The Customer of Today, Tomorrow, and the Future
Building Customer Engagement, Trust and Product Usage Through Smart Experiences

Insights from the 2014 Utility Trusted Brand & Customer Engagement Study

Prepared for:

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Senior Vice President
949.606.3726

October 2, 2014
Market Strategies International—Who Are We?

Custom Research
> Largest utility custom market research firm in the country
> Traditional and patented quantitative and qualitative approaches
> Topics include satisfaction, brand, product/offerings, distribution, transmission, generation portfolio, tracking, post-transactor, energy efficiency, smart technology
> Dedicated to research quality of a custom research firm
> Not a big-box “seller” of products

Syndicated Study
> Residential syndicated study is a semi-custom, open-architecture offering with:
  • Representative sample
  • Custom models
  • Ability to select own peer sets
  • Ability of utilities to subscribe and be added to study
> Highest quality/lowest cost syndicated study available on the market
> Cogent is owned by Market Strategies as a syndicated offering brand
Utility Satisfaction is Very high
Product Experience and Trusted Brand Lag on Performance

<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Engaged Customer Relationship (ECR) Strength</td>
<td>690</td>
<td>Customer engagement is somewhat strong but not VERY strong</td>
</tr>
<tr>
<td>Operational Satisfaction</td>
<td>725</td>
<td>Customers agree we keep service flowing and answer the phone …</td>
</tr>
<tr>
<td>Product Experience</td>
<td>680</td>
<td>… but don’t think we add much value beyond that …</td>
</tr>
<tr>
<td>Trusted Brand</td>
<td>656</td>
<td>… and don’t think that highly of us</td>
</tr>
</tbody>
</table>

Index: 1,000-point max scale

by Market Strategies International
What Are CMOs of Nation’s Top Competitive Businesses Focusing on in Next 12 Months?

**Highest Company Priorities are Product and Trusted Brands**

- Superior product quality/innovation: 35%
- Brand and trusted relationships: 23%
- Service: 23%
- Price: 19%

**Not that Concerned with Privacy**

- Worry consumer data usage would raise privacy concerns: 29%
- % company growth spending on products/services development: 24%

Source: The CMO Survey from McKinsey & Company and Duke University (350 CMOs of Fortune 1000 companies)
Forget “Familiarity” and “Educate” Customers
Industry - Greatest Customer Engagement advantage is garnered from product education and targeting customers

Engaged Customer Relationship (ECR) Index Score by Product Experience Levels

Overall ECR index = 690

General familiarity with offerings/programs provides NO real Customer Engagement value

Index: 1,000-point max scale
Customers having a smart meter increases utility Trusted Advisor position

Utility Trusted Brand Index Scores by Smart Meter Engagement Levels

<table>
<thead>
<tr>
<th>Not interested</th>
<th>Overall Trusted Brand</th>
<th>Interested in having smart meter</th>
<th>Have a smart meter</th>
</tr>
</thead>
<tbody>
<tr>
<td>637</td>
<td>656</td>
<td>658</td>
<td>699</td>
</tr>
</tbody>
</table>

Index: 1,000-point max scale
Target Product “Users”
Generating Energy Savings Program Usage creates high Customer Engagement – Mere interest is not enough

Engaged Customer Relationship (ECR) Index Score by Product Experience Levels

<table>
<thead>
<tr>
<th>Product</th>
<th>Have or use</th>
<th>Interest in</th>
<th>Not interested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Energy Mgmt Tool</td>
<td>774</td>
<td>694</td>
<td>666</td>
</tr>
<tr>
<td>Online Energy Audit</td>
<td>768</td>
<td>695</td>
<td>669</td>
</tr>
<tr>
<td>Household Equipment Control</td>
<td>764</td>
<td>696</td>
<td>682</td>
</tr>
<tr>
<td>EE Rebate</td>
<td>753</td>
<td>690</td>
<td>665</td>
</tr>
<tr>
<td>In-home Energy Audit</td>
<td>751</td>
<td>696</td>
<td>673</td>
</tr>
<tr>
<td>Solar Incentive</td>
<td>745</td>
<td>684</td>
<td>692</td>
</tr>
<tr>
<td>Mailed Energy Usage Report</td>
<td>745</td>
<td>690</td>
<td>662</td>
</tr>
<tr>
<td>Smart Meter</td>
<td>734</td>
<td>690</td>
<td>672</td>
</tr>
</tbody>
</table>

