

## Residential Rates OIR

### Customer Survey Discussion topics

#### January 31, 2013 Webinar

**1. Question**

Why do we want to conduct a customer survey now rather than after the rate design proposals have been developed?

**Answer**

The principles of understandability, simplicity and choice are difficult to measure and customers can often have very different definitions, so finding out their direct feedback is very useful. We believe that knowing their preferences will help to inform the development of better proposals from the beginning. In addition, because of the work on the bill calculator models, we already have sufficient knowledge about the range of potential rate structures, so there is no need to wait until formal proposals are submitted to launch the customer survey.

**2. Question**

What are the objectives of the customer survey?

**Answer**

The survey is designed to provide insight into:

- The extent that customers understand their current rate structure.
- Rate structure configurations that would best motivate customers to conserve / shift their energy use.
- Relevance of customer-centric rate design principles established in RROIR (characteristics of rate plan options should be understandable, stable, predictable, etc.) to customer interest in various rate plan configurations.
- Customer tolerance for bill change and appetite for bill savings.
- Customer preferences for alternative rate structure configurations.

**3. Question**

What is the purpose of each section of the survey?

**Answer**

Section I – Establish current rate knowledge and energy use attitudes and behavior.

Section II - Educate participant about rate plan structures and components to prepare them for Choice Exercise and establish beliefs about importance of rate plan characteristics (understandable, stable, provides choice, etc.).

Section III – Establish customer preferences for rate plan options.

Section IV - Gather additional customer profile information for segmentation.

**4. Question:**

How will survey address customer perspectives on bill savings / bill increase potential for each rate option?

**Answer**

- Section three of the survey is designed to educate customers about the potential for different rate structures to increase or decrease their bills based on their energy use behavior.
- It is not possible to provide a sample or shadow bill in this survey. The respondents are anonymous and randomly selected through an internet panel. Even if this were possible, we believe shadow bills would not accurately represent the question to be answered because the potential bill savings / increase will depend on the customer's ability to change their energy use behavior on the rate. We understand this is not the perfect situation where each customer understands the individual impact to his or her own bill, but we strongly believe we can get high quality directional information about rate preferences without this level of customization.

**5. Question**

How will survey incorporate environmental benefits of rate plans?

**Answer**

The survey will capture the importance customers place on environmental benefits in the rate plan characteristics evaluation in section three, and then participants will evaluate each rate plan structure against that characteristic later in the survey.

**6. Question**

How are we making sure we are getting sufficient input from groups such as seniors?

**Answer**

Our survey recruitment process will have the objective of building a representative core sample of 2,100 (n=700 per IOU) by screening based on these demographics variables: income level, age, size (by square footage ranges and bill size), sex and region (climate zone based on zip code). Statistically significant findings will be possible at the IOU level for this representative population.

The additional 3,000 observation over-sample will allow statistically significant findings for additional sub-groups. Over-sampling adds enough observations to allow these sub-groups to be analyzed separately to identify how they might be the same or different from the core samples of n=700 per IOU.

We anticipate being able to make meaningful comparisons between the following sub-groups:

- Low-income (e.g., bottom 25% HHI)
- High-usage (upper 25% of estimated bill amounts)
- Age groups (older, middle, younger)

- Solar
- SmartRate participants
- Spanish-speakers
- California municipal utility customers with different rate structures: LADWP, SMUD and Riverside Public Utilities
- TOU customers from other jurisdictions with a high penetration of customers on TOU rates: Hydro One (Ontario, Canada) and Arizona (Arizona Public Services / Salt River Project)
- Climate Zone

7. **Question**

How will the survey avoid sampling bias?

**Answer**

Sampling bias is inherent in all research, but researchers typically take steps to minimize this within the constraints of time and budget. Most of the respondents sample will come from commercially available online panels. Online panels, by design, are not absolutely representative because they are created by “opt-in” methods among people who are active on the Internet. Nonetheless, comparative studies have shown that similar results are obtained from online panel samples as from truly representative online samples, suggesting that compensation of panel samples does not significantly affect results. Because of this, online panel samples have become the norm for survey research.

8. **Question**

How are we ensuring appropriate representation of the Disabled sub-segment?

**Answer**

We have added questions to determine if the participant is disabled, or if there is a disabled person in the household.

9. **Question**

How will this research provide input into the default rate?

**Answer**

The survey will ask questions to identify participants that would not likely switch from their current rate plan, even if offered a range of other options. Attitudes, preferences and behaviors of these customers will provide input into the default rate.

10. **Question**

Why aren't more focus groups the best way to begin the process of gathering customer input on rate structures?

