

# Rate Transformation

## Using Strategic Listening and Proactive Engagement



# APOGEE's Presenter Today:

## Joel Gilbert, P.E.

President and Chief Software Architect

Leads Apogee's accomplished team of engineers, data scientists, analysts, and researchers.

Responsible for applying highest standards of excellence in building science and engineering, applying artificial intelligence and predictive analytics to build strong customer relationships.

Considered refreshing because he is one of the most insightful "forecasters" for change and is so brutally honest.



# Denial is Not a River in Egypt

Nothing other than rate transformation makes a real difference

- Marketplaces are fine but not sustainable and dollars too small
- Electric vehicles and beneficial electrification are fine but ...
- This is a very big business and expecting small things to fix it are silly

Utilities must have a plan for rate transformation and work it

Managing that plan includes facing the obvious:

- Utility operations must embrace efficiency and circularity for credibility
- Running the same old programs the same way just won't cut it
- Any and all pricing (rate) changes produce both winners and losers
- Opportunities may exist to manage the losers but you must be proactive
- The obvious results must be improved net margins and align costs

# Six Rules of Forecasting

***“Even in periods of dramatic, rapid transformation, there are vastly more elements that do not change than new things that emerge.”***

Paul Saffo ([paul@saffo.com](mailto:paul@saffo.com))

Harvard Business Review

# The Trends are NOT Your Friend

Societal concerns and attitudes have shifted dramatically

Net metering was an “OK idea” when it was small but not now

Trying to change that is fraught with peril

The larger problem looms ... rates do align with costs

Flat is the new normal ... traditional kWh sales growth is elusive

- Yes, forecasts for natural gas bans are helpful/hopeful
- Yes, electric vehicles are exciting and promising
- However, near term trends due to solar are disruptive

This is a cost recovery business with an obligation to serve

**If total volumetric sales decline, either obligations decline or costs/per unit must increase**



# Opt In vs Opt Out & Winners/Losers

Most utilities use “opt in” since it reduces challenges

- Most utilities use multiple choice
- Winners typically jump on advantageous rates ... **but do not change**
- Losers typically stay on default rates
- Then, how does opt in improve your financial position???

“Opt out” gets much higher adoption - most don’t care/notice

Mandatory is almost always from PSCs w/backlash – rare

- Still have winners and losers and losers can kill rate cases
- Grandfathering typically used in worst cases – e.g., water heaters

# **Doing the right thing never goes out of style!**

**But, the style of getting it done has changed**

# Stephen Covey: The Fifth Habit

Seek first to understand, then to be understood.

Seeking real understanding affirms the other person and what they have to say. That's what they want. That's what we all want — to be understood, valued and affirmed.

The ability to hear is a gift. **The willingness to listen is a choice.**



Video: It's not about the nail

# Listening is Very Hard Work

It doesn't matter at all if the person makes "sense" or is even unlawful  
Seek to have them elaborate even when you shudder at what they say  
Seek to confirm what you think you now understand  
When this is exhausted, ask what they think should happen next  
Ask how you can be of any help (obviously only doing lawful things 😊)

Do not smirk, wince, or react

Remember: "Let the one without sin throw the first stone!"

# Cancel Culture trumps Logic & Facts

BANANA, CAVE, and NOPE -- “they sound so 90’s”

Solar and Wind are now sacred ... must run resources

TESLA has shaken up traditional approaches

- Power Walls
- Emerging battery technology

Blue and Green Hydrogen will vie for batteries/beneficial electric

Energy Equity has replaced LMI logic

Circularity has replaced life cycle cost management

The **Energy Future** is driving policy and decisions **TODAY**

# First ... utilities must be honest

Did this just come from the rate department/senior executives?

- Was marketing/customer service just asked to explain it?

Is this truly about aligning retail prices and wholesale costs?

- TOU does very little to align these. RTP does it very well.
- Demand rates attempt to recover fixed costs – and out of market costs

Might it be better to realign value/convenience with price?

Or, is this mostly about cost recovery?

