

How Customer Satisfaction Drives Returns on Equity

Mark Spalinger, Director, Utilities Intelligence, J.D. Power
Jim Malcom, Chief Operating Officer, Apogee Interactive, Inc.

November 17, 2022



Mark Spalinger, Director, Utilities Intelligence, J.D. Power

Mark Spalinger is a Director of Utilities Intelligence at J.D. Power. He is responsible for delivering actionable insights and thought leadership to utilities across the United States to help them understand the importance of customer satisfaction and how to improve their customers' experience.

Previously at the company, Mr. Spalinger served as a Senior Consumer Insights Analyst, Research Manager, Research Supervisor, Research Specialist and Research Associate within the Utility Practice. He joined J.D. Power in 2006.

Mr. Spalinger received a bachelor's degree in sociology from California State University Northridge.



Jim Malcom, COO, Apogee Interactive, Inc.

Jim Malcom is Chief Operating Officer of Apogee Interactive, Inc., providing oversight business and financial operations of the company. His senior management experience in the telecommunications and management consulting industries is providing strategic direction for Apogee's continued growth and success.

Malcom brings more than 20 years in corporate finance and accounting to Apogee, which began with the firms KPMG and Ernst & Young in Atlanta. His career steadily expanded to include senior posts as chief financial officer, corporate controller, vice president and treasurer for such area companies as Heidelberg USA, LecStar Telecom and Powertel.

He is a graduate of the University of Georgia with a bachelor's and master's degree in business administration, a certified public accountant, and a chartered global management accountant.

Today's Agenda



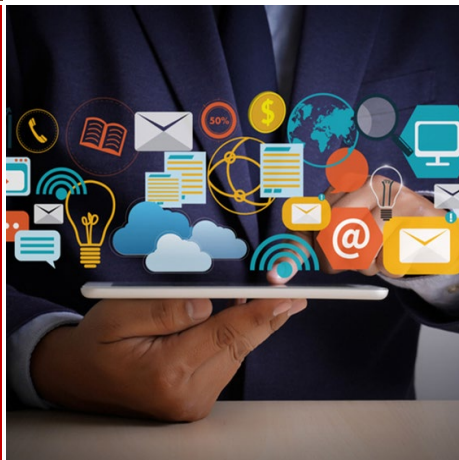
2
**Customer
Satisfaction and
Impact of Return
on Equity (ROE)**



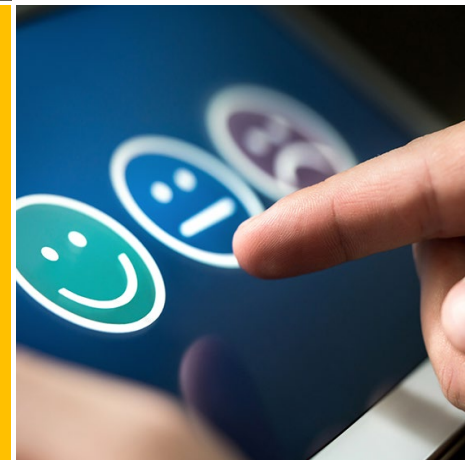
4
**Value of
Personalization**



1
**Customer
Expectation and
Customer
Satisfaction
Metrics**



3
**Monetization of
Customer
Satisfaction**



5
Q&A

How Customer Satisfaction Drives Return on Equity for Regulated Utilities

Mark Spalinger – Director, Utilities Intelligence
November 2022



J.D. POWER

J.D. Power Overview

Current Industry Trends

Return on Equity & Satisfaction

- *Overview*
- *Background*
- *Impact on Satisfaction*

Wrap Up



J. D. Power – Voice of the Customer



J.D. Power is the most trusted source for recognizing top-performing brands and helping clients drive results.



