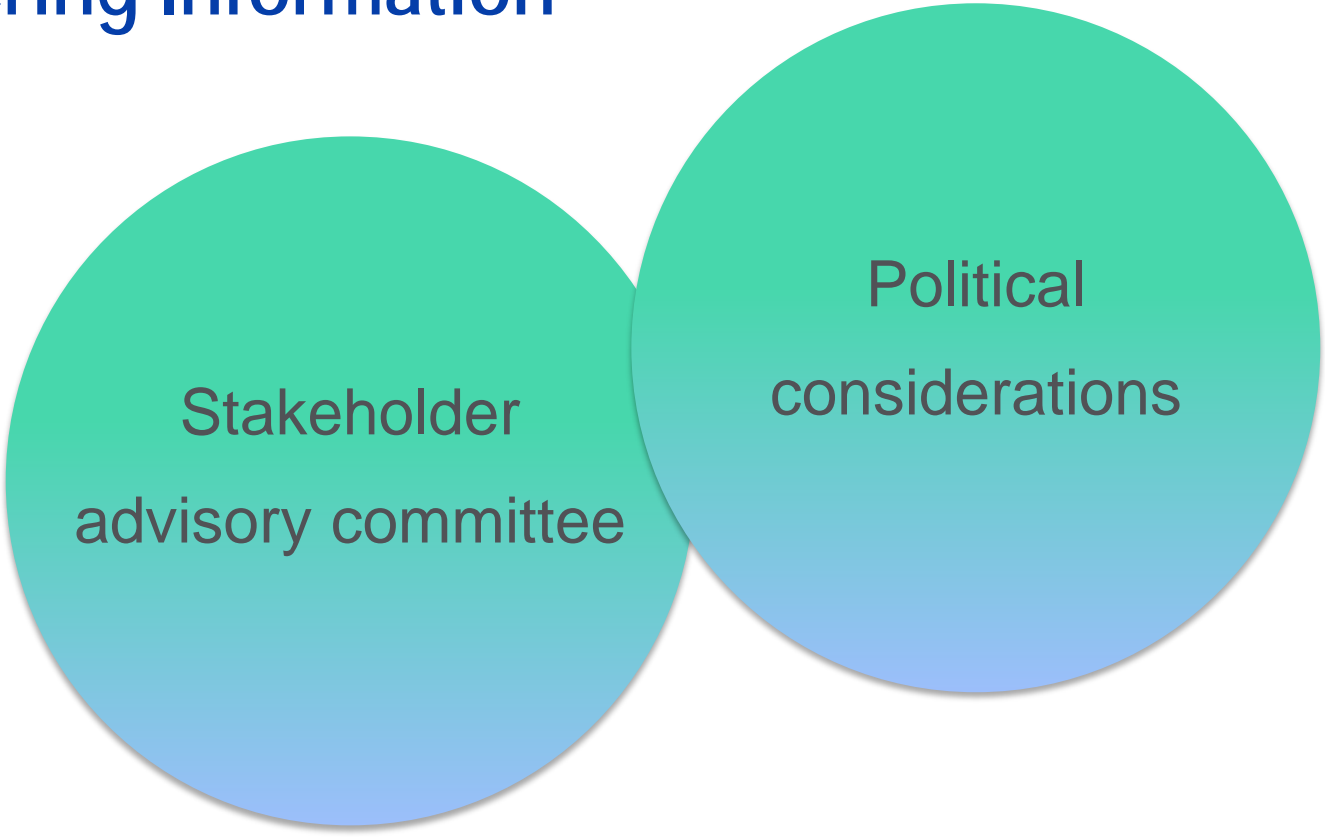
Gathering Information



Affordability analysis

Non-retail
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Gathering Information



Stakeholder
advisory committee

Political
considerations

Welcome to the

Public Power Data Source

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Key Topic: Rate Structure Perceptions

- A current understanding of residential customer's awareness, perceptions, and interest levels in various rate structures
- Filter respondents by key demographics such as geography, age, income and more
- Use the table of contents located in the top-left corner to navigate various pages and topics throughout the dashboard