Index: 1,000-point max scale

2 of 3 have or want a smart meter
Leverage Emerging Technology
Customers will see you as more Innovative and Environmentally friendly

Brand Characteristics

<table>
<thead>
<tr>
<th></th>
<th>Innovative</th>
<th>Environmental</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>5.06</td>
<td>5.08</td>
</tr>
<tr>
<td>Have Smart meter</td>
<td>5.35</td>
<td>5.34</td>
</tr>
<tr>
<td>Used Solar incentive</td>
<td>5.41</td>
<td>5.33</td>
</tr>
</tbody>
</table>

Based upon 7-point scale
Utility Industry Top Ratings on
Leverages Technology to Improve its Service

- TECO Peoples Gas: 7.51
- Florida Power & Light: 7.43
- Salt River Project: 7.38
- SMUD: 7.37
- Piedmont Natural Gas: 7.35
- Columbia Gas - South: 7.26
- Gulf Power: 7.24
- New Jersey Natural Gas: 7.21
- MidAmerican Energy: 7.20
- Virginia Natural Gas: 7.20
- Georgia Power: 7.16
- Xcel Energy - Midwest: 7.14
- Alabama Power: 7.09
- PSNC Energy: 7.08
- OG&E: 7.07
- CPS Energy: 7.06
- OPPD: 7.06
- Southern California Gas Company: 7.06
- JEA: 7.03
- Dayton Power & Light: 7.01
- Oklahoma Natural Gas: 7.01

Based upon 0-10 rating scale
Utility Industry Top Ratings on
Encourages or incentivizes the use of “smart technology” that helps manage energy usage or costs

Based upon 0-10 rating scale

By Market Strategies International
Utility Industry Top Ratings on Their programs or offerings can or did help make me a more conscious energy consumer

Based upon 0-10 rating scale
Questions?
Selected Deliverables

• Access to all data – every question, rating and score for 125 utilities after each quarterly fielding
• Copy of survey tool
• **NEW for 2015** - Simulator to forecast engagement
• **NEW for 2015** – Business customer study
• Individual subscriber utility model provided
• **NEW for 2015** – Clients can provide email sample
• Ad-hoc statistical analysis of results
• Client-specific modeling developed upon request
• Benchmarking to peers by ranking segment and by custom peer sets
• Two industry reports of rankings, trends and performances
• Executive summary of utility performance
• Onsite customer engagement management presentation of results with benchmarking and recommendations
• Management best practice discussions on topics of client choice
• External communications and media claim included
• Participation in customer metric goal setting
• Input into study enhancements and topics of measurement.
• **Just Ask!** (new for 2015) – Client customized deliverables and management support

Contact for more information:

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chris.oberle@marketstrategies.com
Study Overview and Methodology

Market: Residential electric and natural gas and combo utility customers

Data collection: Online based upon demographically representative sample for each utility (according to census data)

2 fielding waves: Wave 1: April–May (complete)  
Wave 2: September–October

Reporting: Wave 1: June (published)  
Wave 2: December

Sample: Quotas based on census age, income and race for demographic representativeness at individual utility level

Targets: 125 utility brands covered (58 electric with 300K+ customers, 37 natural gas with 230K+ customers, 30 combination providers with 550K+ combined counts)
12 Strategic Factors Create Positive Customer Engagement: Product Experience Has 3 and Trusted Brand Has 6

**Strategic Factor Importance on Trusted Brand**
- Customer Focus: 21%
- Company Reputation: 20%
- Communications Effectiveness: 18%
- Quality & Reliability: 16%
- Community Support: 12%
- Environmental Performance: 12%

**Strategic Factor Importance on Operational Satisfaction**
- Safety & Reliability: 44%
- Billing & Payment: 37%
- Customer & Field Service: 19%