50 Years
of Experience,
Brand Recognition &
Consumer Trust



Featured in
HUNDREDS
of commercials receiving
BILLIONS
of impressions



More Than
5,000,000
Consumers Surveyed
Annually



75%
More Likely to Consider
Buying a Brand Recognized
by J.D. Power



175
Annual Benchmark
Studies



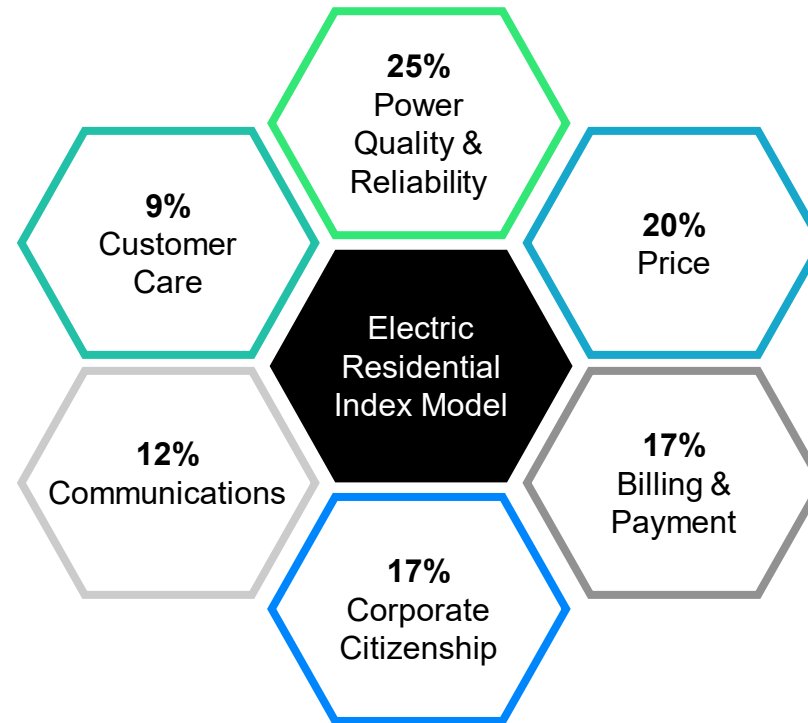
Studies Fielded & Awards
Coveted in
19 Countries

J.D. POWER

Customer Expectations

- Safe & Reliable Infrastructure
- Reasonable (“fair”) price
- Customer service when they need it
- Accurate, on-time, and legible bills
- Information and Interaction
- Transparency and community involvement

J.D. Power Overall Electric Residential Customer Satisfaction Index Model



How We Measure Customer Satisfaction



The **Index** is a calculated roll up of performance scores, weighted relative to the importance of each factor to Overall Satisfaction

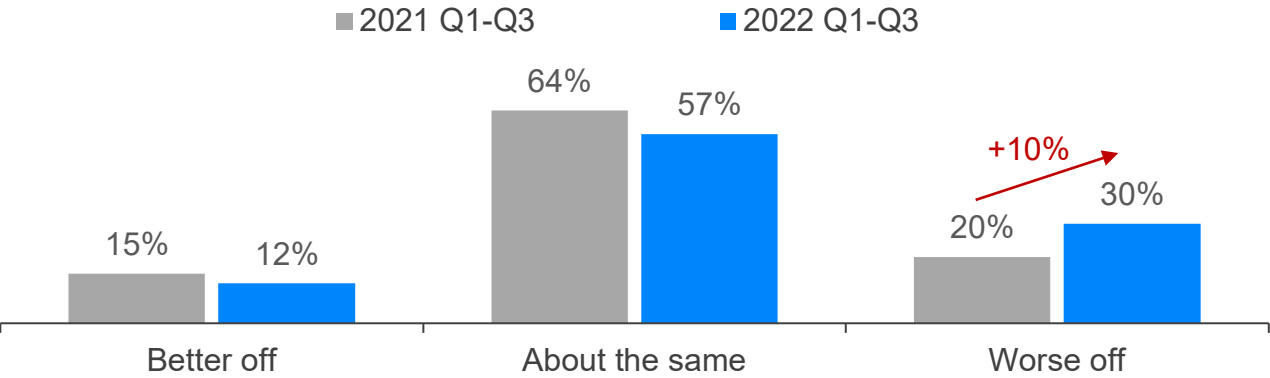
Factors are distinct parts of the customer experience that together encompass the entire experience

Attributes are specific elements that comprise and drive satisfaction within a factor

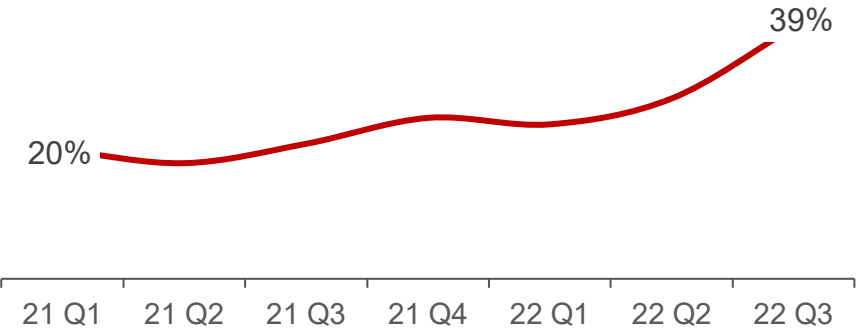
Diagnostics are critical to quality elements that influence satisfaction within an attribute or factor

