



Rochester Public Utilities

2019 Residential Rate Structure Study



Report of Findings

30 April 2019
Confidential & Proprietary

Project Overview

- GreatBlue Research was commissioned by Rochester Public Utilities (hereinafter “RPU”) to conduct a market research study with the goal of better understanding customers’ perceptions, awareness, and opinions surrounding RPU and various rate structures.
- The primary goal for this research study was to assess various rate structures, willingness to modify energy consumption and customer satisfaction.
- In order to service this research goal, GreatBlue employed a mixed-methodology approach, combining a telephone survey and digital survey to capture the opinions of residential customers living in Rochester, Minnesota.
- The outcome of this research will enable RPU to a) create a strategic roadmap for potential implementation of alternative rate structures; b) more clearly understand, and ultimately set, customer expectations, and, c) act on opportunities for improvement



Areas of Investigation

The Rochester Public Utilities Residential Rate Structure Study leveraged a quantitative research methodology to address the following areas of investigation:

- Overall satisfaction with RPU's electric service
- Perceptions and considerations regarding energy conservation
- Willingness to modify energy consumption behaviors
- Knowledge and perception of electrification
- Preferred methods of communication
- Support levels for various rate structures
- Overall expectations of RPU
- Demographic profile of respondents

Research Methodology Snapshot

Methodology Telephone and Digital	No. of Completes 1,202 Telephone 49 Digital*	No. of Questions 39**	Incentive None	Sample Customer list
Target Residential	Quality Assurance Dual level***	Margin of Error +/- 2.7% Telephone +/- 14.0% Online	Confidence Level 95%	Research Dates February 20 - March 15, 2019

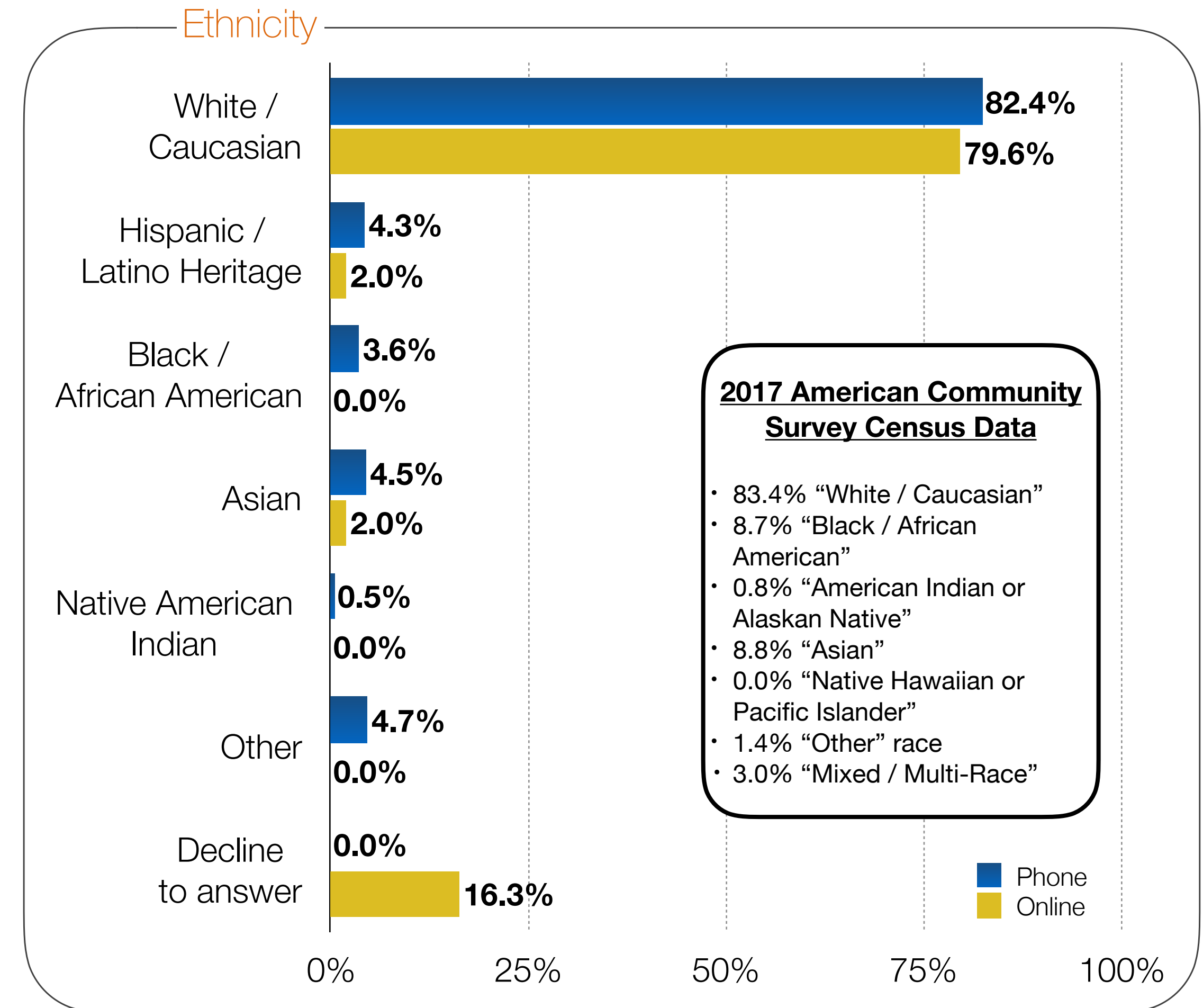
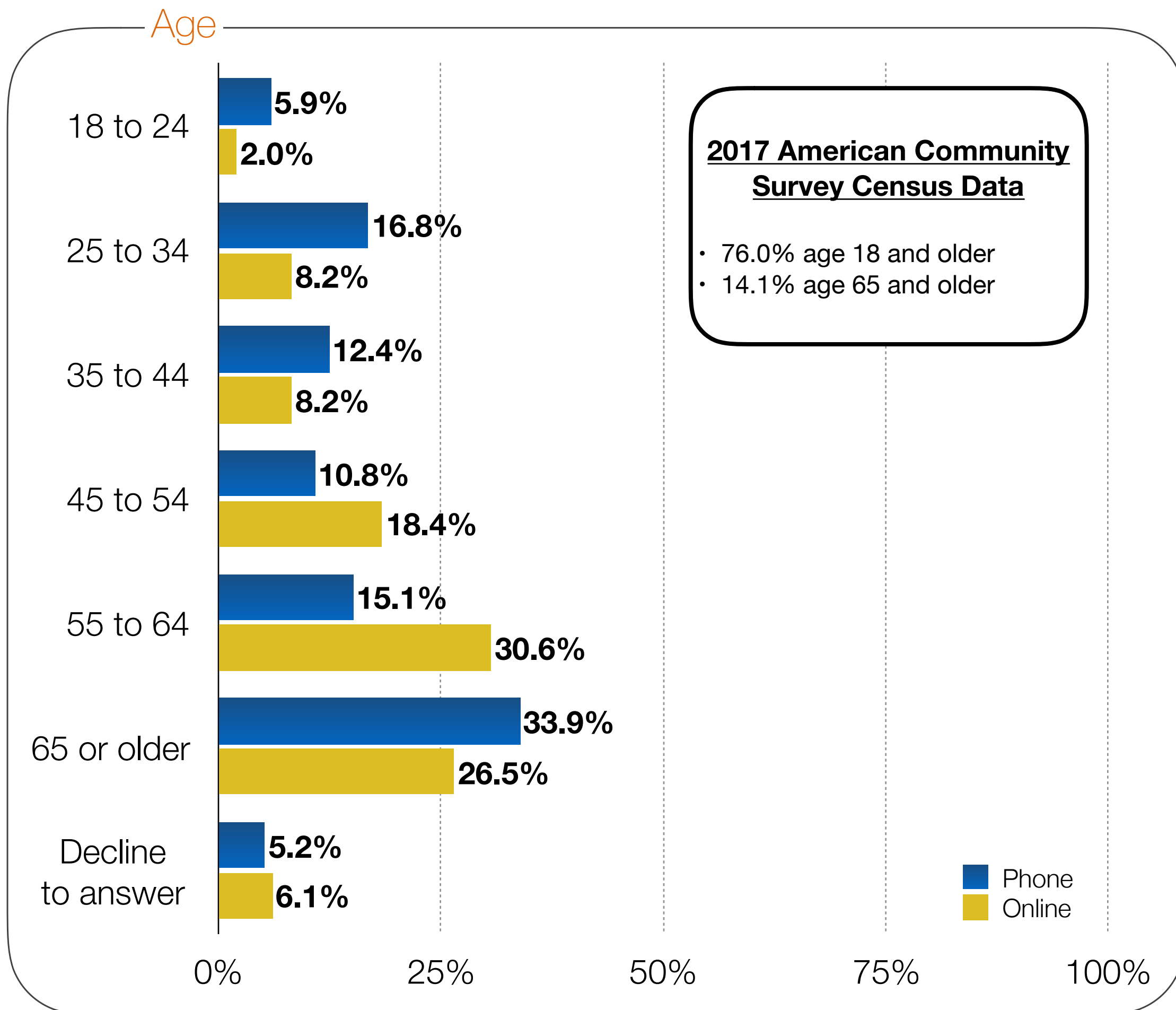
*A direct mail campaign was implemented to all residential customers, advertising the digital survey link on RPU's website. This lower response rate indicates that direct outreach (phone) is a more successful method of gathering survey feedback as opposed to passive outreach (URL link on the utility's website).

** This represents the total number of possible questions; not all respondents will answer all questions based on skip patterns and other instrument bias.

*** Supervisory personnel, in addition to computer-aided interviewing platforms, ensure the integrity of the data is accurate.

