

**COMMENTS OF THE UTILITY REFORM NETWORK
ON RESIDENTIAL RATES CUSTOMER SURVEY DRAFT B**

February 15, 2013

TURN appreciates the various modifications made by the survey drafters, especially to the definitions and explanation of the primary rate design options. TURN provides an attached redline of Draft B of the survey instrument, which should be viewed with comments visible.

However, while TURN continues to seek changes to the survey instrument, the presentations and discussions to date lead us to conclude that this exercise will not result in meaningful information concerning customer “preferences.” Simply put, the one additional section concerning bill risk tolerance does not adequately address the fundamental problem TURN flagged in comments presented to the IOUs on Draft A. This problem is the fact that customers must understand both: a) how any rate design choice impacts their monthly bill given their existing load profile, and b) the extent to which it is possible to alter their consumption pattern and the resulting impacts under different rate designs. To answer the second portion, customers must at a minimum understand enough about household electricity use to evaluate the degree of change in consumption necessary to alter bills.

1. THE GRAPHIC PRESENTATION OF TIERED RATES SHOULD BE CHANGED

All of the graphic presentations of tiered rates (Section 3) should be modified. The graphs associate the lower rate as connected with the beginning of the billing period, and higher rates with the end of the billing period. While it is doubtless true that customers can only go into higher tiers as time progresses, the current diagram may cause respondents to mistakenly think that conserving at the beginning of the period results in only 16 cents/kWh savings, and so is less valuable than conserving later. This ignores that fact that tiers are tied to ‘baseline allowances,’ not to specific time periods.

TURN recommends that the horizontal axis labels should say “Initial usage allotment” and “Usage Above Initial Allotment” or, perhaps even more simply, just “monthly kWh usage.” We recommend evaluating the website of Idaho Power as an example.¹ TURN did not previously comment on this issue and it is not included in the discussion topics.

¹ See, <http://www.idahopower.com/aboutus/ratesregulatory/Rates/grcResidential.cfm>

2. THE EXAMPLES OF ENERGY USE BEHAVIOR TO REDUCE CONSUMPTION SHOULD BE MORE REALISTIC AND SHOULD BE INCLUDED ON CHOICE SCREENS

TURN appreciates the additions to Draft B in response to our previous comments designed to educate customers about the basics of electricity use (kWh) and demand (kW) and the type of behavior necessary to reduce consumption or shift load. However, the example in Section 3 does not provide the type of real world actionable information to allow a customer to understand the actions necessary to reduce consumption by 1 kWh. The example illustrates the impact of turning off ten 100-watt light bulbs. 100-watt light bulbs are no longer legal in California. TURN suggests that this example be revised provide a sample of two or three more realistic actions. For example, the text could explain that turning off a medium sized air conditioner completely for an hour would save about one kWh, and completely turning off plasma TV might save less than 0.3 kWh.

Additionally, TURN recommends that the text include a table showing showing the hourly (or other relevant time period) consumption of electricity by major and minor appliances. Ideally, such a table should be reproduced on all the conjoint choice screens to remind customers of the impact of different possible actions (assuming an online survey).

3. THE SURVEY STILL FAILS TO PROVIDE CUSTOMERS WITH MEANINGFUL BILL IMPACT INFORMATION TO FACILITATE ACTUAL CHOICE

Again, TURN appreciates that the IOUs added new questions 4.15 and 4.16 in survey to attempt to gauge customer risk preferences and the impact of bill changes upon customer rate preferences. Regrettably, the added questions do not fix this fundamental flaw in the survey design.

Question 4.15 provides information on the customer's risk tolerance, but has no connection to any particular rate design or the customer's own consumption patterns. It in no way relates a particular rate design to the dollars at stake. Indeed, by simply having four buckets of equal positive and negative changes, it does nothing to further prior research that already demonstrates that customer risk tolerance is asymmetric – residential customers are more adverse to a 10% bill increase than have a preference for a 20% bill decrease.

There is no meaningful link between the analytical choices in question 4.15 and the descriptions of possible bill impacts under different rate designs in question 4.16. Customers cannot evaluate whether their bill would increase or decrease under any of the alternative rate designs if they make no changes, and they cannot evaluate whether they could benefit with behavioral changes under different rate designs. As a fundamental matter, a customer cannot know how they benefit if they do not even know whether their load shape is better or worse than

average.

Based on the Draft B survey, TURN does not support this survey as a method of elucidating meaningful customer choice. Customers will be asked to make “choices” as between different rates based on an explanation of possible impacts but without specific information concerning the impacts of alternative rate designs on their potential bills. Based on market research conducted to date, there is a high degree of certainty that most customers will simply “choose” the “flat rate” as their preference. Given no difference in price, customers prefer simplicity and stability for products such as electric and phone service.

4. CONCLUSION

TURN appreciates that much effort and thought has gone into this survey. However, it also appears that the designers have resisted efforts to make actual choice selection relate to potential bill impacts based on a customer’s own consumption pattern, or even assumed bill impacts based on imputed loads and general consumption information. The survey may very well provide useful information concerning customers’ pre- and post-education of rates and rate design components; however, it will not provide analytically useful information concerning rate preferences.