Financial Health

Financial status compared to a year ago

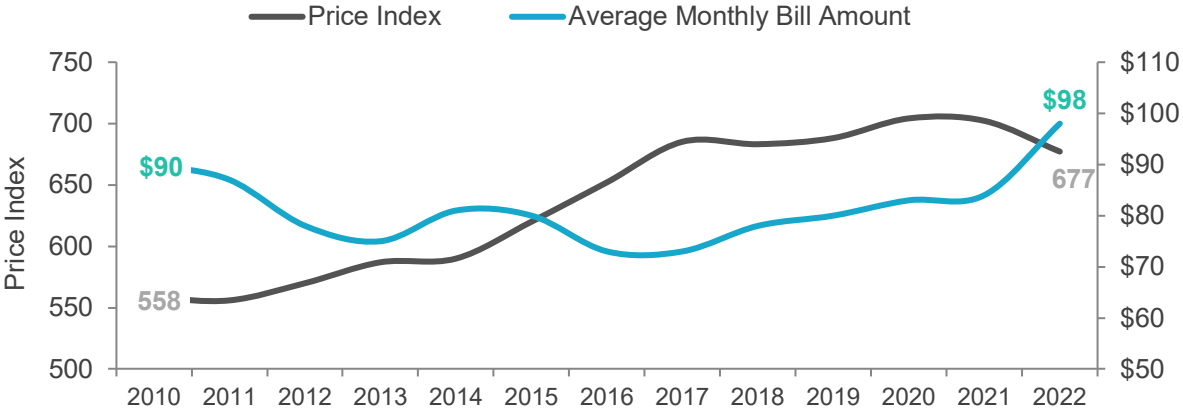


Financial status “Worse Off” by Quarter

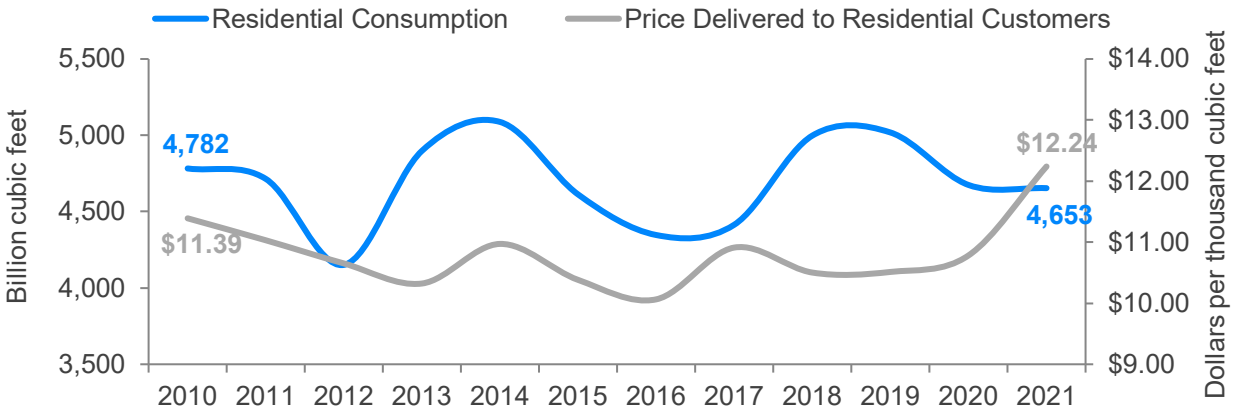


Price Impact on Satisfaction

Price Satisfaction is Declining

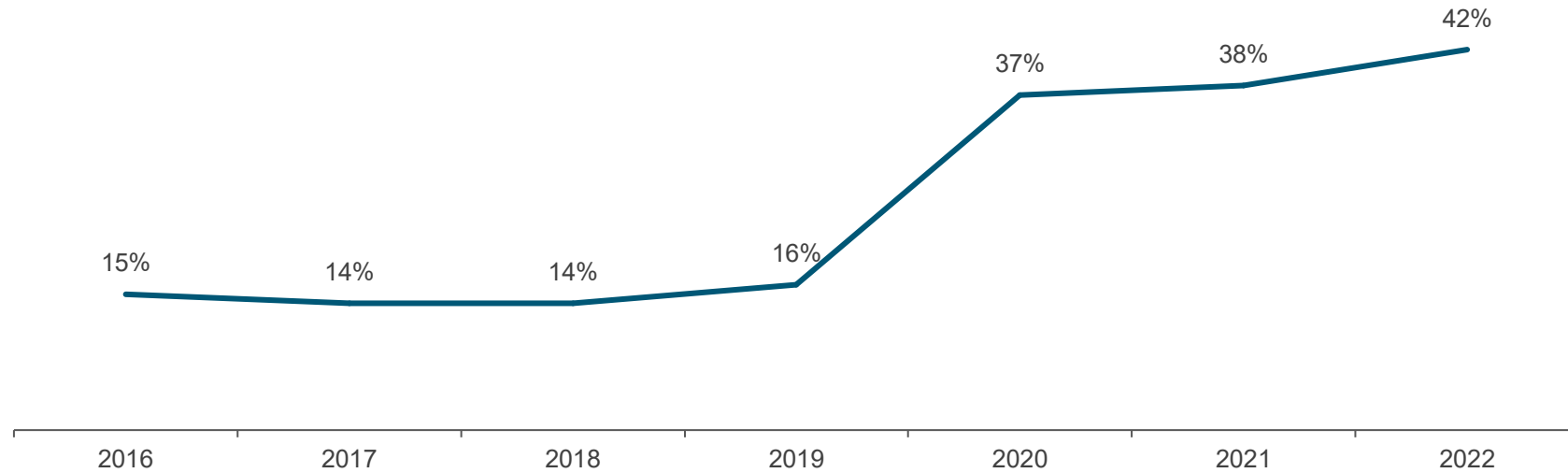


Natural Gas Consumption/Price Trend (Source: EIA)



Digital Trend Increasing

Digital Contact with Utility in the last 3 months



Note: Digital includes website and mobile app contacts.

Digital Engagement

	Digitally Disengaged customers who didn't use the website or mobile app	Digital Participant customers who used the website but not the mobile app	Mobile App User customers who used the mobile app