Don't duck this question ... it is central to your success

It redefines winners and losers in the transition

(for most this is all about cost recovery and nothing more)

# In Theory – Prices should reflect Costs

Nice theory – Time of Use (TOU) does not

Critical Peak Pricing (CPP) ... usually added to TOU gets closer

Real Time Pricing (RTP) transfers all risk ... not for everyone

Demand Charges reflect fixed costs – but hard to predict

But, so does a fixed base charge – easy to predict

Base charges could be based upon average yearly demand

You could encourage demand response but few will like it

Perhaps it is better to go fixed charges

# Residential Rate Plans

## Standard

Bill Varies by  
**How Much**  
Electricity You  
Use in 30 Days

0-1,000 kWh =  
**8.7 cents** per kWh

1,001-1,500 kWh =  
**9.4 cents** per kWh

> 1,500 kWh =  
**9.9 cents** per kWh

## Shift to Save

Bill Varies by  
**When** You Use  
Electricity M-F

9 PM - Noon  
(Off-Peak) =  
**4.7 cents** per kWh

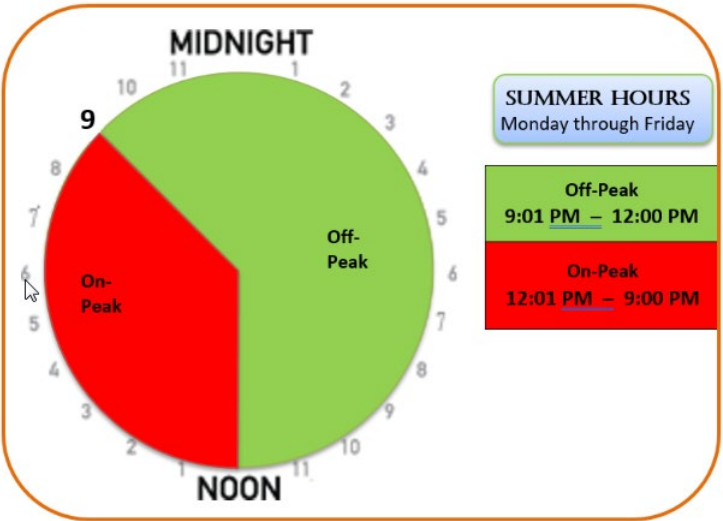
Noon – 9 PM  
(Peak) =  
**17.1 cents** per kWh

