

# R.12-06-013 Residential Rate Structure

## Customer Survey Key Findings – Follow Up 4/16 Webinar

### Final Questions from 4/19 Webinar

1. Slide 14-Important Factors when choosing rates - 66% of what? How were these priorities selected by the respondents? **Answered in 4/19 Webinar**
2. Slide 18 – as you rank attributes, what was the method or significance of determining attribute importance? **Answered in 4/19 Webinar**
3. Revenue Neutral Rates **Answered in 4/19 Webinar**
  - A. Why simulator cannot be build based on exact revenue neutral rates
  - B. What the simulator tells us even though the rate options are not revenue neutral
  - C. Limitations of running revenue neutral rates through simulator
4. (Jamie Fine) What are the limitations of this work to the extent it can be generalized to all class of customers? **Answered in 4/19 Webinar**
5. (TURN) We do not understand the bases for the conclusions on p. 22 (last bullet point) and p. 44 (first bullet point under tiered rates) regarding a preference for steeper tier differentials. Our impression is the opposite. Please explain. **Answered in 4/19 Webinar**
6. Slide 20 – very last bullet point, potentially strong preference for 2 tier rate with relatively high tier prices, where are you getting that conclusion?  
**Answer:** This hypothesis was tested in the simulator, and not proven. This seems to support the finding that price per kWh drives choice more than rate structures themselves. Even though the 2-tier rate was simpler, participants still based their choice more on the relative price per kWh levels between the different rates.
7. (TURN) Please explain the ability to compare numerical results between different rate plans. Is it possible to compare. How did you evaluate preference between rate plans. **Answered in 4/19 Webinar**

#### DRA

1. The study suggested that there is no noticeable difference in results between online and alternative recruitment of low income. (p.4) Does this apply to all the conclusions drawn in the RROIR Customer Survey Key Findings? Any areas that show distinct differences? **Answered in 4/19 Webinar**
2. 19% describe they are on TOU rates. (p.7) Are some of these customers currently on TOU options? Do IOUs know? **Answered in 4/19 Webinar**
3. Interest in taking action to reduce bill. (p. 8) How do the IOUs intend this be used? \*
4. Regarding Savings needed to prompt switching (slide 9): It is interesting that only 3% picked the \$150-199 savings level, when 22% picked \$100-149 and 16% picked \$200-299. Does Hiner know what's going on here? **Answered in 4/19 Webinar**
5. Important factors when choosing rates (p.13). 30% said simple while 24% said understandable. Are customers clear about what is simple and and what is understandable? Will they mix predictable with worry free? Maybe the above results should be counted together? **Answered in 4/19 Webinar**
6. Rate choice exercises ( p.15-16, 23-28). If these are done without making them revenue neutral, what Hiner intends to do to take that into consideration? **Answered in 4/19 Webinar**

7. Interest in switching (p.29). It states that after choosing a preferred rate plan option thirteen times, respondents were asked how likely they would actually switch from their current rate plan. And, it suggested 90% were open to consider a new rate. It is not clear whether these customers are totally clear about what their current rate plan is. This slide seemed to imply that respondents changed their thoughts. It is not totally clear what trigger the change. Is it through the exercise of choosing 13 different rate options?

**Answer:** This question attempts to account for the fact that when respondents were working through the first 12 choice sets, their current rate was not one of the options. They were forced to make a choice, which showed their top preference among the three rates, but not necessarily whether they would choose that rate if it were available as an option over their current rate. After the 14<sup>th</sup> choice set, they were asked about that choice specifically if they would switch from their current rate. Since only 9% said they would definitely NOT switch from their current rate, 91% were willing to consider switching to that particular rate.

8. Tolerance for bill increase is in excess of 20%. (p.30) How to interpret this together with the last part that says 90% are open to consider a new rate?

**Answer:** This purpose of this question was to try to understand how much bill change customers might be able to tolerate during a transition to a new rate structure. The results of this question provide some insight on how rates might be transitioned over time to minimize bill impacts.

9. Willingness to risk bill impact (p.31) almost half are not willing to risk bill impact. So, again, this seems contradictory to 90% open to consider a new rate plan.

**Answer:** This question helps understand customer inertia. Even though customers would consider a new rate plan, it doesn't mean they will switch. This question provides insight into propensity to actually switch based on potential savings / risk of bill increase. Another way to look at this is that **even though 90% said they would consider switching, only 50% are willing to switch if there would be any risk of a higher bill. And among those, only 24% would be willing to risk more than a 10% bill increase. This could provide insight into the design of TOU rates if the objective is to encourage customers to switch.**

10. Regarding Rate Plan Option Education: For the question "Which of the following rate plans do you think would work the best for you?" (p.12 of survey questionnaire) The Steep TOU and Mild TOU plan were not included in the rate options but included in the findings?

**Answer:** This question was included as part of the education process, directly after the respondent had been provided information about flat and tiered rates. The purpose was to have them stop and consider the information they just reviewed. The answers to this question did not factor into the conjoint analysis, which analyzed ~82,000 choices to be able to identify relative preferences for different rate structures.

11. In the Conclusions (p.42-44)

- a. Designing a TOU rate option that is appealing enough to encourage migration from standard rate. (p.43) – How will IOUs address potential revenue shortfall.

**Answer:** This is a key question that will be addressed in rate proposal filings.

- b. Concluded that flat rate, then 2-tiered rates are most favorable to customers. (p.44) but, does the customers know where they are and what the consequences are if they move to flat or 2-tiered? **Answered in 4/19 Webinar**

- c. Rate attributes, levels and structure (p.44) Again, the customers were not given adequate info on how those choices impact their bills. How will Hiner address this?

**Answered in 4/19 Webinar**

- d. Slide 42 states "Customers were able to make thoughtful rate choice decisions without

rate education." What is this statement based on?\* **Answered in 4/19 Webinar**

12. Regarding the section on "Core" respondent characteristics on slide 48, demographics of Core group don't match California Demographics. - US Census California data for 2011: **Answered in 4/19 Webinar**
- o Hispanic of Latino= 38.1% vs. Survey respondents= 17%
  - o White (not Hispanic)= 39.7% vs. Survey respondents= 64%
  - o African American= 6.6% vs. Survey respondents= 2%

### **Additional Questions From 4/19 Webinar**

- 13. Did respondents have the impression that the choices were about "rate increases"?
- 14. Is it possible respondents answered randomly?
- 15. Where does the document refer to rate preferences?
- 16. What is the difference between the capital versus lower case letters notations?
- 17. What do the preference percentages related to the hold-out task mean, and how do they relate to other findings about preferences among rate structures?
- 18. Can utility values within a rate attribute could be compared with another (eg pages 20 and 21, can 51.3 be compared to 47.7)?