% of customers:	66%	26%	8%
Overall Satisfaction:	746	772	825
Receive alerts:	60%	87%	94%
Aware conservation programs:	42%	52%	65%
Participate in Products/Services:	71%	82%	88%
Gen Y and Z:	22%	35%	61%
Gen X:	16%	19%	17%
Boomers:	49%	39%	19%
Pre-Boomers:	10%	5%	1%



Note: Digital includes website and mobile app contacts.

J.D. POWER

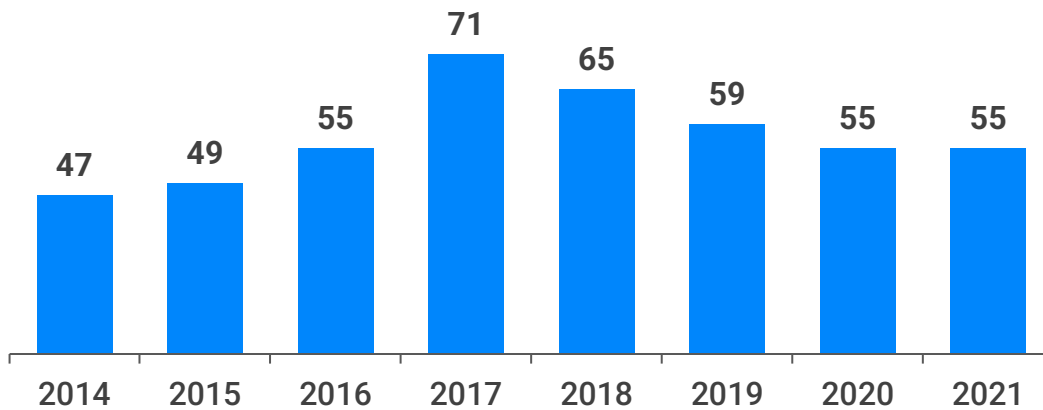
The impact of customer satisfaction on return on equity

2022

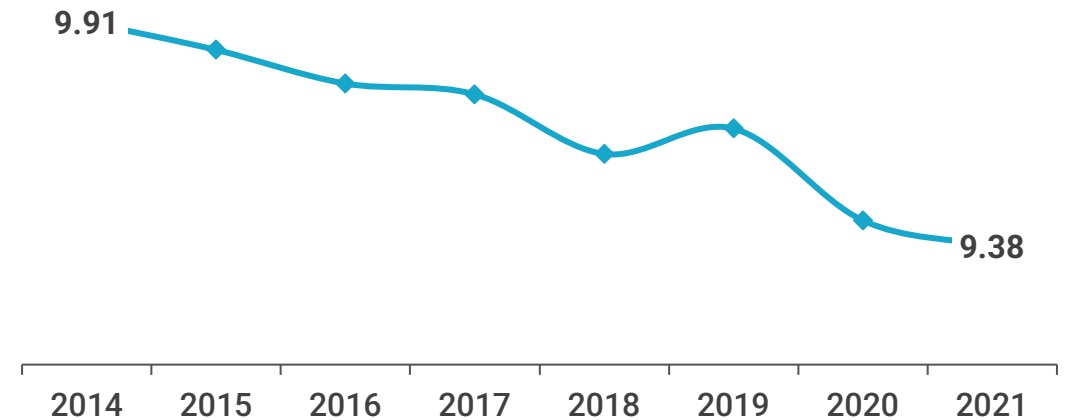
Background

The number of rate case decisions remain stable while average returns continue to decline