Residential Respondent Snapshot

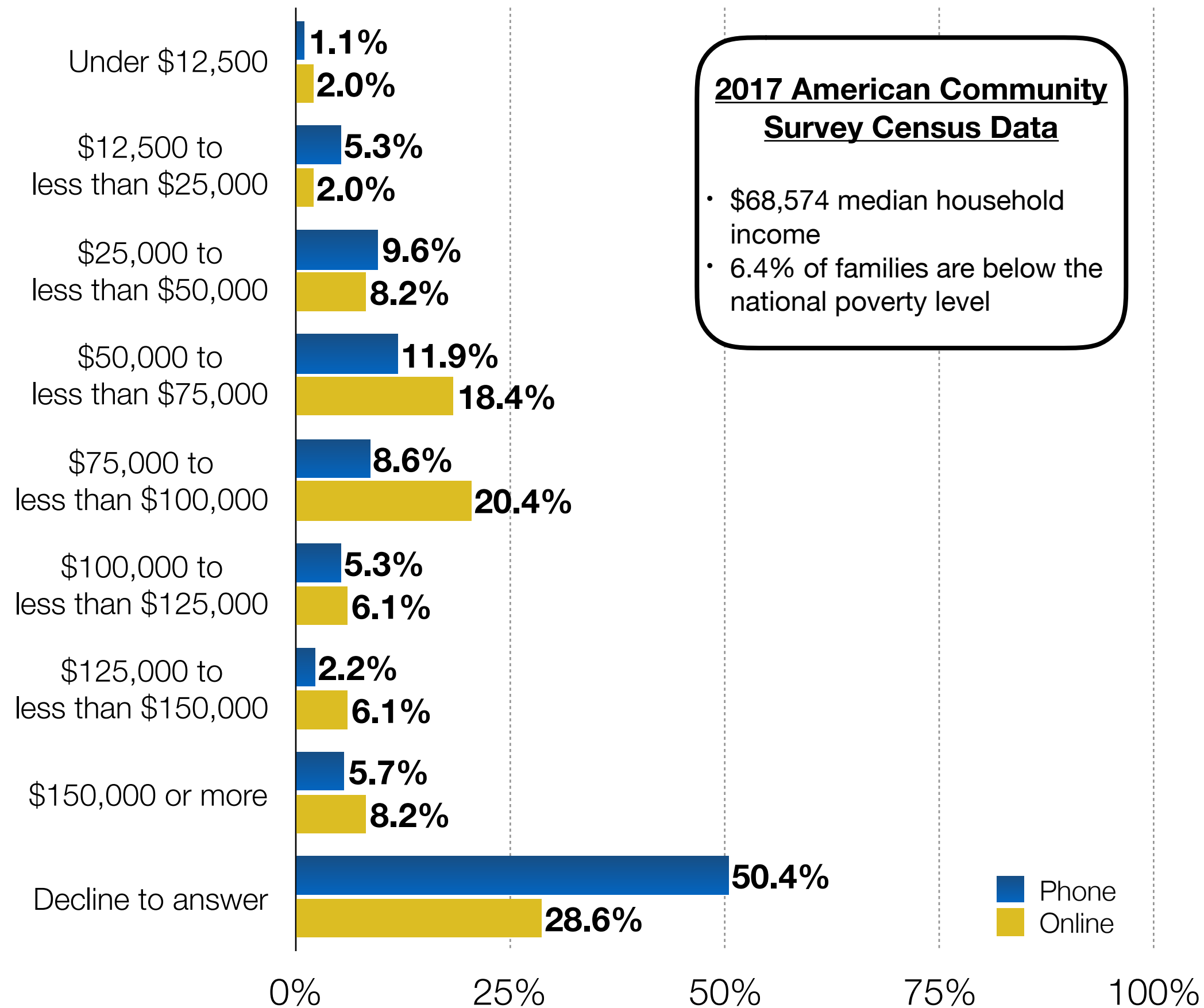
This slide quantifies select data points to provide context for this research study. The data is not meant to be proportional to population contribution, rather to provide an empirical view into the demographic profile of the participants.



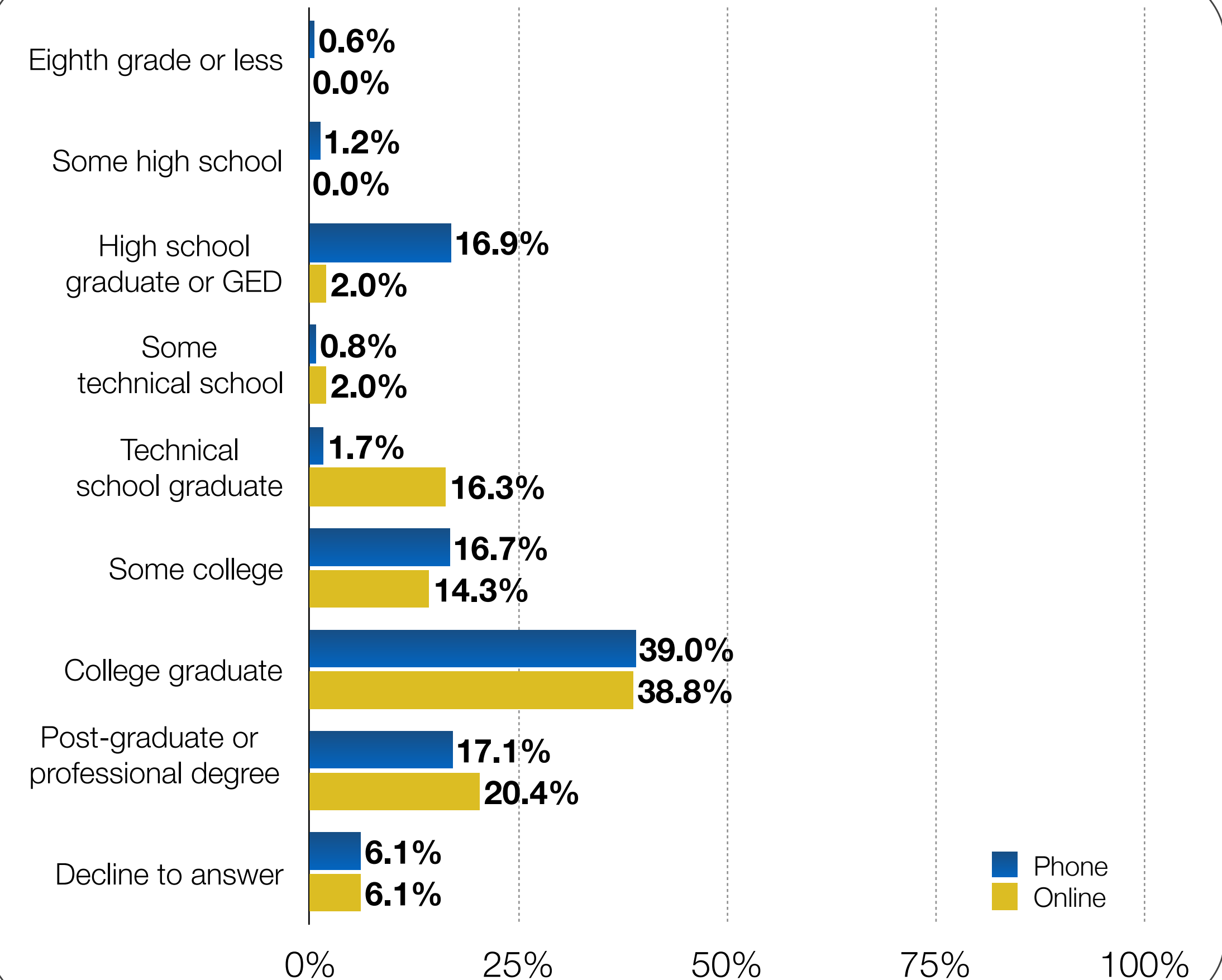
Residential Respondent Snapshot

This slide quantifies select data points to provide context for this research study. The data is not meant to be proportional to population contribution, rather to provide an empirical view into the demographic profile of the participants.

Household Income

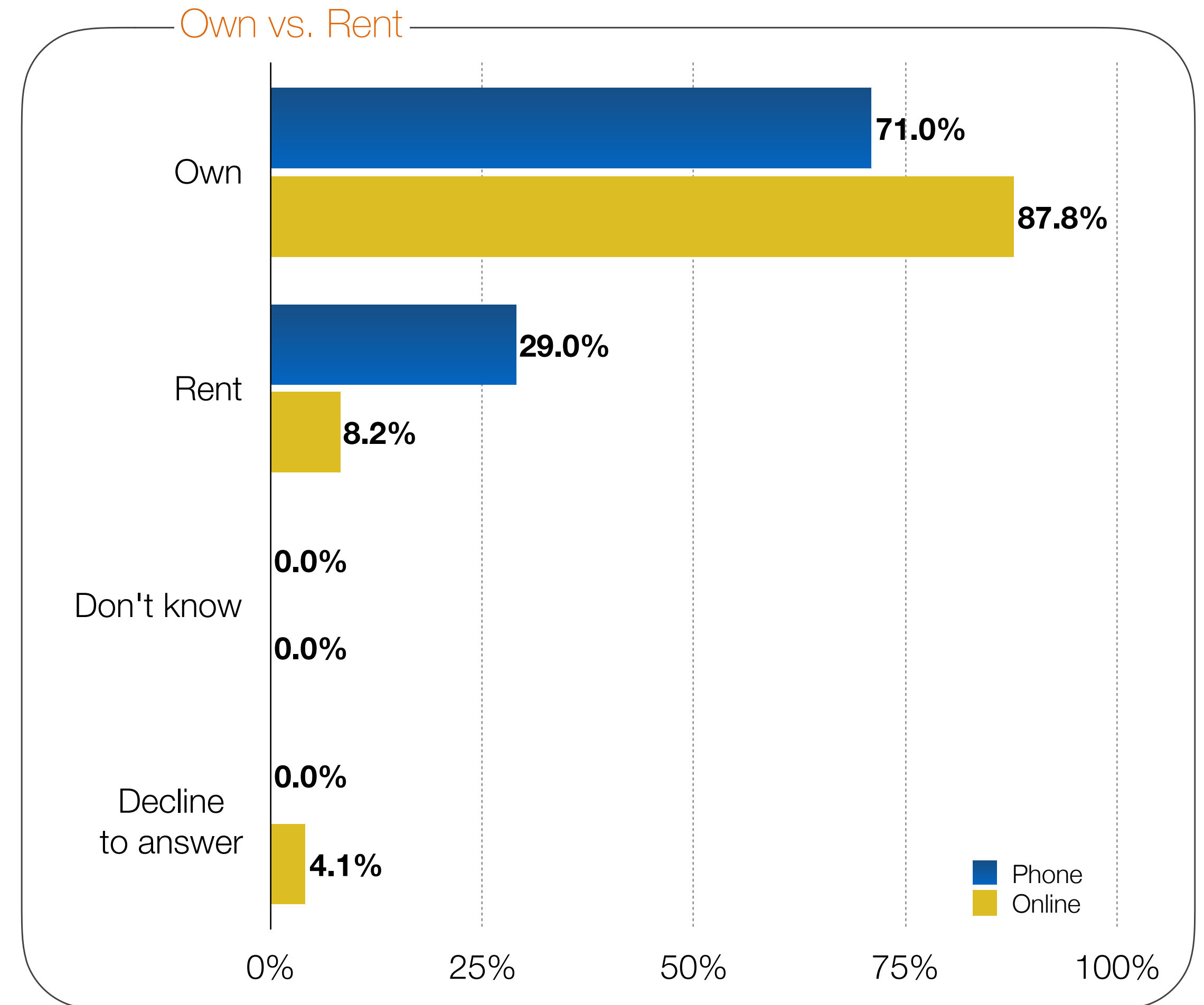
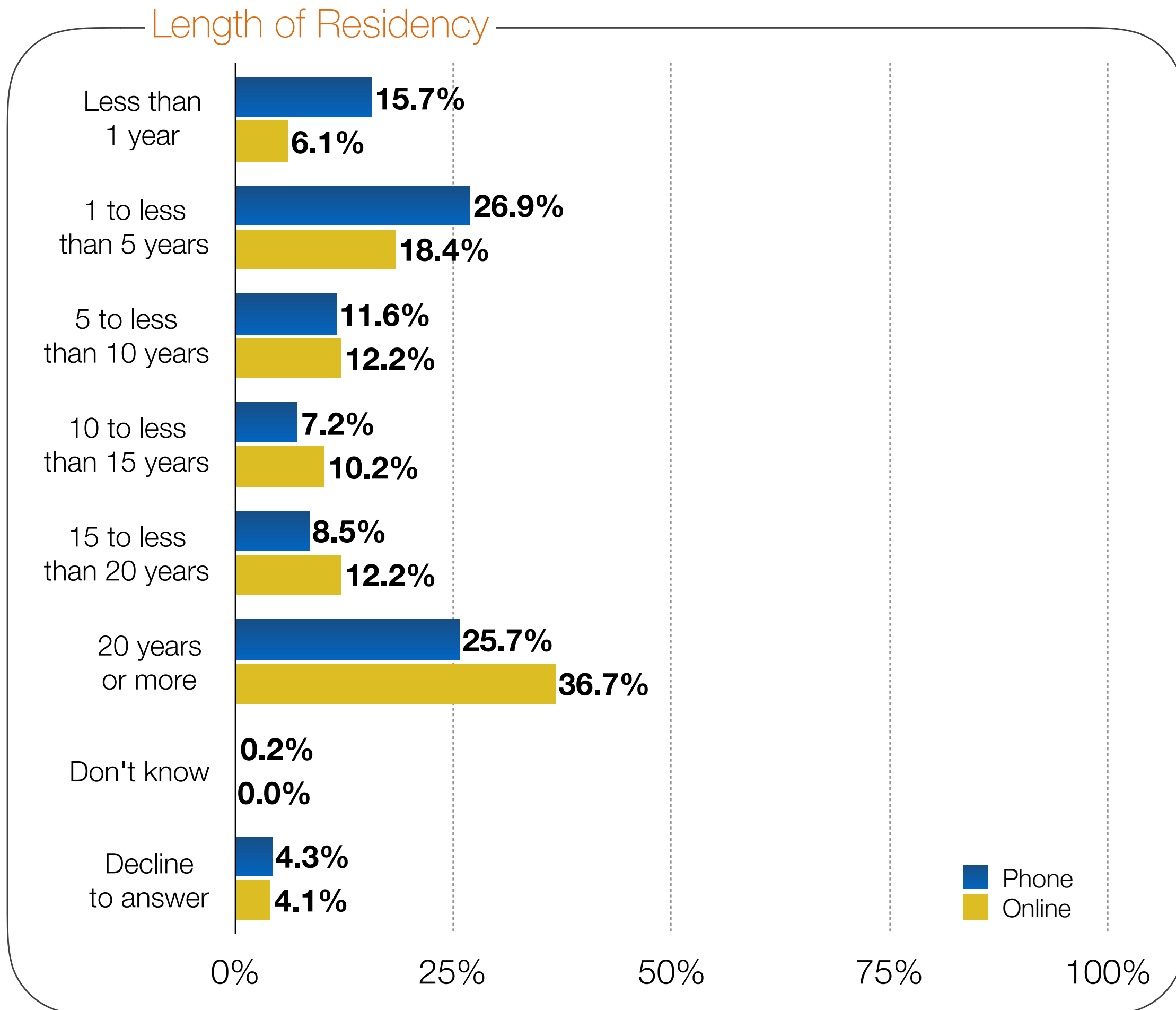