**Answer**

The IOUs have conducted several focus groups over the last few years and quantitative studies that have guided the development of this survey. These are available via data request, as mentioned in the December webinar.

**11. Question**

How will the research be designed to ensure that the answers will not be skewed towards the rate options preferred by each IOU?

**Answer**

The choice exercise will randomly present different rate plan structures and configurations that span the range being considered in the bill calculator model, with no priority given to any particular rate plan.

**12. Question**

How will the survey identify customer usage patterns?

**Answer**

We will not be asking participants directly about their usage profiles. We will, however, be gathering information such as climate zone, square footage, year home built, energy end uses, and previous energy use behaviors that can provide insight into usage patterns.

**13. Question**

What are the screening criteria?

**Answer**

- Electric Utility (SCE, SDG&E, PG&E, Riverside, LADWP, SMUD, Hydro One, Arizona Public Service / Salt River Project.
- Household size (# of people in household, SF)
- Basic demographics (age, income level, gender)
- Climate Zone
- Involvement in energy decision-making

**14. Question**

What are some examples of what the survey might be able to tell us?

**Answer**

- Examples of what we might be able to learn from this survey include (illustrative only):
  - 67% of the senior segment prefer a flat rate with a customer charge less than \$10.
  - Overall, customers think the ability to save money on their bill and having a choice are the most important characteristics of an electric rate plan.
  - Participants that have already changed their energy use behavior in the past have a high preference for a plan with a demand charge.
  - “Try Before You Buy” (bill protection), increases the willingness to try a steep TOU rate by 40%.

**15. Question**

How will this survey avoid the issues that hindered the choice task in the Gas Hedging Study PG&E conducted in early 2009 with Socratic Technologies?

**Answer**

The primary issue with the Gas Hedging Study was that respondents did not appear to

understand or be engaged with the conjoint. Measures taken in the Rates Customer Survey to avoid this problem include:

- Engaging them before the choice exercise by taking more time in the survey to educate the respondents about the factors and levels they will encounter in the choice exercise and including questions about how those concepts apply to them.
- More choice tasks – 10 to 16, compared to only 6 in the GHS, and three options per choice set. Having more tasks and the more choices per task helps us to achieve better reliability and stability of the conjoint results.
- Removing respondents that do not meet standards focused on ensuring responses are deliberate and thoughtful, including “speeders” who complete the survey faster than normal, “straightliners” who have response patterns that indicate they did not pay attention to questions, etc.

### **Consideration of Red-line Feedback on Survey Draft A – February 11, 2013**

There were a very large number (over 200) of suggested changes to the survey, many of them overlapping and / or conflicting. The following summarizes the most substantive suggestions that were incorporated, and the reasons why some were not.

Suggestions incorporated into the survey Draft B include:

1. The four tier rate plan example was changed to three tiers.
2. Similar wording was added to the tiered, TOU and flat rate descriptions to explain the possible negative bill impacts if enough actions to reduce kWh or kW could not be made.
3. A question was added in the choice exercise to evaluate bill impact (risk / reward) expectations.
4. A question was added in the choice exercise to re-visit the risk that not changing behavior might result in higher bills, especially in hotter climates in the summer after participants select a preferred rate structure.
5. PG&E’s bill calculator was used to provide revenue neutral rates for the rate plan description examples.
6. Almost all of the rate structure descriptions were completely rewritten, and now include some of the actual wording suggestions from the commenters.
7. The demand charge example was revised to more accurately reflect actual demand of different end-uses, and wording “poorly managed” changed
8. Description of “Fair” removed in question 3.8 and open-ended question added.

Suggestions not incorporated into the survey Draft B include:

1. Removing Questions 2.1a and 2.1 b. about current knowledge of rates.

As explained in the last webinar on January 31st and in the “Topics for Discussion Document”, it is important to set a baseline of what customers know before they are exposed to the educational section. This will provide insights on the necessity and effectiveness of education about rates.

2. Showing an example of a 550 kWh customer in the rate structure descriptions. Including potential kWh and kW savings from various changes in behavior.

The purpose of the education section is not to have customers understand how these particular structures would impact their bills, but to help them understand how the rate structures work that behavior changes might be required for success on each rate structure.

3. Removing or substantially changing questions 4.4 and 4.4 that ask customers about their experience and attitudes towards a sample of electricity shifting and reducing behaviors.

We believe these questions are critical to educating the customer about specific actions they can take that might lower their bills. The questions are placed in the most appropriate place (directly after the rate plan structure descriptions) to tie back to the relevant rate structure.