## Demand

Bill Varies by  
**Highest 30**  
**Minutes** During  
Our Peak

Highest 30 minute  
demand from 1-8  
PM =  
**\$6.00** per KW

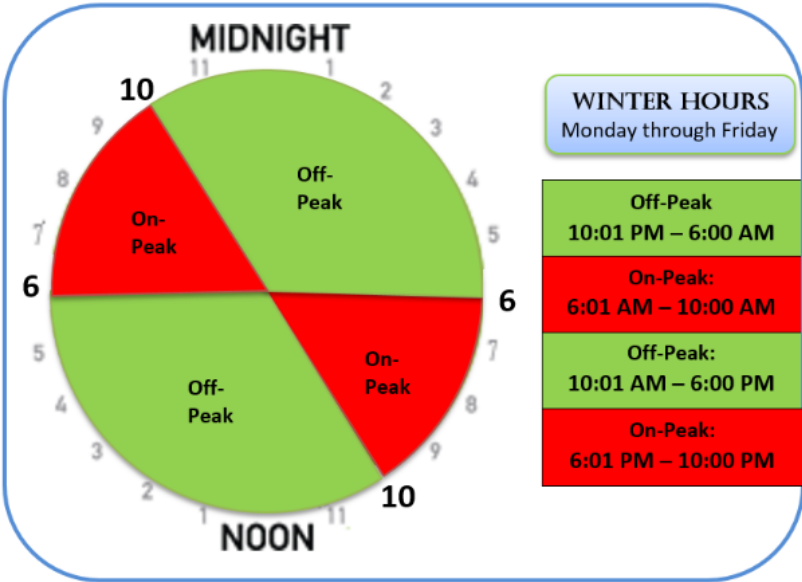
All Other Use =  
**6.0 cents** per kWh



Winter Months: November 1 through March 31

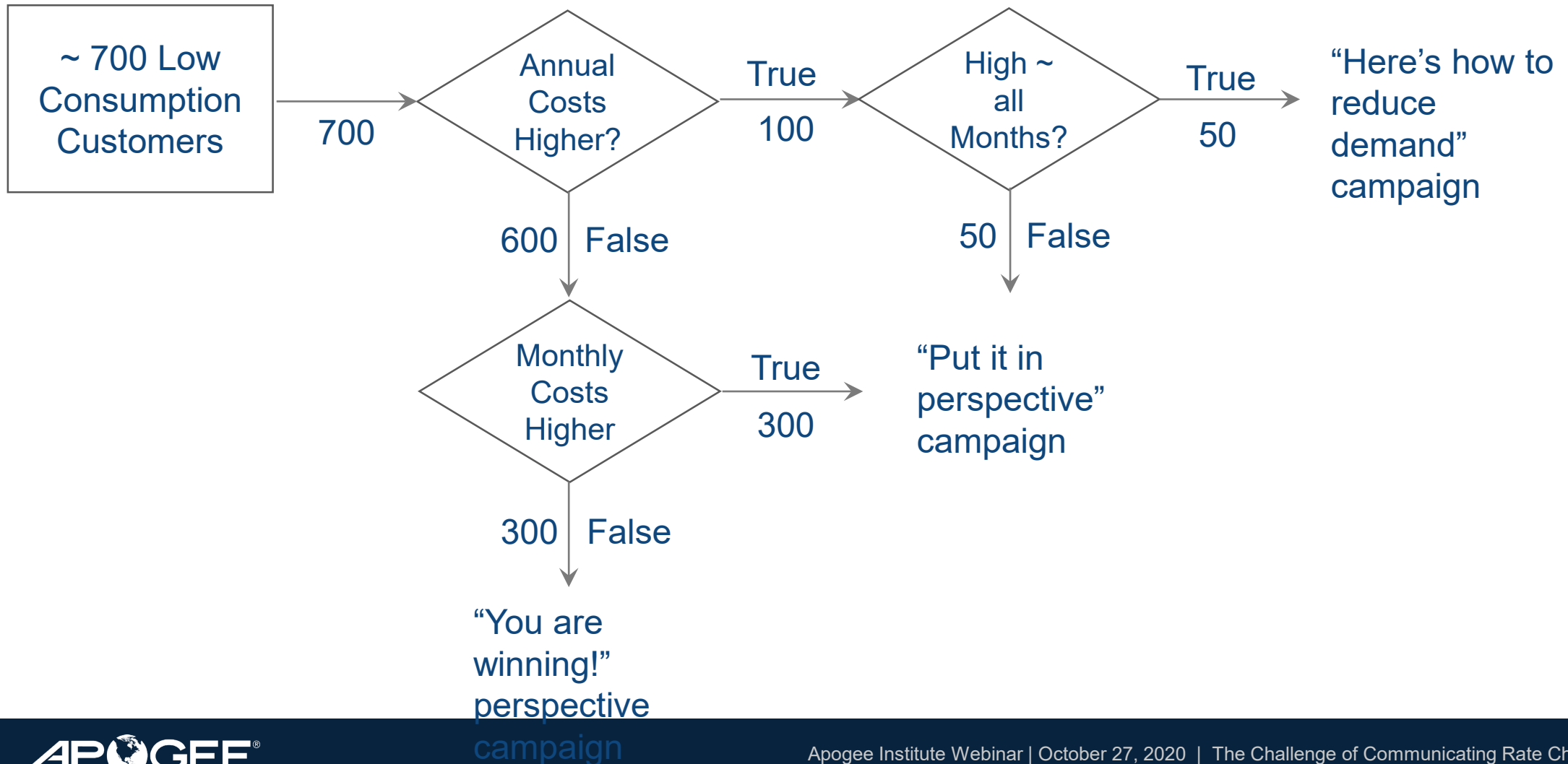
Rates below include Energy, Fuel, Smart Grid Charges and Environmental as of 10/01/2019