Education



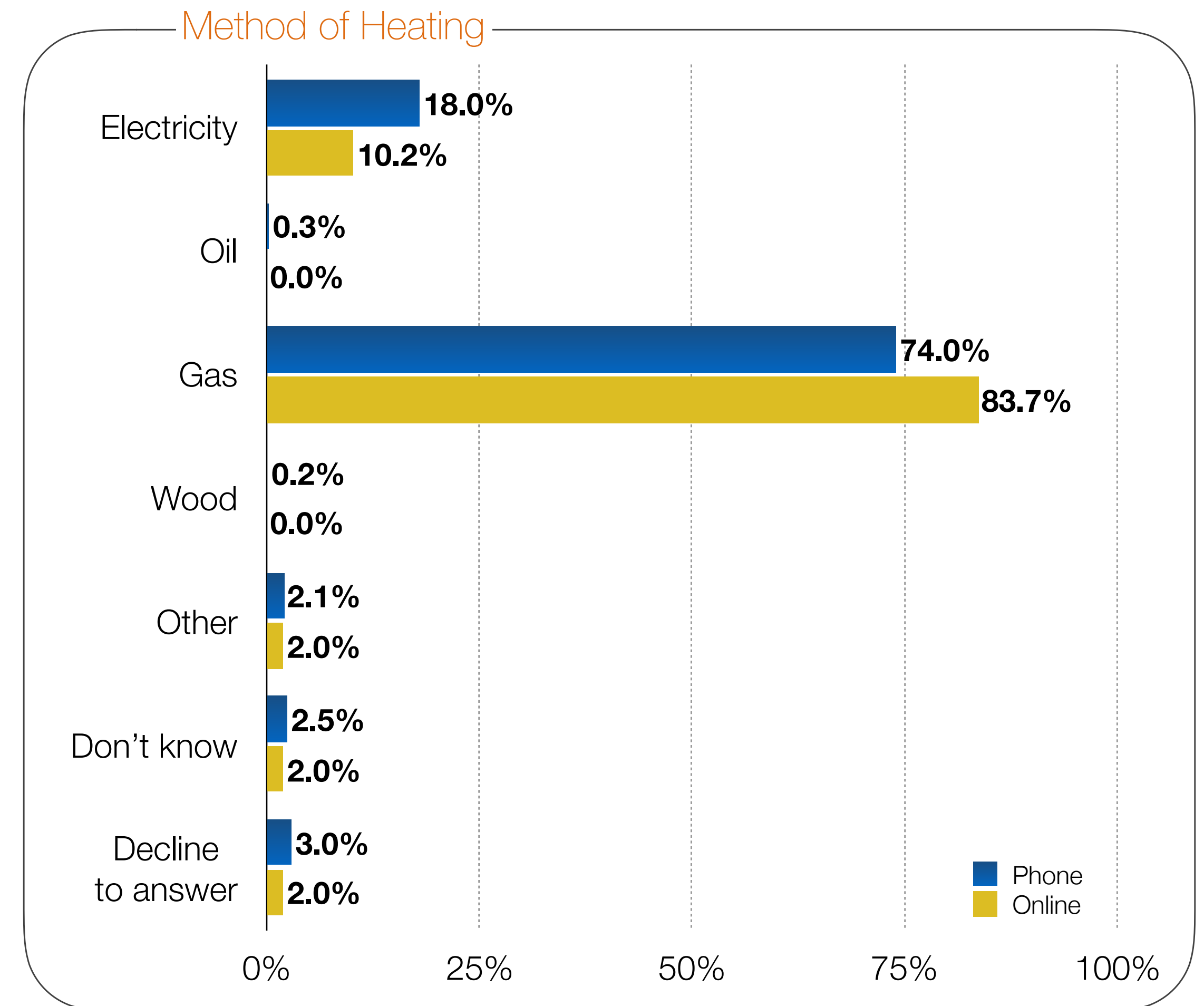
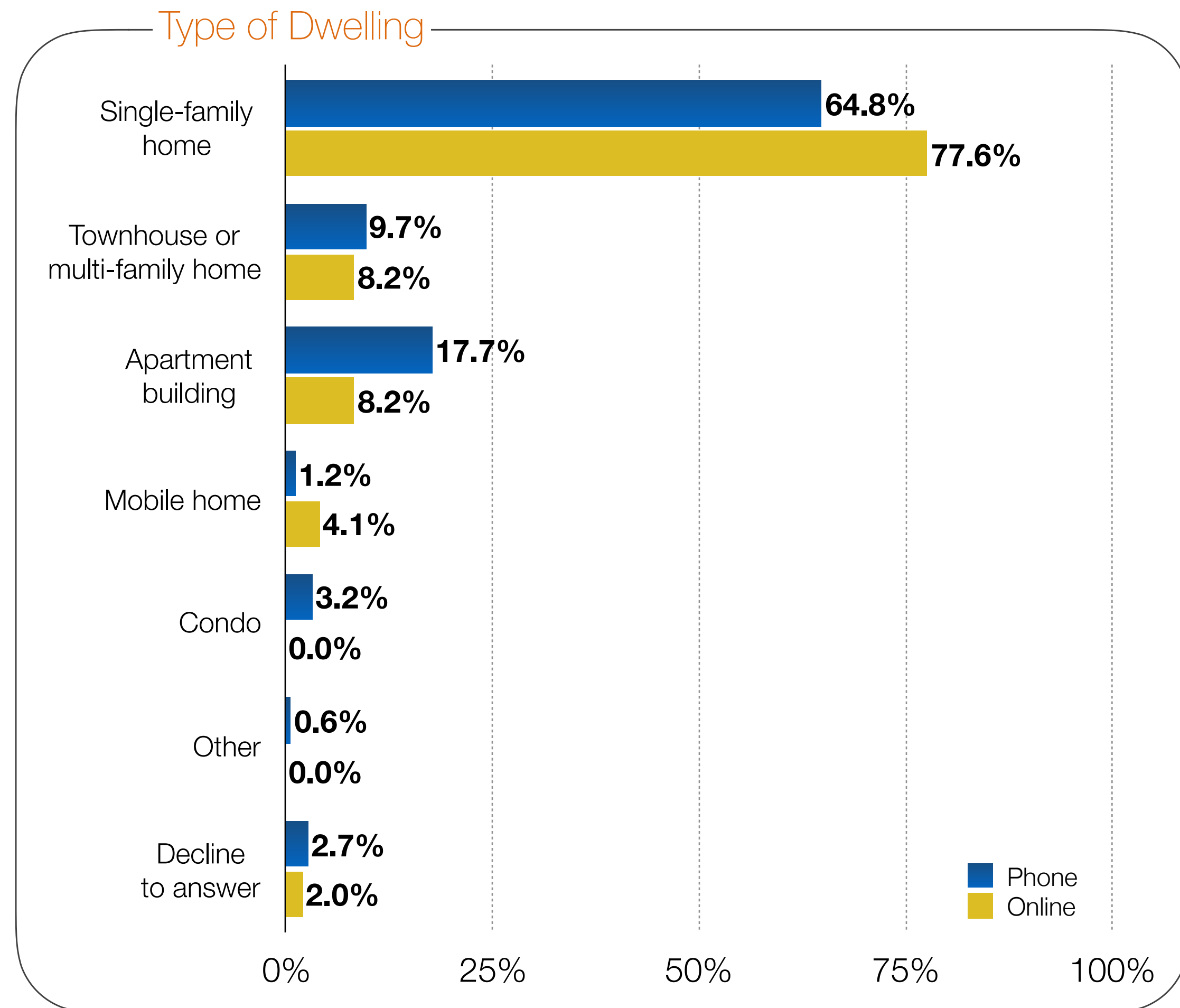
Residential Respondent Snapshot

This slide quantifies select data points to provide context for this research study. The data is not meant to be proportional to population contribution, rather to provide an empirical view into the demographic profile of the participants.



Residential Respondent Snapshot

This slide quantifies select data points to provide context for this research study. The data is not meant to be proportional to population contribution, rather to provide an empirical view into the demographic profile of the participants.



Company ratings remain consistent

- In 2019, RPU company characteristics received consistent ratings when compared to 2015 survey results.
- RPU’s ability to “maintain modern and reliable infrastructure” increased in 2019 (+3.4 percentage points).
- The company experienced a decline with respect to “helping customers use less electricity” (-5.2 percentage points).
- Readers should note these were the only two RPU company characteristics that experienced a statistically significant increase or decrease of greater than +/- 2.7%.