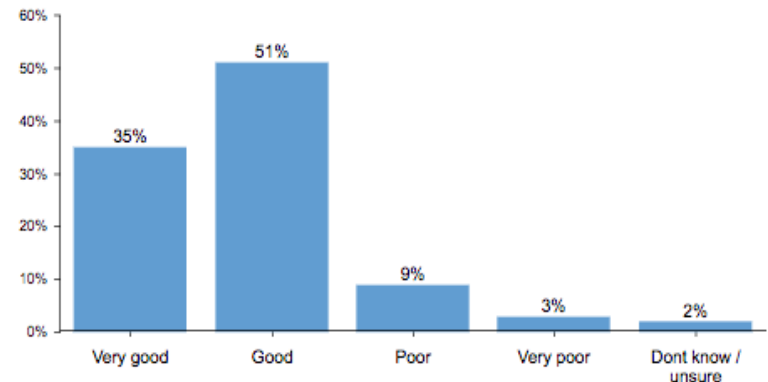
- 86% of customers rate the reliability of the electric service they receive for the price paid as either "very good" or "good"
 - More customers age 55 and older reported the reliability of service for the price paid as "very good" or "good" (90%) compared to customers under 35 years old (85%)
 - Customers with a higher household income (\$100,000 or more) provide higher ratings for the reliability of service for the price paid (90%) than customers with household incomes of less than \$50,000 (84%)

Background

Rates play a key role in determining a customer's perception of and satisfaction with their electric utility. Different rate structures can shift and influence how customers consume and pay for their electric services, but what do residential customers really know about rate structures, and are they interested in adopting these new plans?

In this quarter's key topic, the Public Power Data Source uncovers how customers feel about the utility rates they pay. Do they understand the reasons for rate increases and how profits are reinvested? Are customers aware of "time of use" and "peak/off peak" rate programs, and how likely are they to shift to these rate structures?

How would you rate the reliability of the electric service you receive for the price paid for service? Would you say...