Off-Peak:	4.732¢ per kWh
On-Peak:	17.103¢ per kWh



# Low Consumption Customer Clusters & Campaigns

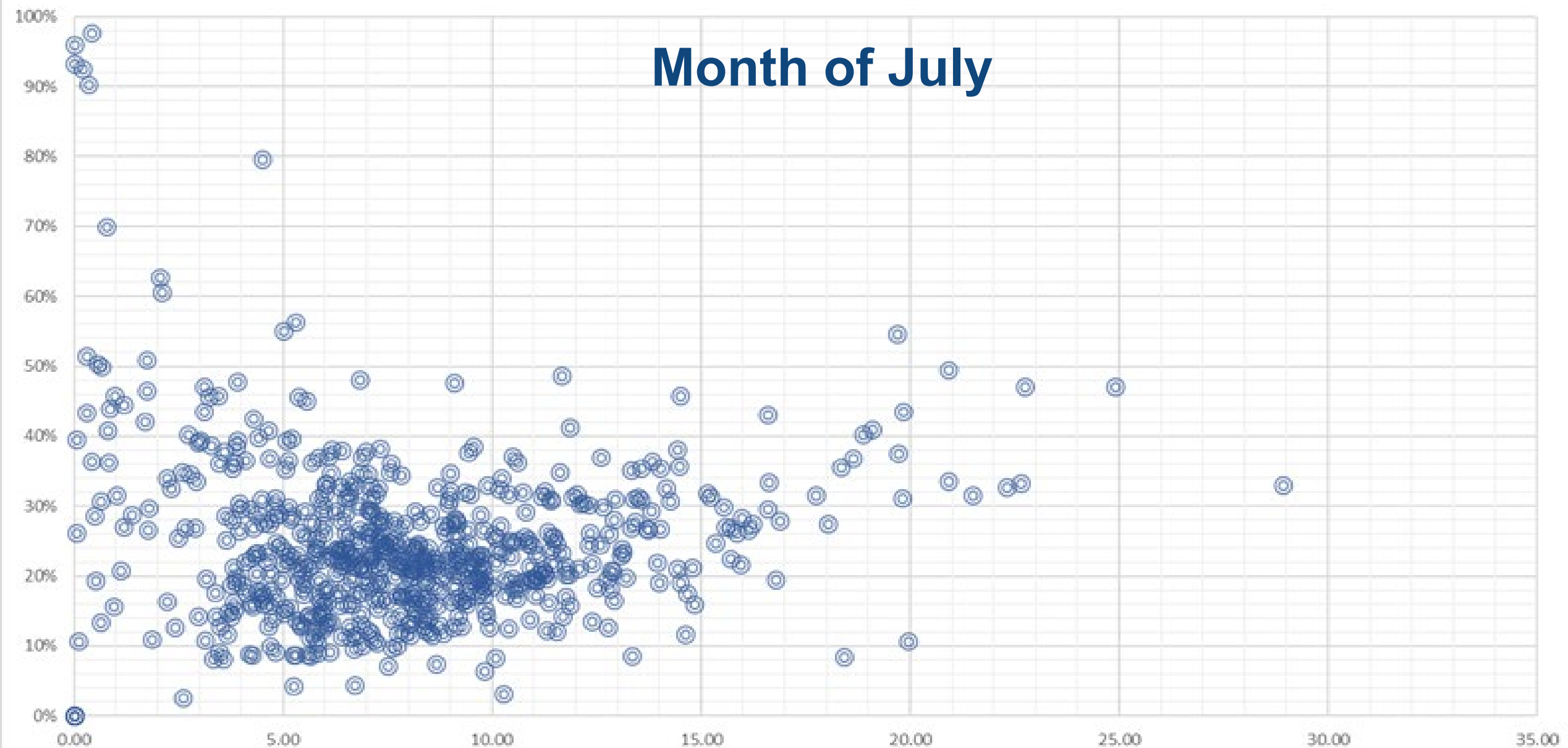
Numbers along each path are simply illustrative at this time