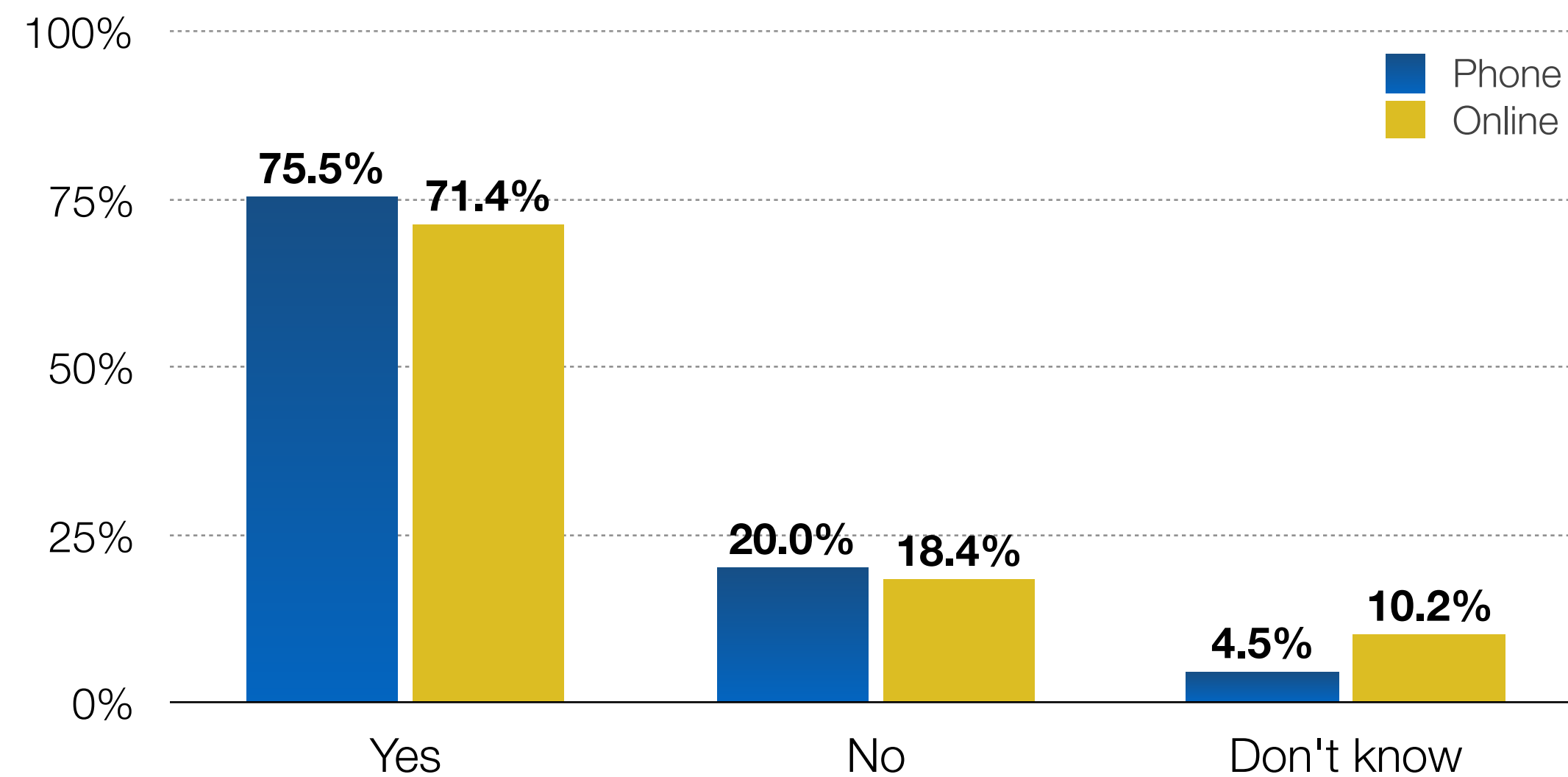
Company characteristics...	2015 Phone	2019 Phone	2019 Online
Communicating with customers	89.1	87.4	87.5
Responding promptly to customer questions and complaints	90.7	89.6	90.7
Helping customers use less electricity	86.7	81.5	72.7
Being open and honest about company operations and policies	84.8	86.0	73.8
Maintaining modern and reliable infrastructure	88.0	91.4	90.7
Providing good service and value for the cost of electricity	85.0	85.3	70.5
Community involvement	85.1	82.9	83.3
Helpful and knowledgeable staff	90.0	91.8	84.8
Doing its part to take care of the environment	*	89.9	79.1
Overall satisfaction with your local utility	89.7	91.2	78.7
Average	87.7	87.7	81.2

*Question
not asked
in 2015

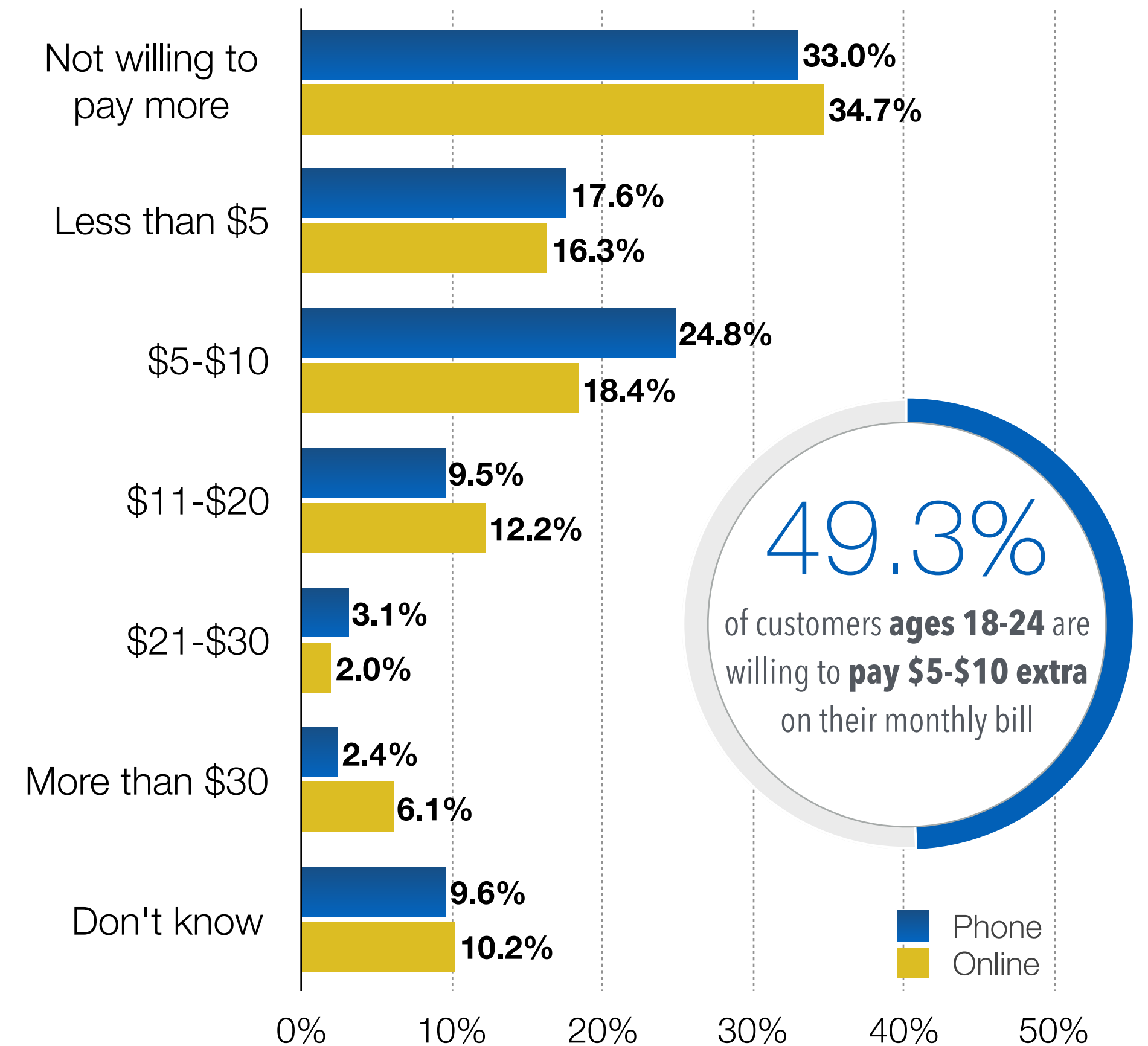
Now, please think specifically about Rochester Public Utilities (RPU). Please read the following list of different organizational characteristics. For each one, please rate your electric utility on a scale of one (1) to five (5) where one is very good and five is very poor.

Majority consider environmental impacts

- Three-quarters of RPU customers (75.5%) report considering the environmental impacts of their daily electric usage decisions.
- One-third of customers (33.0%) would “not be willing to pay more” on their monthly bill for RPU to deliver more clean energy, while 24.8% would be willing to pay \$5-\$10 extra.



Do you consider the environmental impacts of your daily electric usage decisions?



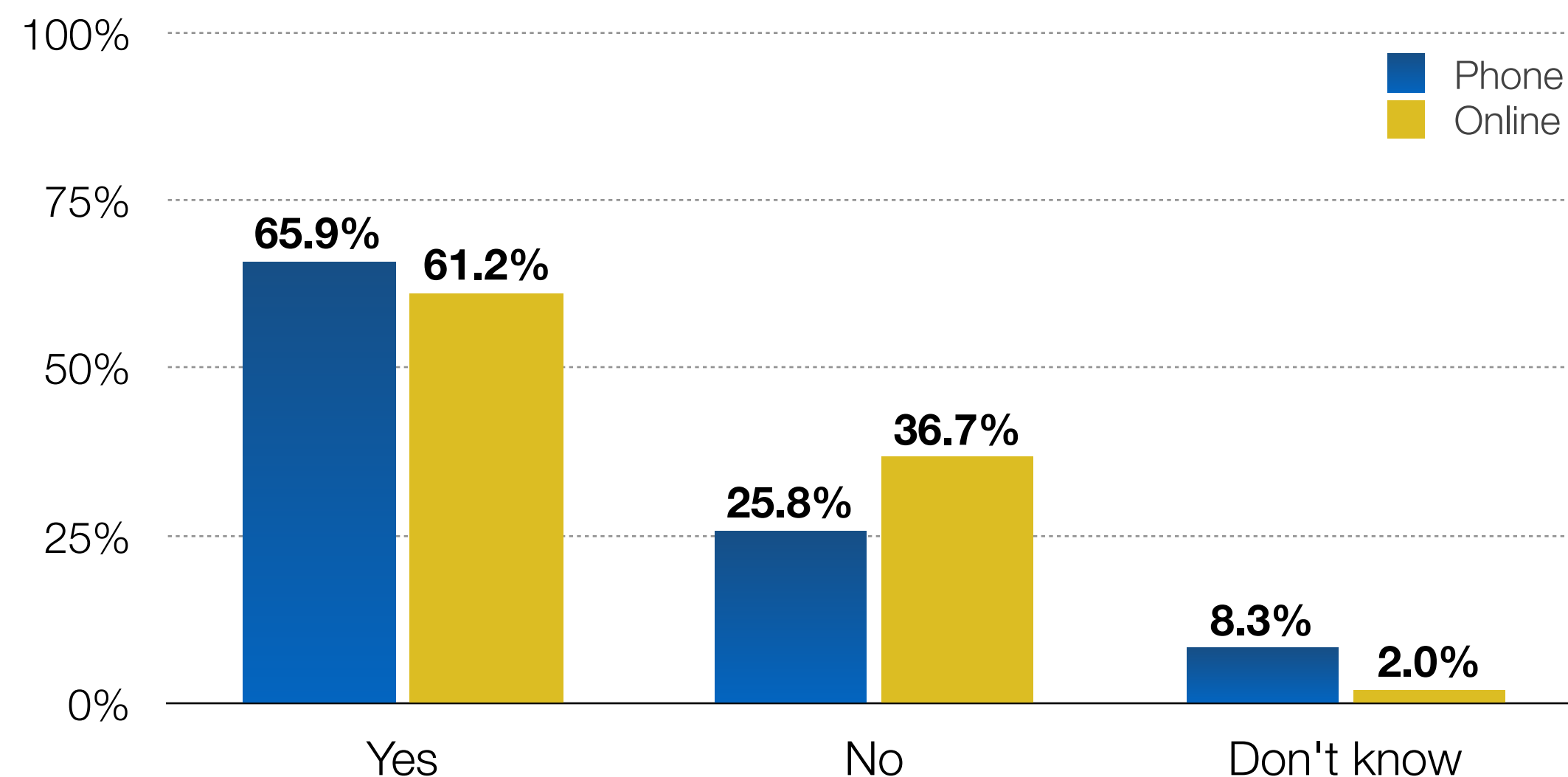
49.3%

of customers **ages 18-24** are willing to **pay \$5-\$10 extra** on their monthly bill