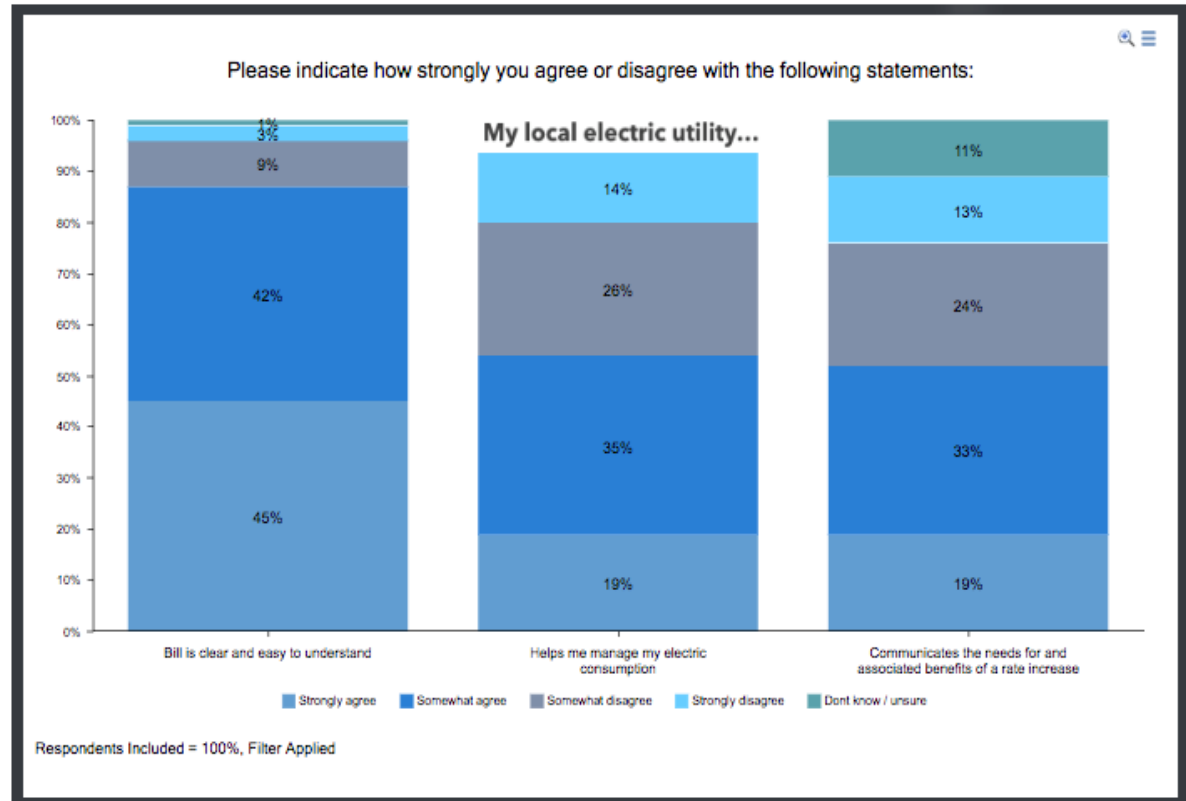
Evaluating Your Utility's Rates

Summary: While the strong majority of customers (87%) report their electric utility's bill is clear and easy to understand, only half of customers feel their local electric utility helps them manage their electric consumption (53%). While bills might clearly explain charges and consumption-related information, gaps exist in educating customers on how they can manage their consumption.

- 52% report their electric utility communicates the needs for and associated benefits of a rate increase
- One out of seven customers (15%) strongly disagree that their electric utility helps them better manage their consumption, and 13% disagree that the utility communicates the needs and benefits of a rate increase



- More customers age 35 and under feel their electric utility communicates the needs for and benefits of rate increases (57%) compared to those age 55 and over (50%)
- Fewer individuals with lower household incomes (under \$50,000) report their electric utility helps them manage their consumption (53%) compared to those with household incomes of \$100,000 or more (58%)



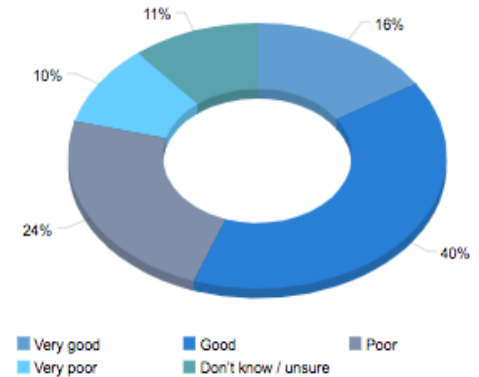
Understanding Your Utility's Rate Structures

Summary: Roughly half of customers (51%) report having at least a "good" understanding of how rates are established when their electric utility is considering a rate increase or going into a rate case. This is closely aligned with customer ratings of their electric utility communicating rate-related issues (55% "very good" or "good"). However, customers provided lower ratings (44%) for their level of understanding of how their electric utility is spending its revenue.

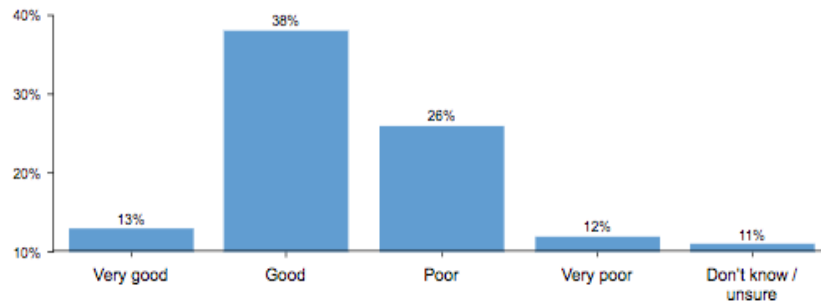
- Customers under the age of 35 have a better understanding of how rates are established (58%) than those age 55 and older (48%)
- Those living in urban areas rated their utility's communication of rate-related issues lower (47%) compared to customers living in suburban (53%) or rural (54%) neighborhoods



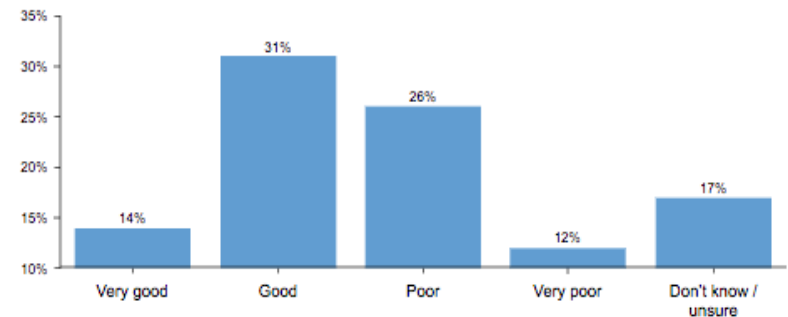
How would you rate your local electric utility's communication of rate-related issues? Would you say...