**Strategic Factor Importance on Product Experience**
- Benefits Awareness: 65%
- Design & Features: 28%
- Usage Performance: 7%
Product Usage Scores High but Awareness, Design and Features Lag

- Usage Performance: 806
- Customer & Field Service: 776
- Billing & Payment: 740
- Communications Effectiveness: 695
- Quality & Reliability: 688
- Reliability & Safety: 688
- Benefits Awareness: 673
- Design & Features: 671
- Customer Focus: 653
- Environmental Performance: 652
- Company Reputation: 640
- Community Support: 593

Index: 1,000-point max scale
Except for Selecting a Bill Due Date, Most Billing and Payment Offerings Have Little Demand Left to Capture

<table>
<thead>
<tr>
<th>Payment Offerings</th>
<th>Billing Offerings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online at UTILITY’s website</td>
<td>Paper bill mailed to my house</td>
</tr>
<tr>
<td>40%</td>
<td>56%</td>
</tr>
<tr>
<td>14%</td>
<td>7%</td>
</tr>
<tr>
<td>3%</td>
<td>22%</td>
</tr>
<tr>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>21%</td>
<td></td>
</tr>
<tr>
<td>By mail (typically the default payment method)</td>
<td>Electronic/online billing</td>
</tr>
<tr>
<td>35%</td>
<td>45%</td>
</tr>
<tr>
<td>8%</td>
<td>14%</td>
</tr>
<tr>
<td>7%</td>
<td>12%</td>
</tr>
<tr>
<td>31%</td>
<td>13%</td>
</tr>
<tr>
<td>19%</td>
<td>16%</td>
</tr>
<tr>
<td>Online via my bank’s bill payment service</td>
<td>Email or text alerting me that bill is ready</td>
</tr>
<tr>
<td>37%</td>
<td>26%</td>
</tr>
<tr>
<td>10%</td>
<td>6%</td>
</tr>
<tr>
<td>13%</td>
<td>23%</td>
</tr>
<tr>
<td>18%</td>
<td>10%</td>
</tr>
<tr>
<td>22%</td>
<td>33%</td>
</tr>
<tr>
<td>Calling UTILITY or paying by phone</td>
<td>Fixed, level or balanced bill plan (pay the same amount every month regardless of amount of energy used)</td>
</tr>
<tr>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>9%</td>
<td>13%</td>
</tr>
<tr>
<td>11%</td>
<td>20%</td>
</tr>
<tr>
<td>25%</td>
<td>19%</td>
</tr>
<tr>
<td>36%</td>
<td>29%</td>
</tr>
<tr>
<td>At UTILITY’s office</td>
<td>Selecting my own payment due date</td>
</tr>
<tr>
<td>11%</td>
<td>16%</td>
</tr>
<tr>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>32%</td>
<td>38%</td>
</tr>
<tr>
<td>39%</td>
<td>8%</td>
</tr>
<tr>
<td>48%</td>
<td>28%</td>
</tr>
<tr>
<td>At local payment location (store or kiosk)</td>
<td></td>
</tr>
<tr>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>48%</td>
<td></td>
</tr>
<tr>
<td>Through mobile device or smartphone application</td>
<td></td>
</tr>
<tr>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>58%</td>
<td></td>
</tr>
<tr>
<td>Pre-paid meter or program (pay in advance of energy usage)</td>
<td></td>
</tr>
<tr>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>68%</td>
<td></td>
</tr>
</tbody>
</table>

*Have/use service, Interested in service/aware, Interested in service/not aware, Not interested in service/aware, Not interested in service, not aware*
Position Utility As a Product Provider
Customers will Use more products when Product Experience is rated Above-Average (over 5)
SSNI: One Network Platform For Critical Infrastructure

Smart Energy
- Advanced Metering for Power, Gas, Water
- Distribution Automation
- Energy Efficiency
- Demand Response
- Customer Engagement
- Solar
- Renewables

Smart City
- Street lights
- Traffic
- EV
- Signage

Silver Spring Network Environment
- Data Platform
- Control and Security Mechanisms
- IPv6 Network
Today’s customer

Continuously connected

- **Multi-Channel**
  Customers utilize multiple channels from online, in person to traditional channels

- **Mobile 24/7**
  Customers are more mobile, digital, and connected. They want information to be accessible anytime anywhere on any device

- **Social**
  Customers are fully connected to social networks and receive and share information through them. Trust 3rd parties.