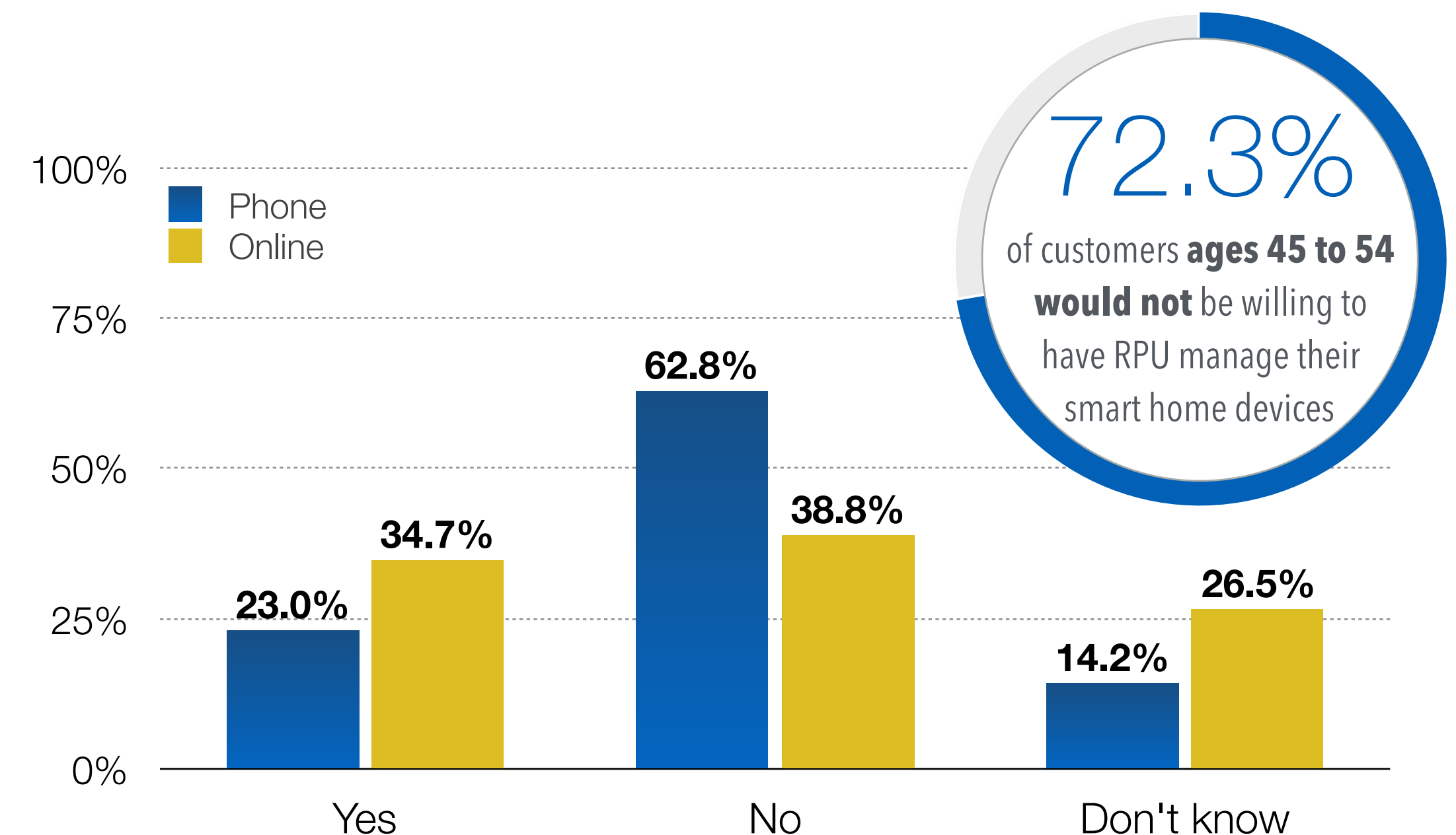
RPU is looking at options to deliver more clean energy to our customers. If that would cost more, how much more would you be willing to pay on your monthly bill?

Customers split on RPU managing devices

- Two-thirds of customers (65.9%) would have their air conditioner interrupted for 15 minutes an hour during peak usage days.
- Less than one-quarter of customers (23.0%) would allow RPU to manage their smart home devices in order to reduce peak usage.
- A greater frequency of customers between the ages of 45 to 54 would not be willing to have RPU manage their smart home devices (72.3%) as compared to other age groups.



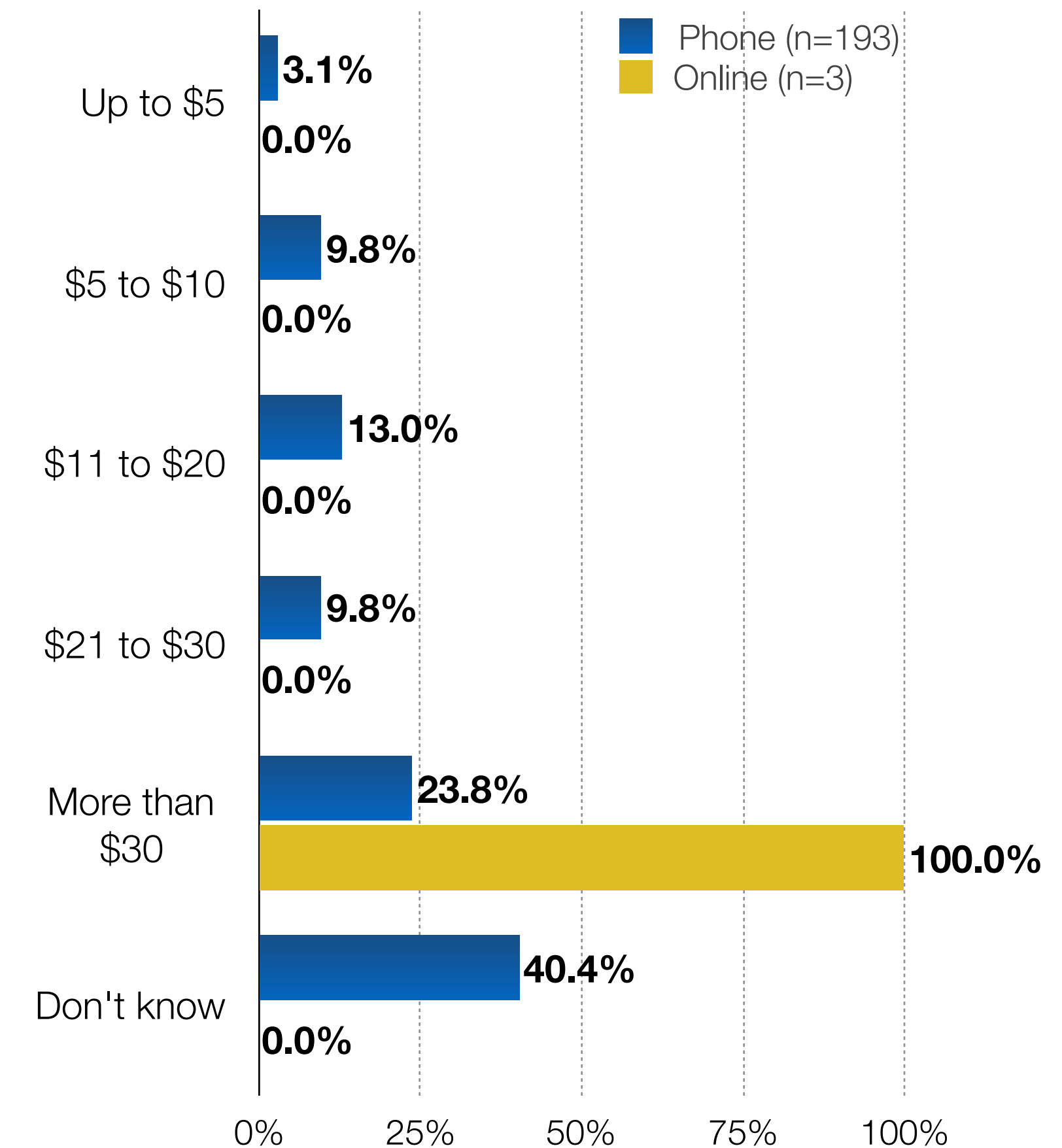
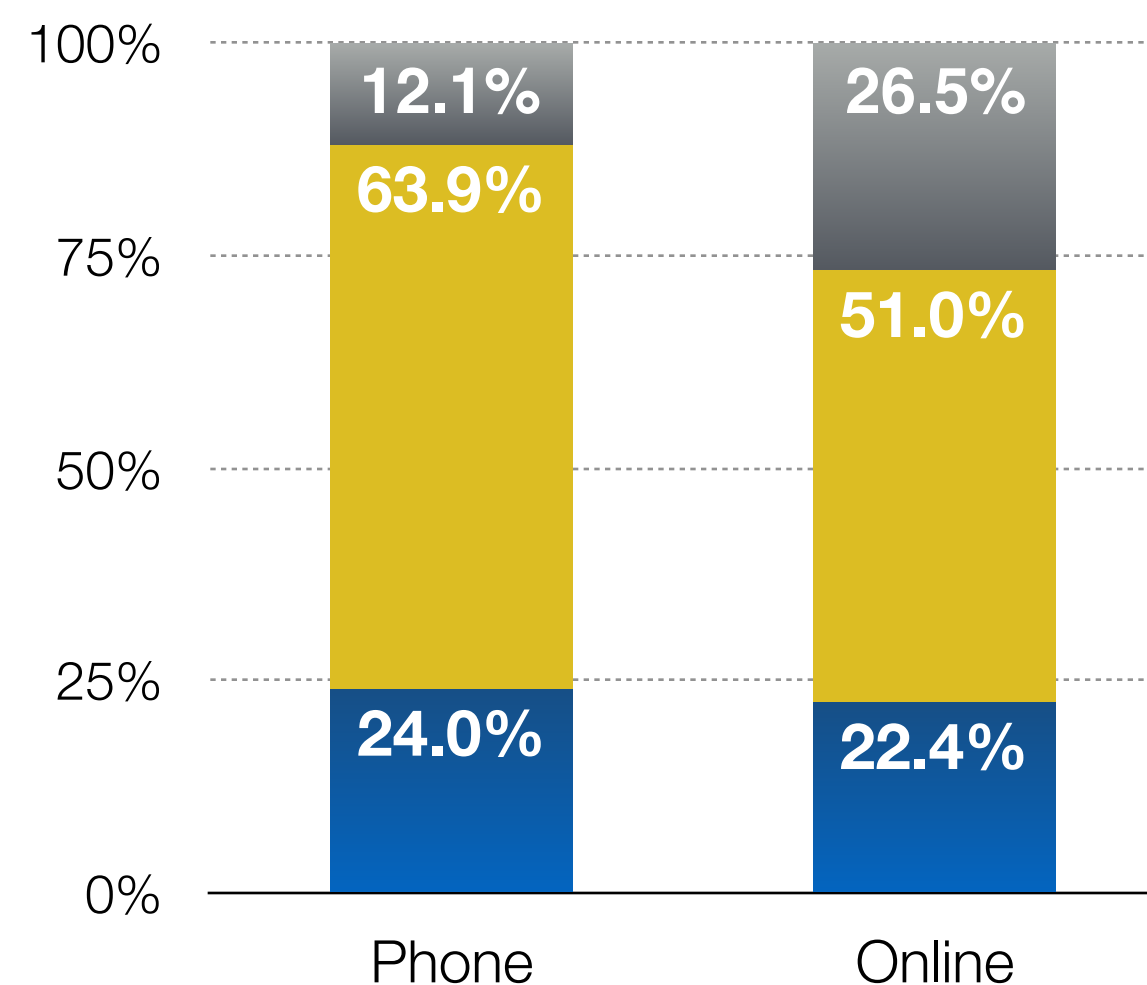
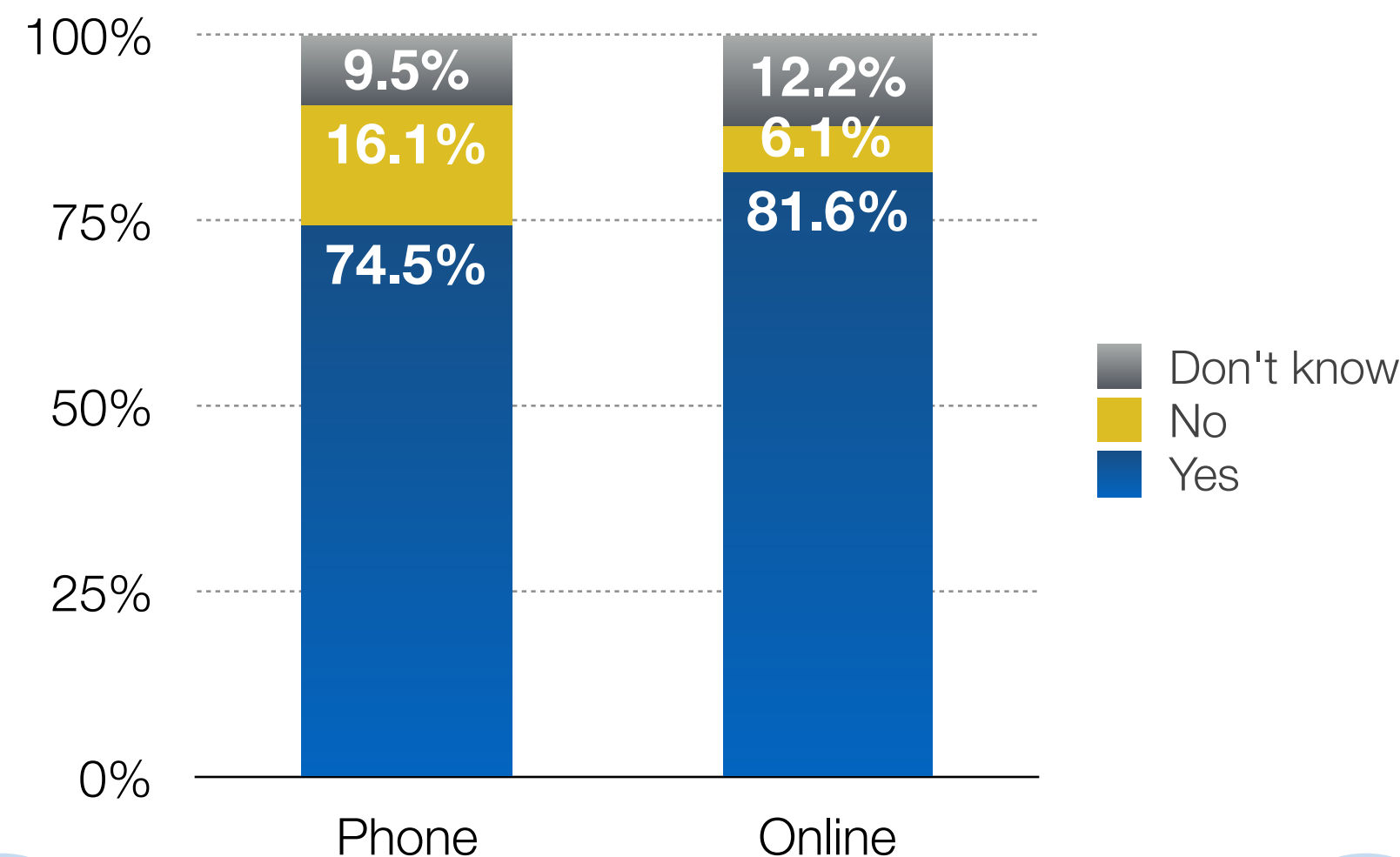
Would you be willing to have your air conditioner interrupted for 15 minutes an hour during peak usage days which may have a minimal impact on comfort?