When your local electric utility is going into a rate case or considering a rate increase, how would you rate your level of understanding of how rates are established? Would you say...



How would you rate your level of understanding of the ways your local electric utility is spending its revenue? Would you say...



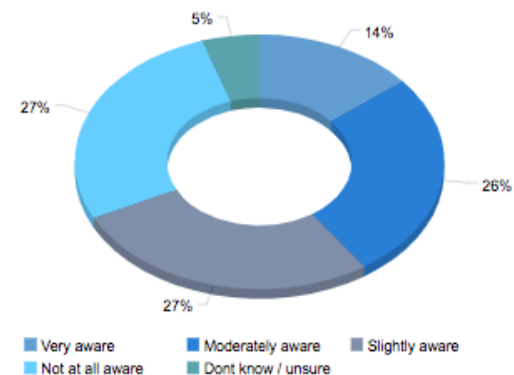
"Time of Use" or "On Peak/Off Peak" Programs

Summary: Two out of five (40%) residential customers are aware of "time of use" or "on peak/off peak" rate programs. Despite low awareness, there is a greater understanding of these rate programs (50%), which, in turn, drives a higher likelihood among residential customers to switch to one of these rate structures (64%).

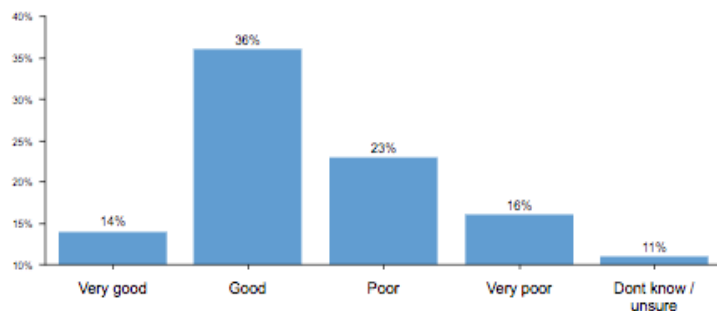


- Customers under the age of 35 are more likely to shift rate structures to a "time of use" or "on peak/off peak" program (71%) compared to customers age 55 and older (56%)
- Customers with higher household incomes (\$100,000 or more) are more aware of these rate programs (49%) than customers with lower household incomes of \$50,000 or less (40%)

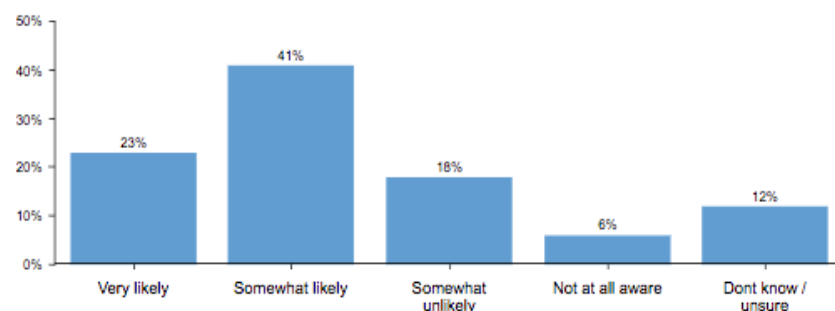
How aware are you of "time of use" or "on peak/off peak" rate programs? Would you say...



How would you rate your level of understanding of "time of use" or "on peak/off peak" rates? Would you say...



How likely might you be to shift your rate structure to a "time of use" or "on peak/off peak" program? Would you say...