Number of Electric Rate Case Decisions



Average Return on Equity (%)

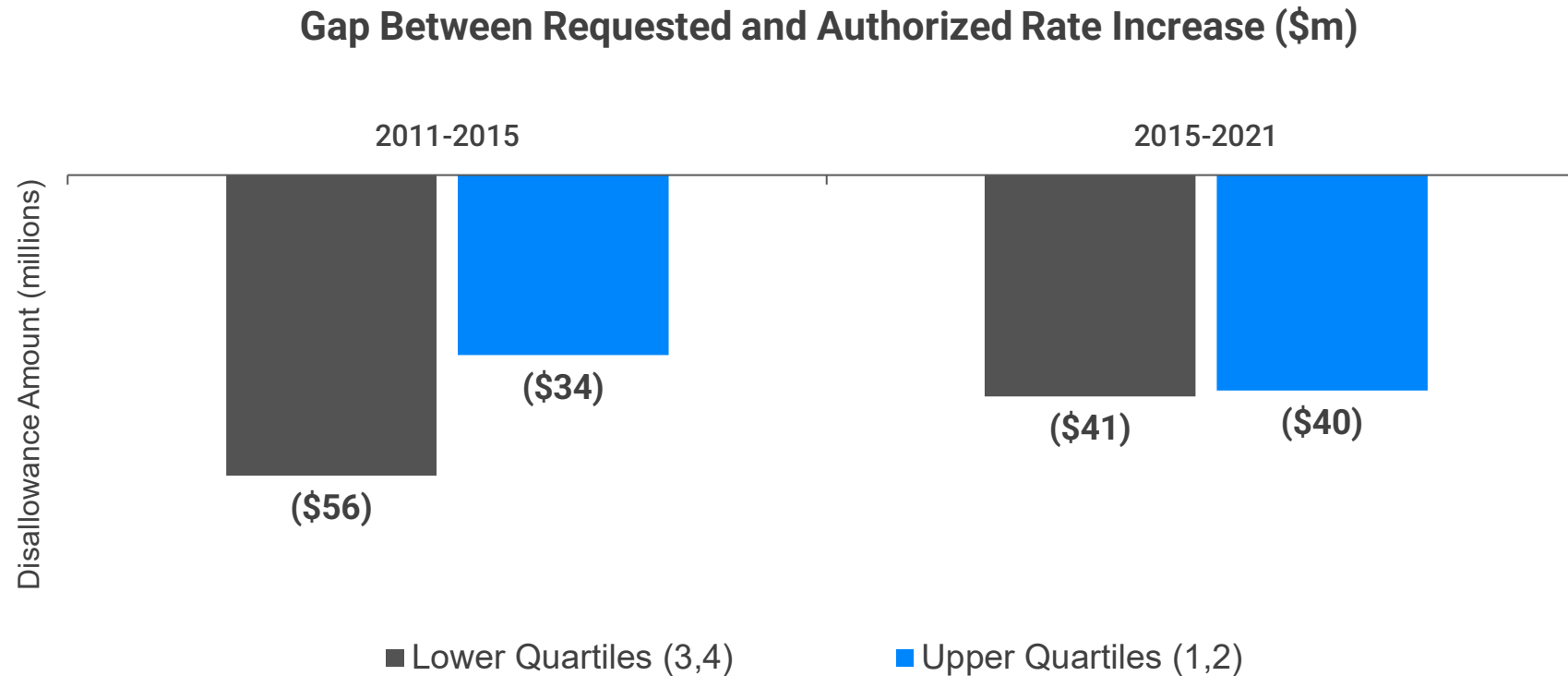


Higher Levels of Customer Satisfaction Increase ROE

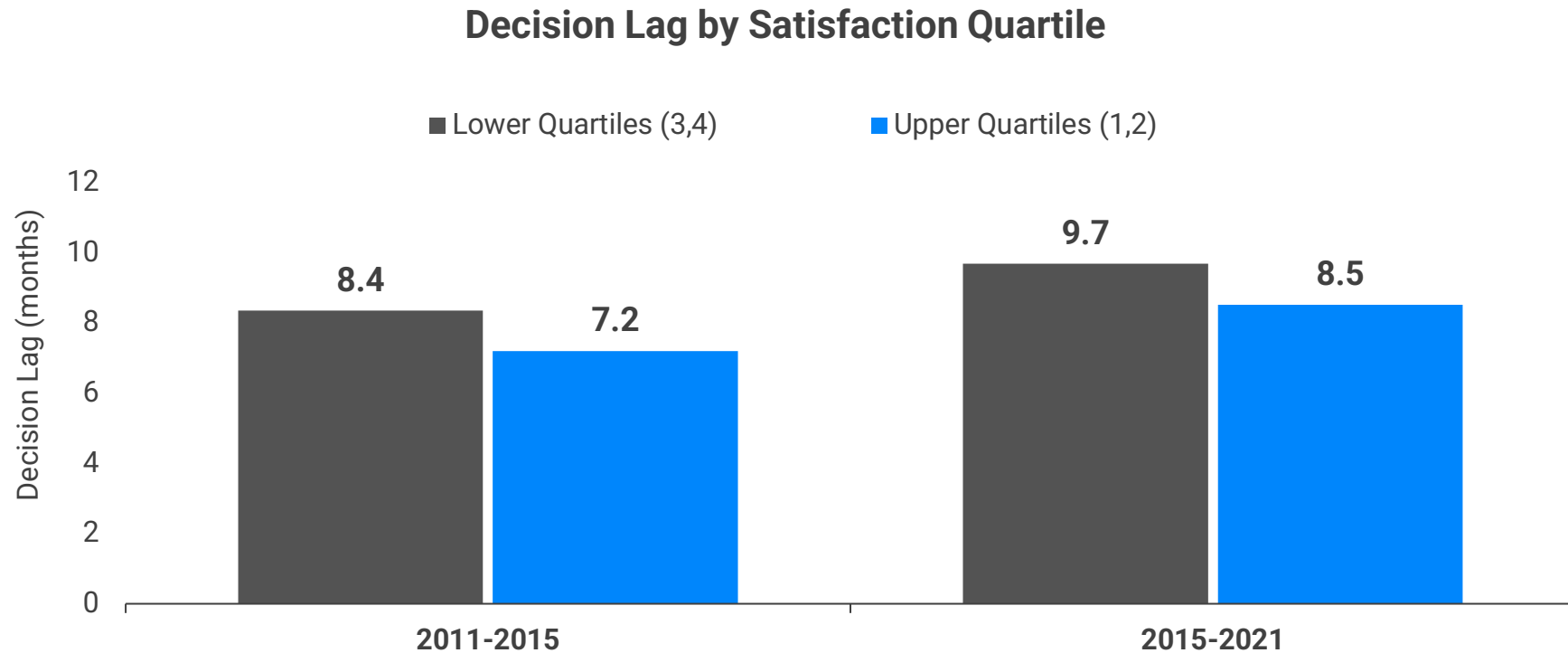