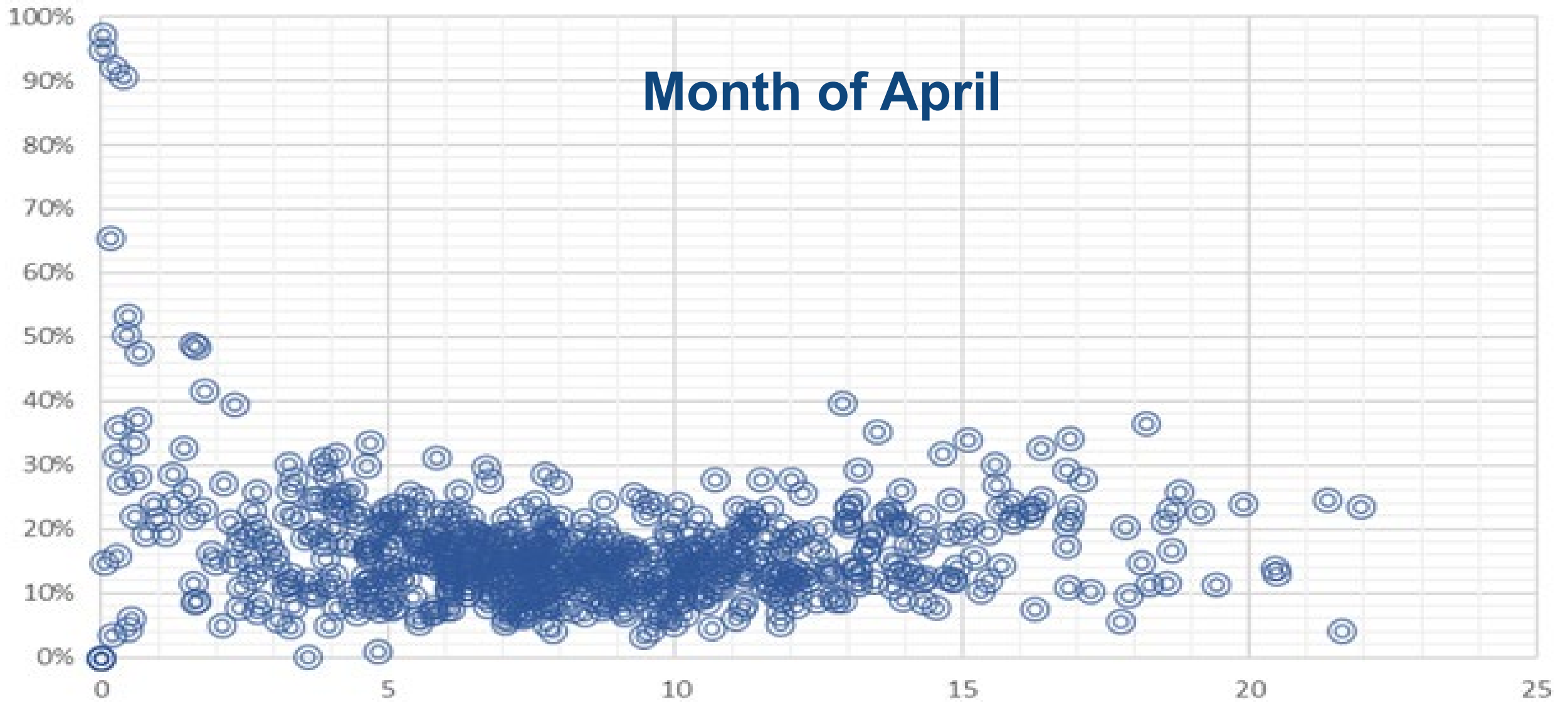


Total Demand VS LF  
for the whole data set

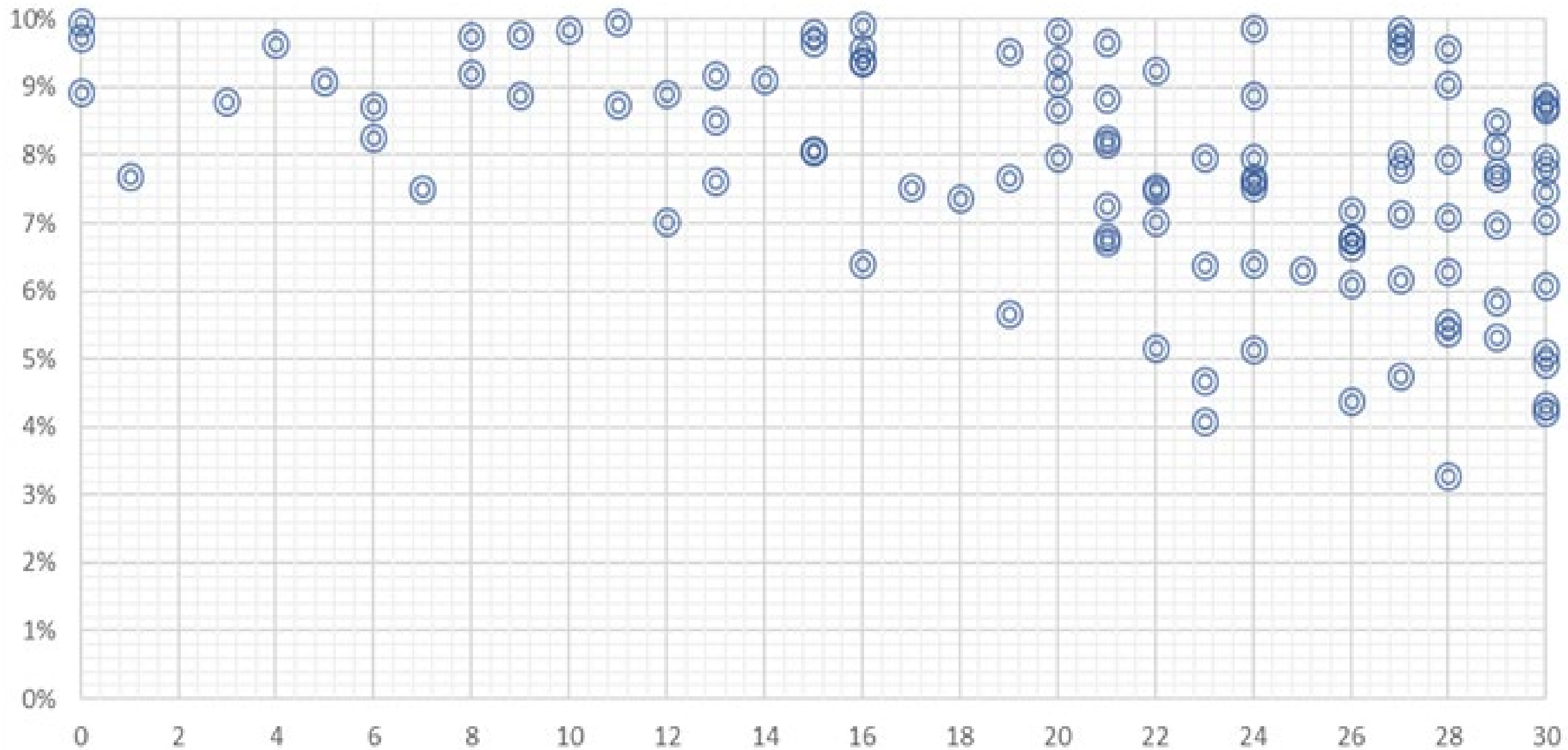
**Month of July**



# Total Demand VS LF for the whole data set



# #Days w/ kWh < 10 VS LF



<https://blazorserver20200821202457.azurewebsites.net/v7>

<https://stage.apogee.net/mvc/home/hes/land/el?utilityname=demowi&spc=arc1>

# Any Questions



# COMING SOON

## Webinars:

**Nov. 12th – Special Guest - JD Power – Utility Customer Satisfaction**

**Dec. 8<sup>th</sup> – Special Guest - Fiserv – Billing & Payment**

# Contact Us

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