Communication Strategies

- ▶ Deliberate/targeted messaging – *segment your audience accordingly*
- ▶ Relevant and timely
- ▶ Engaging – *what's in it for them?*
- ▶ Relentless – *multi media approach*
- ▶ Simple and clear – *confusion is a killer*
- ▶ Ongoing – *beyond the reward delivery*

IMPORTANCE OF CUSTOMER ENGAGEMENT

Customer Engagement Process

Provide
information to
customers

Obtain data

Educate
customers

Create
engagement
opportunities

Test concepts

Engagement Considerations

Uniqueness of region

Customer growth

Past studies

Utility structure

Gauge customer interest/acceptance

Information Gathering/Dissemination

- ▶ Local/regional newspapers
- ▶ Online news
- ▶ Civic clubs and local meetings
- ▶ Social media
- ▶ Word-of-mouth



EXAMPLE PUBLIC ENGAGEMENT PROCESS

Engagement Plan Goals

- ▶ Gain significant customer/stakeholder input and buy-in through the process
 - Rate classes/customer types
 - Stakeholder groups (elected officials, community groups, local leaders)
 - Environmental groups
- ▶ Develop a rate structure designed in collaboration with customers/stakeholders



Customer Engagement Process

1

Develop and test customer/stakeholder communication materials
Focus-group test content and delivery. Refine materials.

2

Strong communications plan to encourage engagement
Web, email, social media, direct mail, bill inserts, ads, informing customers/stakeholders of goals and inviting participation.

3

Conduct customer/stakeholder research
Gain feedback through a variety of methods -online surveys, text surveys, one-on-one interviews, public meetings - tailored to specific stakeholder groups.

Customer Engagement Process

4

Analyze feedback, prepare rate design proposal
Present findings/propose rate design for Board/Mgmt review.

5

Customer/stakeholders review of proposed rate design
Take additional input - surveys and public meetings.

6

Analyze feedback, prepare final rate design proposal
Final Board and Management review/approval

7

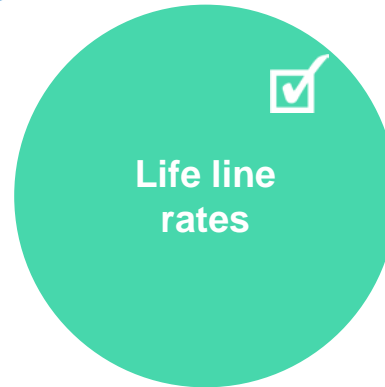
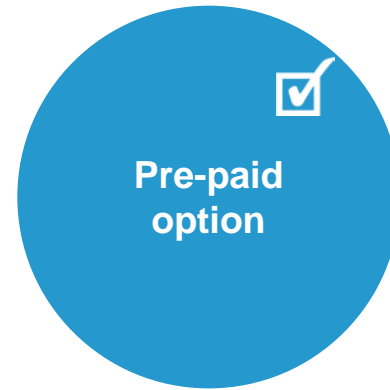
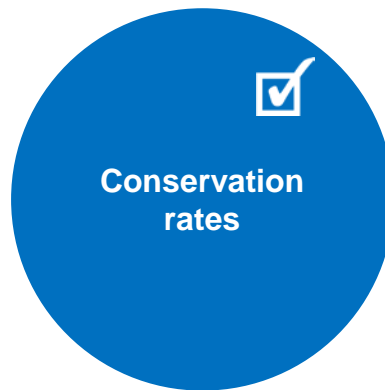
Roll out new rate program to customer/stakeholders Comprehensive communication plan/rate guide.

Purpose of Customer Survey

- ▶ Assess knowledge and acceptance of current rates and fees
- ▶ Gauge interest in new/different rate options
- ▶ Allow customers open channel to express opinions, thoughts and ideas about rates
- ▶ Feedback is meant to provide insight, non-prescriptive feedback



Customer Survey Topics



Incorporating Customer Feedback

- ▶ Act on areas of interest and concern
- ▶ Utilize guidance received
- ▶ Evaluate areas for communication and education
- ▶ Utilize in conjunction with additional data
 - Business needs/revenue requirements
 - Best/standard utility practices
 - Rate Policy
 - Available technology



QUESTIONS

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