Sources: J.D. Power Electric Utility Residential Customer Satisfaction Study.
Regulatory Research Associates; a group within S&P Global Commodity Insights.

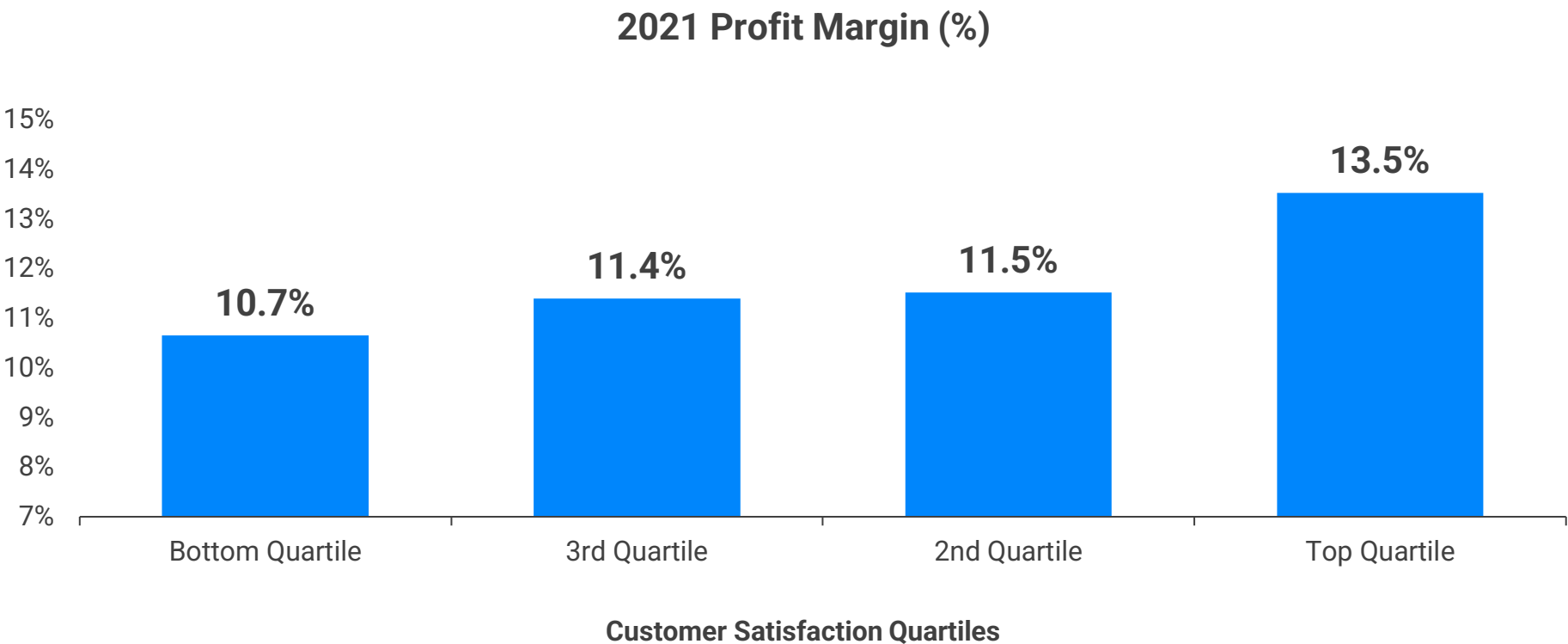
Increased Satisfaction Leads to Lower Disapproval Amounts