Would you be willing to have RPU manage your smart home devices (smart thermostats and appliances) in order to reduce peak usage?

Change consumption habits to save money

- Three-out-of-four RPU customers (74.5%) would change their current energy consumption habits if they might pay 20% less for their energy usage.
- Among those not willing to change, 40.4% were unsure how much they would need to save on their monthly bill, while 23.8% would need to save “more than \$30.”
- One-quarter of customers (24.0%) would continue their current energy use habits even if it meant they might pay 20% more for their energy usage.



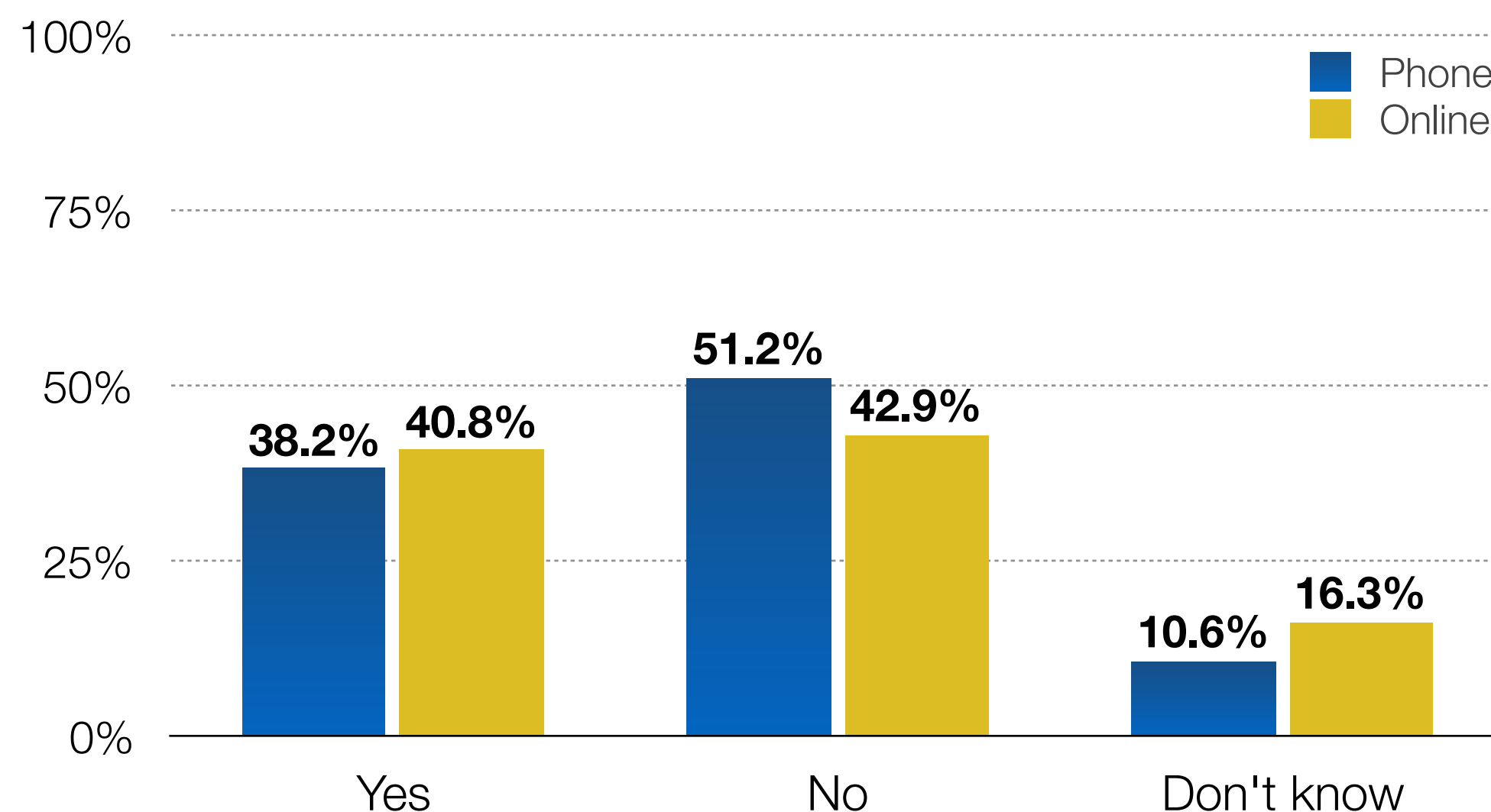
Would you be willing to **change** your current energy consumption habits if it meant you might pay **20% less** for your energy usage?

Would you be willing to **continue** with your current energy consumption habits if it meant you might pay **20% more** for your energy usage?

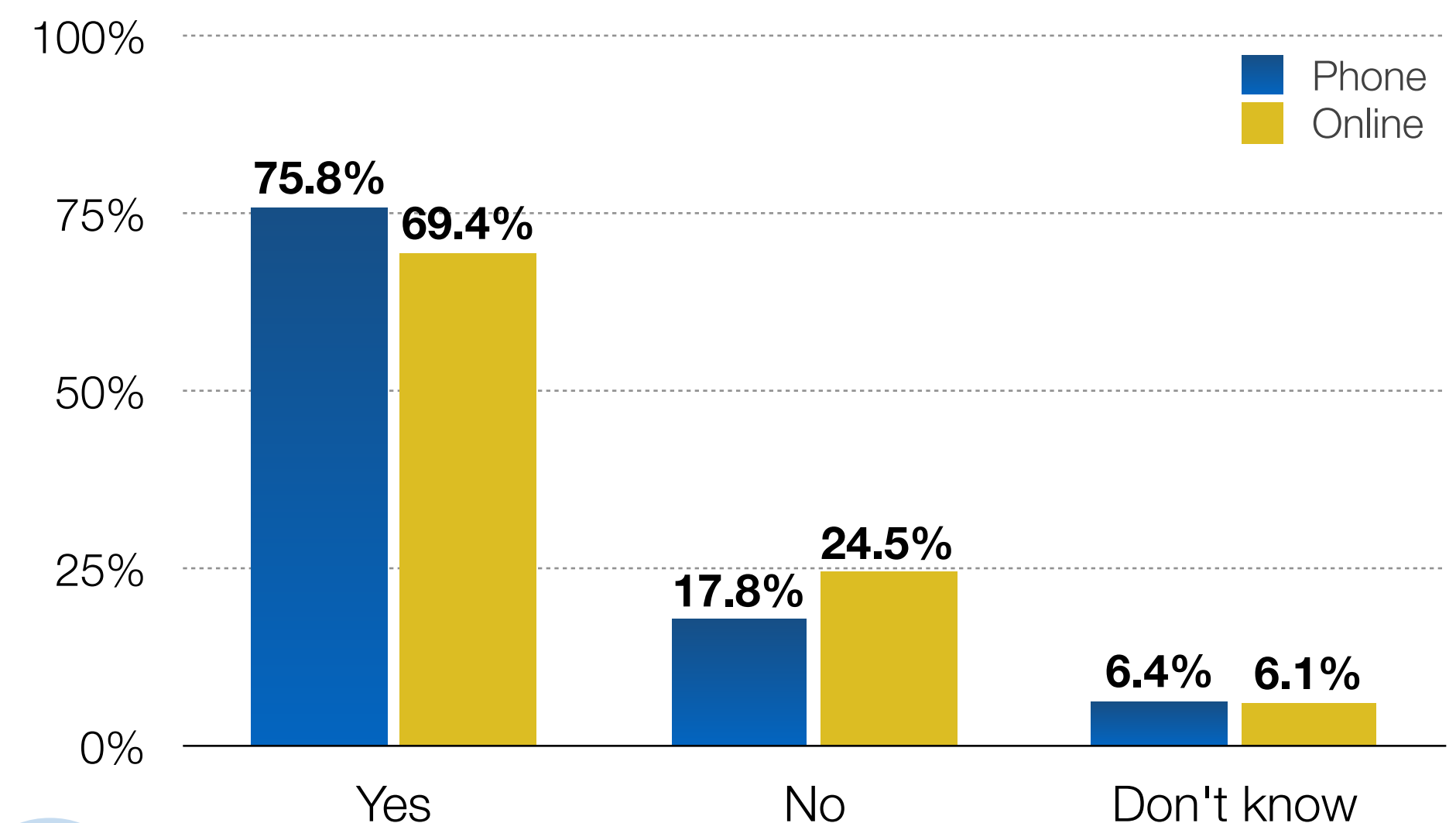
How much would you need to **save on your monthly bill** in order to change your energy use habits?

