Rate Transformation

Using Strategic Listening and Proactive Engagement
Joel Gilbert, P.E.
President and Chief Software Architect

Leads Apogee’s accomplished team of engineers, data scientists, analysts, and researchers.

Responsible for applying highest standards of excellence in building science and engineering, applying artificial intelligence and predictive analytics to build strong customer relationships.

Considered refreshing because he is one of the most insightful “forecasters” for change and is so brutally honest.
Denial is Not a River in Egypt

Nothing other than rate transformation makes a real difference

- Marketplaces are fine but not sustainable and dollars too small
- Electric vehicles and beneficial electrification are fine but …
- This is a very big business and expecting small things to fix it are silly

Utilities must have a plan for rate transformation and work it

Managing that plan includes facing the obvious:

- Utility operations must embrace efficiency and circularity for credibility
- Running the same old programs the same way just won’t cut it
- Any and all pricing (rate) changes produce both winners and losers
- Opportunities may exist to manage the losers but you must be proactive
- The obvious results must be improved net margins and align costs
Six Rules of Forecasting

“Even in periods of dramatic, rapid transformation, there are vastly more elements that do not change than new things that emerge.”

Paul Saffo (paul@saffo.com)
Harvard Business Review
The Trends are NOT Your Friend

Societal concerns and attitudes have shifted dramatically
Net metering was an “OK idea” when it was small but not now
Trying to change that is fraught with peril
The larger problem looms … rates do align with costs
Flat is the new normal … traditional kWh sales growth is elusive
  • Yes, forecasts for natural gas bans are helpful/hopeful
  • Yes, electric vehicles are exciting and promising
  • However, near term trends due to solar are disruptive

This is a cost recovery business with an obligation to serve

If total volumetric sales decline, either obligations decline or costs/per unit must increase
Most utilities use “opt in” since it reduces challenges
  • Most utilities use multiple choice
  • Winners typically jump on advantageous rates … **but do not change**
  • Losers typically stay on default rates
  • Then, how does opt in improve your financial position???

“Opt out” gets much higher adoption - most don’t care/notice

Mandatory is almost always from PSCs w/backlash – rare
  • Still have winners and losers and losers can kill rate cases
  • Grandfathering typically used in worst cases – e.g., water heaters
Doing the right thing never goes out of style!

But, the style of getting it done has changed
Stephen Covey: The Fifth Habit

Seek first to understand, then to be understood.

Seeking real understanding affirms the other person and what they have to say. That's what they want. That's what we all want — to be understood, valued and affirmed.

The ability to hear is a gift. The willingness to listen is a choice.
Video: It’s not about the nail
Listening is Very Hard Work

It doesn’t matter at all if the person makes “sense” or is even unlawful
Seek to have them elaborate even when you shudder at what they say
Seek to confirm what you think you now understand
When this is exhausted, ask what they think should happen next
Ask how you can be of any help (obviously only doing lawful things 😊)

Do not smirk, wince, or react
Remember: “Let the one without sin throw the first stone!”
Cancel Culture trumps Logic & Facts

BANANA, CAVE, and NOPE -- “they sound so 90’s”
Solar and Wind are now sacred … must run resources
TESLA has shaken up traditional approaches
• Power Walls
• Emerging battery technology
Blue and Green Hydrogen will vie for batteries/beneficial electric
Energy Equity has replaced LMI logic
Circularity has replaced life cycle cost management

The Energy Future is driving policy and decisions TODAY
First ... utilities must be honest

Did this just come from the rate department/senior executives?
  • Was marketing/customer service just asked to explain it?

Is this truly about aligning retail prices and wholesale costs?
  • TOU does very little to align these. RTP does it very well.
  • Demand rates attempt to recover fixed costs – and out of market costs

Might it be better to realign value/convenience with price?
Or, is this mostly about cost recovery?

Don’t duck this question … it is central to your success
It redefines winners and losers in the transition

(for most this is all about cost recovery and nothing more)
In Theory – Prices should reflect Costs

Nice theory – Time of Use (TOU) does not
Critical Peak Pricing (CPP) … usually added to TOU gets closer
Real Time Pricing (RTP) transfers all risk … not for everyone
Demand Charges reflect fixed costs – but hard to predict
But, so does a fixed base charge – easy to predict
Base charges could be based upon average yearly demand
You could encourage demand response but few will like it
Perhaps it is better to go fixed charges
## Residential Rate Plans

### Standard
- Bill Varies by **How Much** Electricity You Use in 30 Days
  - 0-1,000 kWh = **8.7 cents** per kWh
  - 1,001-1,500 kWh = **9.4 cents** per kWh
  - > 1,500 kWh = **9.9 cents** per kWh

### Shift to Save
- Bill Varies by **When** You Use Electricity M-F
  - 9 PM - Noon (Off-Peak) = **4.7 cents** per kWh
  - Noon – 9 PM (Peak) = **17.1 cents** per kWh

### Demand
- Bill Varies by **Highest 30 Minutes During Our Peak**
  - Highest 30 minute demand from 1-8 PM = **$6.00** per KW
  - All Other Use = **6.0 cents** per kWh

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Winter Months: November 1 through March 31

Rates below include BNRG, Fuel, Smart Grid Charges and Environmental as of 01/01/2019

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<th>Time</th>
<th>Off-Peak</th>
<th>On-Peak</th>
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<td>4.732¢</td>
<td>17.103¢</td>
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Low Consumption Customer Clusters & Campaigns

Numbers along each path are simply illustrative at this time

~ 700 Low Consumption Customers

Annual Costs Higher?  
700  
100 True

High ~ all Months?  
50 False

Monthly Costs Higher  
600 False

“Put it in perspective” campaign  
300 False

“You are winning!” perspective campaign  
300 False

“Here’s how to reduce demand” campaign  
50 False
Month of July
Total Demand VS LF for the whole data set

Month of April
Any Questions
Webinars:

Nov. 12th – Special Guest - JD Power – Utility Customer Satisfaction

Dec. 8th – Special Guest - Fiserv – Billing & Payment
Contact Us

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