Upper Quartile Utilities Secure Rate Case Approvals Sooner Than Lower Quartile Utilities



Top-Quartile Utilities Have Higher Profit Margins



Sources: J.D. Power Electric Utility Residential Customer Satisfaction Study.
2021 Regulated Electric Utility Profit Margin based on publicly reported SEC filings.

Key Findings

Supporting historical analysis, customer satisfaction continues to be a leading indicator of the authorized return on equity for regulated electric utilities.

By creating a positive customer experience, and ultimately satisfied customers, regulated electric utilities will continue to receive increased regulatory outcomes and have the continued ability to invest in and support customer satisfaction and the customer experience.

Focusing on a positive customer experience creates a virtuous business circle. Highly satisfied customers lead to positive regulatory outcomes, which then

lead to more support for investments that continue to improve the customer experience. Conversely, customer dissatisfaction can lead to unfavorable regulatory outcomes—which may then limit the amount of funding a utility is able to secure to help them improve the customer experience.

Regulated electric utilities must continue to monitor and track customer satisfaction in order to maximize profits and ROE during a rate case. Understanding how to improve customer satisfaction is crucial in helping utilities improve in both customer satisfaction and ROE.



Thank you!

Questions?

For more information, please visit:

<https://www.jdpower.com/business/resources/how-customer-satisfaction-drives-return-equity-regulated-utilities>





Operational Costs Savings

- ▶ University of Indiana Research Paper
- ▶ 38 Utilities
- ▶ 478 Data years
- ▶ 1/100 or 10/1000 points increase
- ▶ Satisfaction-Varying Operating Costs SVOC
- ▶ Large Utilities (> 3 million residential customers)
 - ✓ Save up to \$29 million operating costs
 - ✓ \$13 million Selling and General Administration
 - ✓ \$ 8 million in Distribution
 - ✓ \$ 3 million Customer Service



Financial Results

Revenue per Residential Customer		Average kWh per Residential Customer	
Lower	\$ 1,300	Lower	9,500
Upper	\$ 1,450	Upper	12,000

Residential Customers	50,000	150,000	500,000	1,000,000
Approximate Residential Revenues	\$68,000,000	\$204,000,000	\$680,000,000	\$1,360,000,000
Approximate Savings	\$400,000	\$1,200,000	\$4,000,000	\$8,000,000

J.D. Power and Apogee

J.D. POWERS CRITERIA					
Power Quality & Reliability	Billing & Payment	Price	Corporate Citizenship	Communications	Customer Service

J.D. Power and Apogee

J.D. POWERS CRITERIA					
Power Quality & Reliability	Billing & Payment	Price	Corporate Citizenship	Communications	Customer Service
APOGEE SOLUTIONS					
<ul style="list-style-type: none">• Reliability Report• Storm Notifications• Demand Response	<ul style="list-style-type: none">• Bill Analysis Messaging• Promote Billing and Payment Options• Mid-Cycle and Threshold Alerts• Annual Summary	<ul style="list-style-type: none">• Rate Analysis• Rate Communications• Peak Price	<ul style="list-style-type: none">• Covid Messaging• Charity Promotion• Round-Up Program• Payment Assistance	<ul style="list-style-type: none">• Personalized Messaging• Specific Usage Tools• Program Promotion• Pre-cooling Pre-heating	<ul style="list-style-type: none">• CSR Toolkits• Self-service Tools - EA and SPCs• Field Auditor Tool• Welcome Series• Marketplace