Unwilling to pay extra for above-average usage

- Two-fifths of customers (38.2%) would pay a higher rate if they consumed energy at a level above the average amount used by all Rochester residents.
- A majority of customers (75.8%) would be motivated to invest in more energy efficient appliances as needed should they begin to pay a higher rate for energy use.
- This suggests customers will take action and purchase products to help reduce energy consumption in the event they are charged a higher rate for using more electricity.



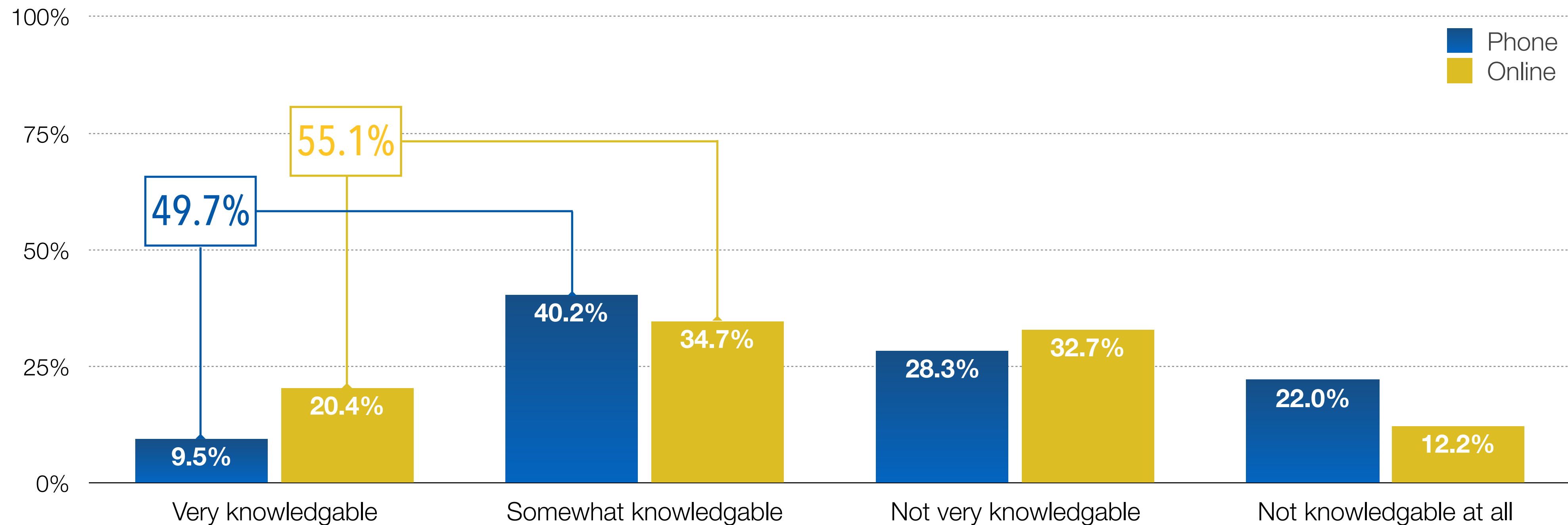
Would you be in favor of paying a higher rate, if you used energy at a level above the average amount used by all Rochester residents?



If you are paying a higher rate for energy use, would this motivate you to invest in more energy efficient appliances, as you need to replace them, to reduce your monthly bill?

Customers fairly knowledgeable about electrification

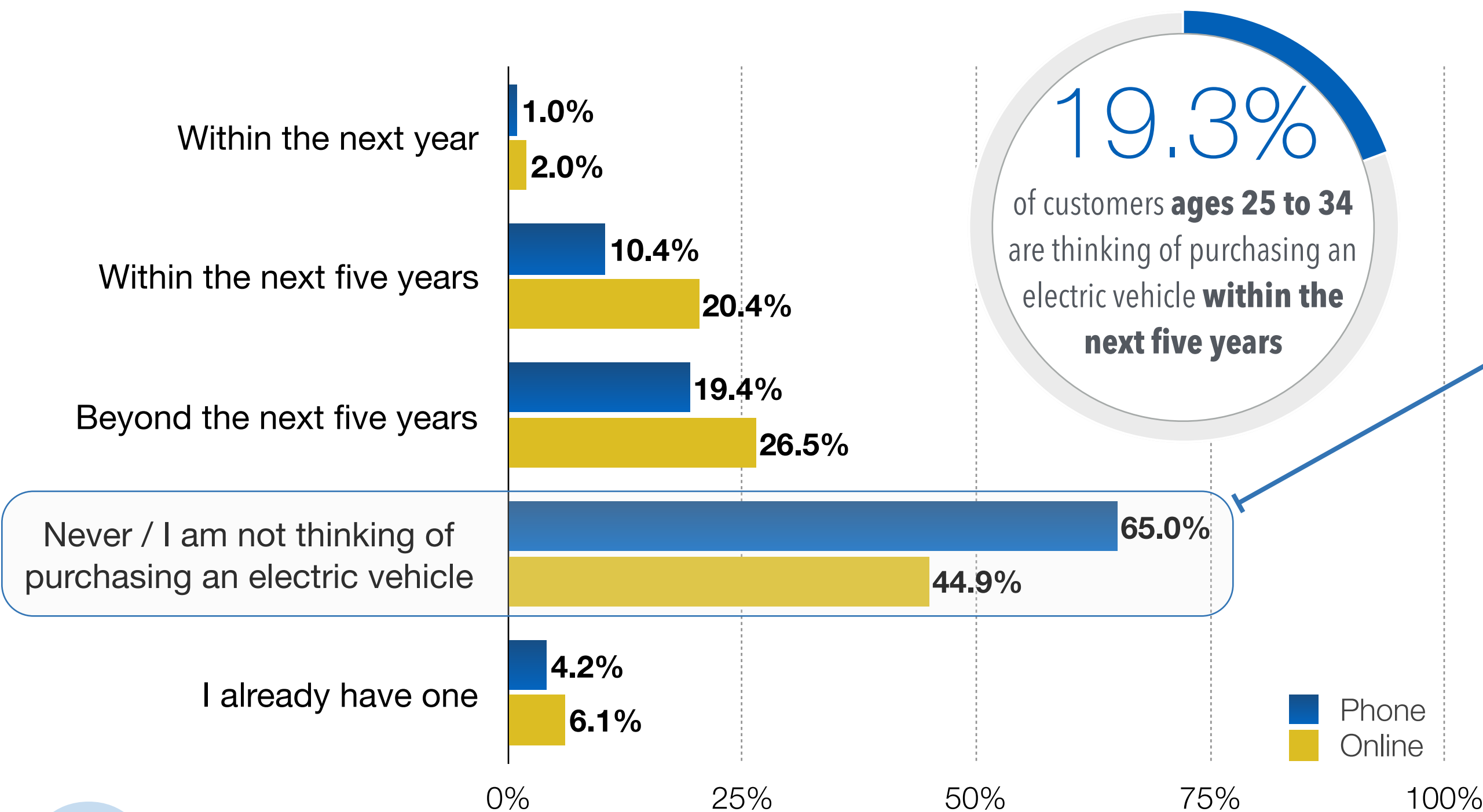
- One-half of RPU customers (49.7%) reported being “very knowledgeable” or “somewhat knowledgeable” about efficient electrification.
- A greater percentage of customers are “somewhat knowledgeable” (40.2%) of efficient electrification than “very knowledgeable” (9.5%), and nearly one-out-of-four customers (22.0%) are “not knowledgeable at all” about this process.



How knowledgeable are you about efficient electrification, which is the movement from using fossil fuels to electricity?

One-in-three considering electric vehicle purchase

- Nearly two-thirds of RPU customers (65.0%) are not thinking about purchasing an electric vehicle in the future, while 11.4% are considering the purchase “within the next year” (1.0%) or “within the next five years” (10.4%).
- More customers between the ages of 25 and 34 are thinking of purchasing an electric vehicle “within the next five years” (19.3%).
- The primary reasons driving disinterest among those who would not purchase an electric vehicle include the following: “cost” (45.6%), “worry about travel / distance” (21.9%) and “worry about reliability / too new” (18.6%).