4. Removing the demand charge and monthly service fee sections.

We want to know what customers think about demand charges and monthly service fees and how they affect rate plan option choices. The explanations provided in the survey are likely more than most residential customers would receive if those types of charges were included in a default rate. The questions also allow us to gain insight on whether or not there are some groups of customers that can comprehend and would prefer a demand charge, with even a minimal amount of information.

5. Including explanation of minimum bill.

We introduce the concept of a monthly service fee, which is broad enough to include both a fixed monthly charge and a minimum bill charge. We used fixed monthly charge in the actual example, as it is simpler to explain than minimum bill. We believe the insights we get on fixed customer charge will be directionally relevant to minimum bill charge.

## **Consideration of Feedback on Survey Draft B received February 15, 2013**

### **1. Suggestion**

Regarding choice exercise section 4 - Add additional row to show customer bill impact in a few consumption groups (e.g., two consumption sizes, two load shapes, for a total of four groups). This would allow customers to have a rough idea what their bill impact would be if they choose these options. IOUs have stated that it is not possible to provide a sample or shadow billing for the survey. This suggestion is intended to serve a much more simplified proxy for the shadow billing.

**Response**

We appreciate the suggestion of a potentially more simple approach than shadow billing to provide an indication of bill impacts for different rate plan options in the choice exercise section. Advice from our market research professionals was that including bill impacts for each option in the choice sets would likely overwhelm all the other characteristics that are important to participants and choices would be made solely on the potential bill impacts shown. Instead, we have added a question in the choice exercise section that asks about customer tolerance for bill increases and desire for bill savings based on a particular rate structure they have chosen.

We understand the concerns of some parties that participants may not be able to make relevant choices without understanding the individualized potential bill impacts. We believe that participants can and will reveal preferences for particular rate plan structures based on their understanding of all of the characteristics of the rate plans that are important, of which only one is potential bill impacts. Other important characteristics are investigated in question 3.7 – “If you were comparing electric rate plans, what would be the most important factors you would consider in choosing the plan for your household?” Other characteristics we have found that are important to customers through our market research are that their rate plan is: understandable, simple, stable, predictable, worry-free, works with their lifestyle, green and fair.

**2. Suggestion**

Include explanation of “baseline” in tiered rate descriptions in Section 3 / tying tier one pricing to the concept of baseline / more detailed examples of behavior changes that can help reduce or increase the bill, etc.

**Response**

Section 3 is not designed to give customers an understanding of how these particular rate structures would impact their bills, but to help them understand how the rate structures are charged and the types of behavior changes that might be required for success on each rate structure.

Although we really like the way Idaho Power explains how tiers work on their website <http://www.idahopower.com/aboutus/ratesregulatory/Rates/grcResidential.cfm>, our market research professionals continue to advise us that providing the level of detail necessary to customize to each typical customer type would require the survey to be too lengthy and it would be difficult to get enough completes.

We believe that the survey as designed will provide insights into customer preferences for alternative rate structures that will be relevant to rate proposals in the Residential Rates OIR.

**3. Suggestion**

Add questions that measure customer receptiveness to monthly service fees and demand charges.

**Response**

As we expected, pre-testing revealed that survey Draft B needed considerable reduction to get within the 25 minute goal for time to complete, so there was really no leeway to add more questions. In addition, we believe the choice exercise in section 4 will reveal customer

receptiveness to monthly service fees and demand charges.

**4. Suggestion**

Remove question 3.5 about customer awareness of monthly service fees.

**Response**

The reason this question was not removed is because it is important to the purpose of educating the customer about monthly service fees. The educational section is broken up with some questions that aren't aimed at revealing preferences but at having the participant pause and think about what they have just read.

**5. Suggestion**

A two-tier rate structure is not possible, and should not be shown as an example or in the choice exercise.

**Response**

A two-tiered rate structure is under discussion in this proceeding, and is also included in the bill calculator models.

**6. Comment**

Within the survey, there is no sub-group information or plans to conduct relevant sampling based on race. Although there is the expectation that the survey will yield information on Spanish-speaking populations, there remains a significant number of speakers of other languages who will not be represented in the survey. This includes individuals who speak a number of Asian languages, including Chinese, Tagalog, and Burmese, among others.

**Response**

Our experience at PG&E (based on 2010 data) shows that 99% of calls coming into our Customer Service Centers are from people who prefer to speak either English (92%) or Spanish (7%). Although we would like to be able to create over-sample groups for customers that prefer to speak other languages or can only speak other languages, the cost for adding an over-sample for each of these other languages for this survey would be prohibitive. Therefore, this survey will not provide insights specifically for customers that prefer to speak other languages such as Chinese, Tagalog and Burmese.