- **Smart**
  Customers want to be educated and want their utility to be a Trusted Advisor

- **Personal**
  The information has to be customized, targeted and specific to each customer

*Sources: Fierce Energy, Silver Spring Networks 2014*
The Energy Attention Span

Short energy attention span and customer apathy

• Limited mind-share for energy
  - The average person spends 9 minutes a year thinking about energy use
  - Customers have a hard time understanding energy from an abstract perspective – need a personalized context

• Limited entry points to energy awareness
  - Few natural occasions for energy education, energy engagement
  - Bill pay, customer complaints, outages, the few ways that customers interact with utilities
  - Need to make the most of each point of engagement
Key Conversations to Change
What conversations should we rethink?

1. “Why is my bill so high?”
   - Data and technology enable us to proactively prevent this conversation from occurring
   - “Bill shock” 2nd most common reason for customer calls to a utility

2. “How do I save energy and money?”
   - This conversation rarely occurs today, and when it does it is in the wrong context (ie: triggered by bill shock)
   - Need to place this conversation in a personal context

3. “How do I help this customer?”
   - CSR conversation with a confused or angry customer can be time-consuming, costly, and unproductive
   - Need to reconsider the “Customer Service” role
The Customer of Today, Tomorrow, and the Future

LOW-INCOME CONSUMER PERSPECTIVES

PRESENTED BY STACIA HARPER
OHIO PARTNERS FOR AFFORDABLE ENERGY

OCTOBER 2, 2014

Ohio Partners for Affordable Energy
Ohio Partners for Affordable Energy “OPAE”

- **Nonprofit membership organization**
  - Advocate for affordable energy policies for moderate and low-income Ohioans.

- **Work with utilities, state agencies and other stakeholders**
  - OPAE and its members deliver federal low-income programs – WAP and LIHEAP – and manage programs for Ohio utilities.
    - **Weatherization programs** funded by:
      - American Electric Power
      - Columbia Gas of Ohio
      - Dayton Power & Light
      - Dominion East Ohio
      - FirstEnergy Corp.
      - Vectren Energy Delivery of Ohio
      - Three small natural gas utilities.
    - **Fuel funds/bill payment assistance** funded by:
      - Columbia Gas of Ohio
      - Dayton Power & Light
      - Duke Energy – Ohio
      - FirstEnergy Corp.

- **Coordinate training programs for energy efficiency and home weatherization**
The provision of power is a necessity
- Everyone is a consumer
- All aspects of society are impacted

Electricity is a regressive good
- Households with low-income and fixed incomes will pay a higher percentage of their income in additional energy costs

What do electricity consumers want?
- Affordability
- Reliability
- Consistency
- Security

Consumers do not think in terms of kWh’s generated, they think of utilities as a service.
What Services Does the Utility Provide?

- Ensure Reliable Delivery of Power to Consumers
  - Maintain Distribution Lines and Meters
  - Interface with Wholesale Markets
  - Monitor the flows of power across their lines
  - Coordinate Generator Maintenance Schedules
  - Provide Scheduling of Power
  - Act as a Balancing Authority
- Operate Call Centers
- Provide Coordinated Billing
  - Retail Suppliers
  - Demand Response Aggregators
- Manage or Collect the Funding for Demand Side Management Programs
Contact Information

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Website: www.ohiopartners.org
Helping Our Clients Power the World

PSC Introduction

October, 2014
PSC Introduction

- PSC is a consulting company that specializes in the electricity industry
- Global headquarters in Wellington, New Zealand
- North American headquarters in Kirkland, Wa.
- Primary focus is on grid operations
  - Transmission, generation, distribution, micro grid, storage, and electricity markets
  - Operations technology for IT, telecom, control systems, security, and smart grid
  - HVDC
  - System planning
PSC Group Global Organization

- PSC projects
- PSC offices
Helping Our Clients
Power the World

Specialist Consultants
to the Electricity Industry