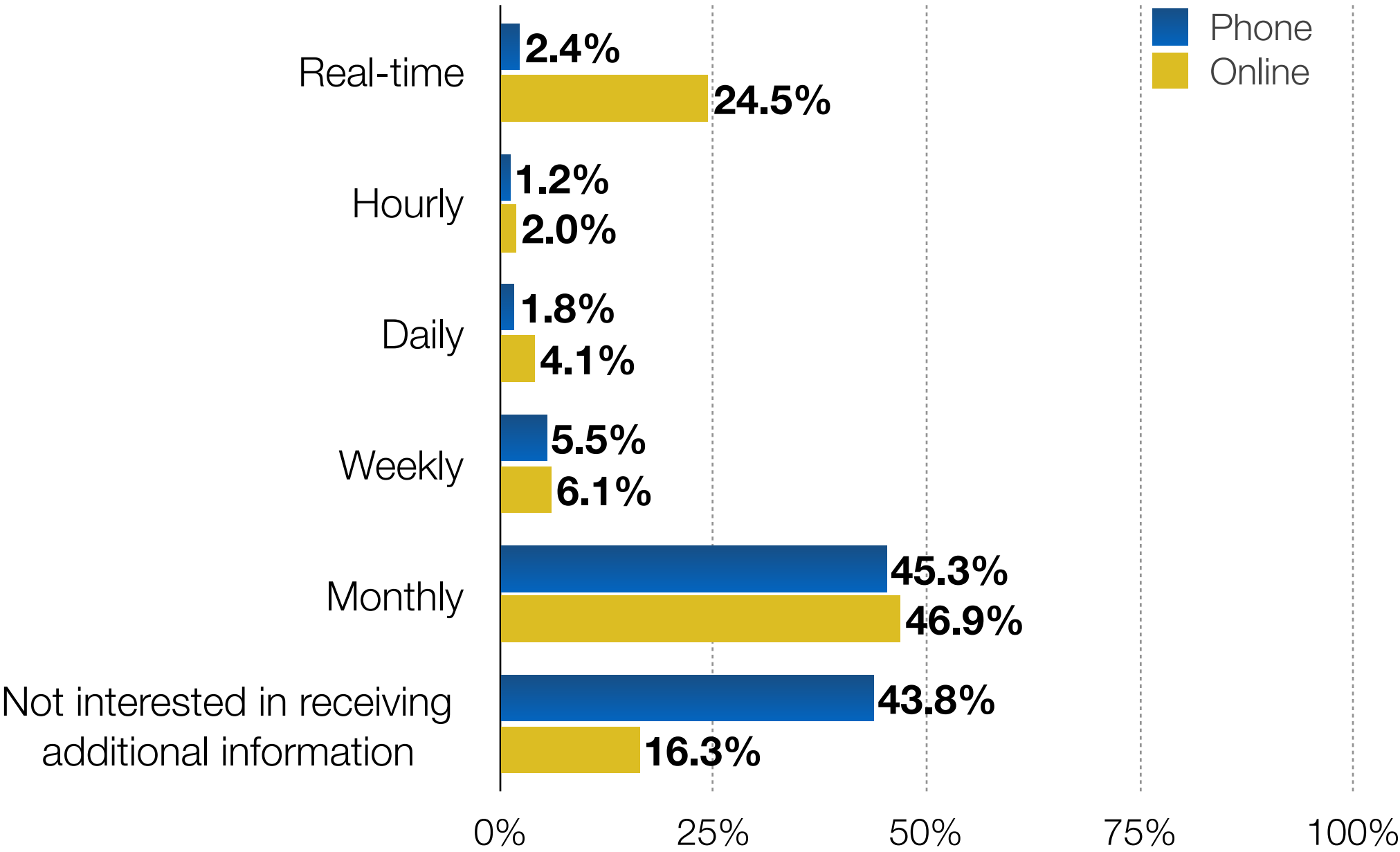
Reasons not to purchase an electric vehicle...	Phone (n=1,043)	Online (n=58)
Cost	45.6	59.1
Worry about travel range / distance	21.9	68.2
Worry about reliability / too new	18.6	59.1
Don't know	8.5	4.5
Don't need a new vehicle at this time	8.1	--
Lack of choices	6.3	31.8
Environmental reasons	5.1	4.5
Too old / age	4.5	4.5
Does not drive / doesn't have a vehicle	4.2	4.5

Are you thinking about purchasing an all electric or plug in hybrid/electric vehicle...

Which of the following would be a reason why you wouldn't purchase an electric vehicle?

Monthly information preferred via direct mail

- While 43.8% of RPU customers were not interested in receiving additional information regarding their energy consumption, 45.3% would be interested in receiving such information on a “monthly” basis.
- Customers reported that “mailings / direct mail” are both their current (87.4%) and preferred (75.1%) method of receiving information from RPU.
- One-quarter of customers prefer to receive information from RPU via “email” (27.2%), which is an increase from 18.1% who currently report doing so.



Methods of communication...	Current		Preferred	
	2019 Phone	2019 Online	2019 Phone	2019 Online
Mailings / direct mail	87.4	77.6	75.1	53.1
Email	18.1	38.8	27.2	61.2
Web	3.4	34.7	3.7	30.6
Other	1.7	—	1.4	—
NA / don't currently / care to receive information	1.9	2.0	2.9	4.1
TV	1.4	20.4	1.0	16.3
Newspaper	1.2	28.6	0.5	26.5
Social Media (e.g. Facebook Twitter)	0.9	28.6	1.6	22.4
Text messages	0.5	2.0	2.2	24.5
Fairs / events	0.2	14.3	—	8.2
Friends / neighbors / family	0.2	14.3	0.2	2.0
Billboards	0.1	10.2	0.2	8.2
Coworkers / employer	0.1	8.2	0.1	—
Radio	—	12.2	0.2	10.2
Newsletter	1.7	2.0	1.7	—

How frequently would you want to receive additional information from RPU about your energy consumption?

Flat rate preferred over other rate structures

- When presented with four (4) potential rate structures and asked to indicate their level of support or opposition for each, the highest frequency of RPU customers (89.0%) reported they “strongly support” or “somewhat support” RPU’s current rate structure, the flat rate structure based on cost of service.
- Two-thirds of customers (65.9%) either “strongly support” or “somewhat support” time-of-use rates, while 48.7% support an inclining customer charge and 46.4% support a block rate.

Potential RPU Rate Structures

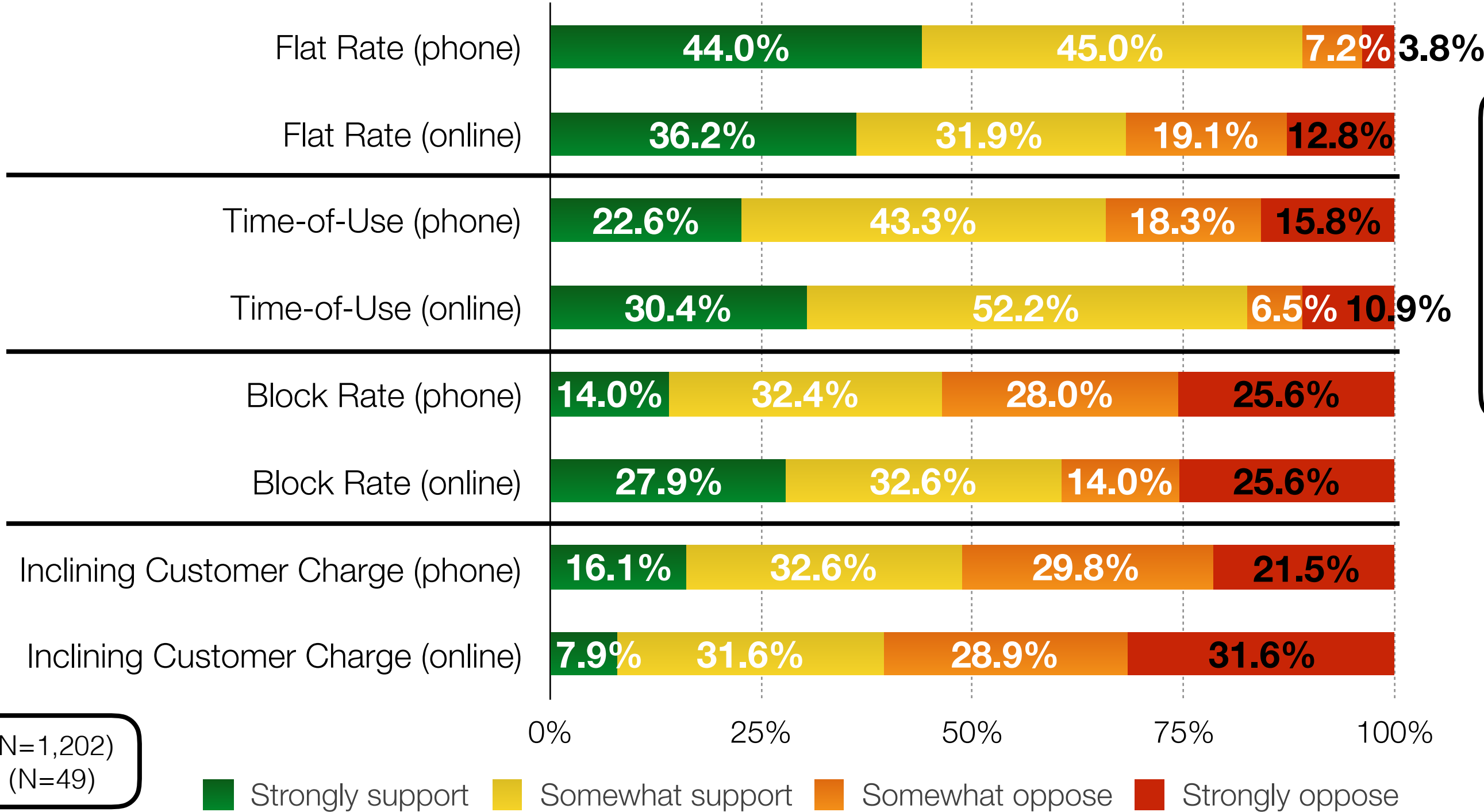
Flat Rate (based on cost of service) - The rate is the same for electricity use at any time of day. This is RPU’s current rate structure.

Time-of-Use Rates - The customer is billed based on high use (peak) and low use (off peak) times of day. High use times cost more. Your bill could be higher or lower depending on your daily habits and when you use your electricity.

Block Rate - Electricity rates are billed on tiers. Up to the average use, the customer would be billed at one rate and above that, the customer would be billed at a higher rate.

Inclining Customer Charge - The customer would be billed a fixed amount for the connection costs. High energy use customers would pay more. The Kilowatt per hour rate for energy use would not change.

Please tell us how strongly you support some of the rate structures that are under consideration to promote conservation, how you use energy and electrification.



APPA / GreatBlue
Public Power Data
Source Benchmark

64.0%
of nationwide
residents would
support a
“time-of-use” rate

Continuous / reliable service is top expectation

- When asked to name their top-three expectations of RPU, the most frequently mentioned expectations included the following: “provide continuous / reliable service” (56.0%), “reasonable / competitive / low rates” (37.8%) and “good customer service / open communication” (16.4%).
- Customer expectations expressed in 2019 are in-line with the top expectations expressed in 2015: reliability, rates and good customer service.

Top-3 expectations of RPU...	Phone	Online
Provide continuous / reliable service	56.0	61.2
Reasonable / competitive / low rates	37.8	57.1
Good customer service / open communication	16.4	10.2
Quick / prompt response to any issue	12.1	10.2
None / nothing / don't know	12.1	8.2
Good communication / issue updates	10.8	16.3
Environmentally friendly / renewable energy sources	7.4	18.4
Energy efficiency / conservation programs / information	4.9	8.2
Honesty / transparency / integrity	3.6	4.1
Maintain infrastructure / invest in technology	3.3	2.0
Payment options / timely / accurate billing	2.5	2.0
Good value for rates	1.8	--
Clean energy	1.8	2.0

Phone



Online



When thinking about your relationship with RPU, please tell us your top three (3) expectations.

Is there anything else you would like to tell RPU?

Considerations

- **Majority of customers satisfied with RPU's service and prefer existing rate structure.**

- Overall, residential customers are satisfied with the services received from the utility.
- The current flat rate structure based on cost of service was the most popular among residential customers.
- If an alternative rate structure is implemented, it is recommended that an “opt-in” approach is adopted, allowing residential customers more choice in selecting the rate class that best fits their needs.

- **Educate customers on alternative rate structures.**

- RPU's current rate structure (flat rate structure based on cost of service) received the highest level of residential customer support.
- Customers expressed a desire for self empowerment to save money.
- This supports more educational efforts to customers around ways they can change energy consumption behaviors.

- **Provide a monthly direct mailer regarding energy consumption and conservation information.**

- “Helping customers use less electricity” experience the largest decline in 2019.
- Customers consider the environmental effects of their energy usage behaviors and are willing to change their habits to help lower costs.
- Additional monthly energy consumption information, in a direct mail format, should be provided to help customers better understand their current usage habits.

Michael Vigeant CEO

(860) 740-4000

Michael@GreatBlueResearch.com

Dan Quatrocelli Senior Director, Research

(860) 740-4000

Dan@GreatBlueResearch.com



/GreatBlueResearch



@GBResearch