INCORPORATING PUBLIC INVOLVEMENT EFFORTS IN THE RATE STUDY PROCESS

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Ted Kelly, Principal & Business Development Manager
Chris Deffenbaugh, Public Involvement Specialist
Agenda

► Today’s Customer
► Study Overview
► Rate Study Process
► Importance of Public Involvement
► Public Involvement Process
► Questions
WHY INCLUDE PUBLIC INVOLVEMENT?
TODAY’S CUSTOMER
Evolution of the Customer Interface

- Customers now have the upper hand
- Information is everywhere all the time
- Technology pushes for a more engaged and aware customer
- Impacts all demographics
- Influences dialogue
What are Retail 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
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
There Are 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…
Importance of Completing a Rate Study

- Know and manage costs and revenues
- Evaluates financial plan’s potential impact
- Avoid drastic rate changes
- Minimize subsidies and identifies who should bear costs
- Provide points of reference and guidelines for adjustments

Evaluates appropriateness of price signals
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**
Rate Study ≠ Rate Increase

- Setting rates is an art
RATE STUDY PROCESS
Rate Study Components

Step 1: Financial Planning
- Unit-Based Revenue Forecast
- O&M Expenses
- Capital Financing Plan

Financial Plan
- Are current system revenues adequate?

Step 2: Cost of Service
- Test Year Revenue Requirements
- Functional Allocators
- Units of Service Development

Compare Revenues to Costs by Class
- How Should Costs be Recovered by Class?

Step 3: Rate Design
- Costs by Class
- Revenues under Alternative Rates

How Should Services be Priced?

Economic Modeling / Rate Model Customization
Revenue Considerations

- How’s your rate structure working for you?
- Restructuring to capture more fixed costs
- Place a value on “free service”
- Do miscellaneous fees cover cost?
- Better delivery capabilities
IMPORTANCE OF PUBLIC INVOLVEMENT
Why consider public involvement?

- Provide information to customers
- Create engagement opportunities
- Educate customers
- Identify community concerns
- Enhance positive reception
- Obtain data
- Test concepts
Public Involvement Considerations

► Uniqueness of region
► Customer growth
► Past studies
► Utility structure
► Gauge customer interest/acceptance
Information Gathering/Dissemination

- Local/regional newspapers
- Online news
- Social media
- Word-of-mouth
Newspaper Statistics

- Digital audiences continue to grow
- Mobile-only smallest group at 7 million
- Traditional newspaper circulation up 3 percent overall
- 54 percent still read print
- Churn in small towns: 4.6 percent for circulation of 25,000 – 49,000
# Social Media Statistics

## Facebook Users

*Among online adults, the % who use Facebook*

<table>
<thead>
<tr>
<th>Demographic</th>
<th>2013</th>
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<tr>
<td>All internet users</td>
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<td>Men</td>
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<tr>
<td>Rural</td>
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Importance of Gaining Earned Media

- Traditional vs. Viral
- 92 percent trust earned media
- Most trusted – friends and family
- Reserved positions net few gains
- Public education through open forums
PUBLIC INVOLVEMENT 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

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<th>Affordability</th>
<th>Conservation rates</th>
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<td>Life line rates</td>
<td>Pre-paid option</td>
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<tr>
<td>Economic development rate</td>
<td>Church/school rate</td>
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<td>Miscellaneus fees</td>
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NEXT STEPS
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