Reliability Report Demo ►

Key Engagement Statistics

10%

increase in
program
participation

15%

reduction
in high
bill calls

58%

had improved
brand
perception

15%

unique click-
thru rates of
more than 15%

\$239M

identified
energy savings



1.7M

metric tons of
carbon reduction



Up to:

- ▶ **Save up to...**
- ▶ **Earn up to...**
- ▶ **Receive up to...**



Personalization With the Highest Impact on Consumers

Percentage of customers who consider help type important

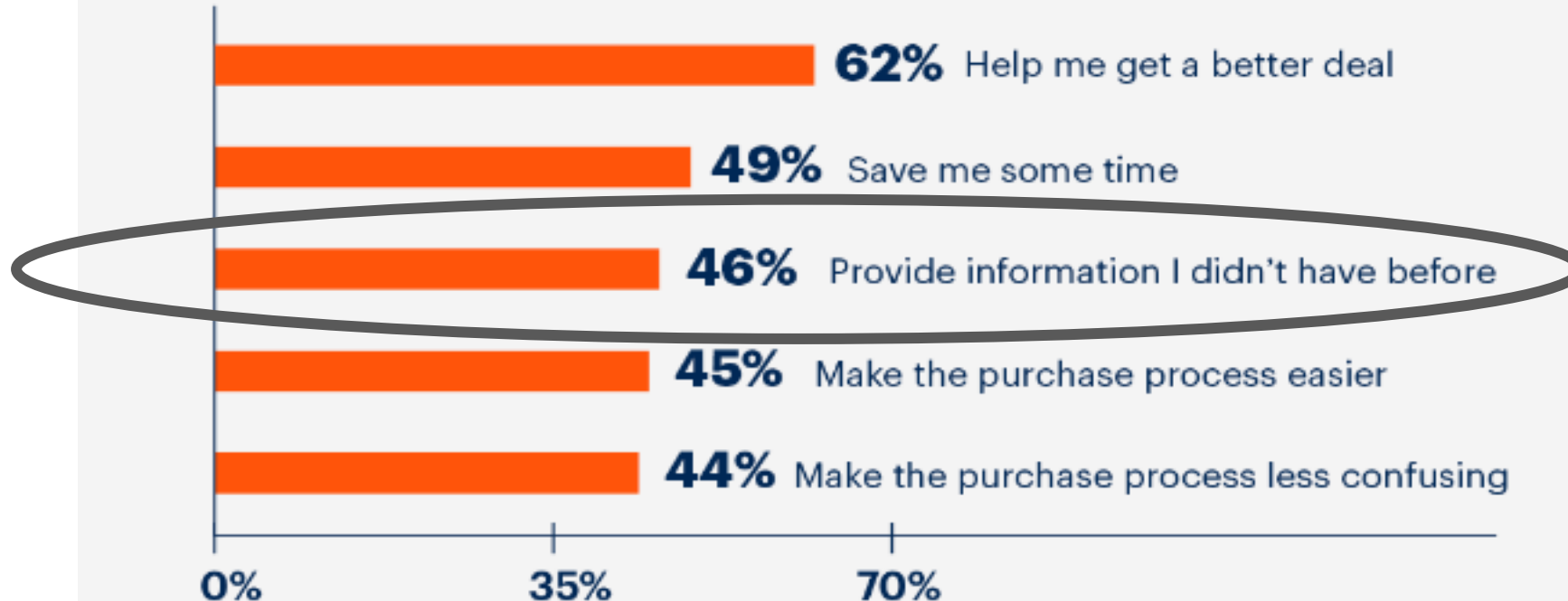


n = 2,585 consumers
Note: Percentages are top 2 responses on 7-point scale.
Source: Gartner 2018 Consumer Personalization Panel
© 2019 Gartner, Inc. and/or its affiliates. All rights reserved.

Gartner

Personalization With the Highest Impact on Consumers

Percentage of customers who consider help type important



n = 2,585 consumers
Note: Percentages are top 2 responses on 7-point scale.
Source: Gartner 2018 Consumer Personalization Panel
© 2019 Gartner, Inc. and/or its affiliates. All rights reserved.

Gartner

\$20 return for
\$1 of personalization



Source: Forbes/ClickZ

Upcoming Events

WEBINARS



- Apogee Marketing Resources
- Hometown Connection/ APPA
- Beneficial Gasification
- Others

CONFERENCE



November 13-16

APPA, Minneapolis

February 27-March 2

AESP, New Orleans

Any Questions



J.D. POWER

Mark Spalinger

Mark.spalinger@jdpa.com

818-640-0754



Jim Malcom

jmalcom@apogee.net

678-684-6820

Thank You!

All attendees will receive a survey