
ELECTRIC POWER
RESEARCH INSTITUTE

Obtaining Internal Support for Customer Choices

EPRI P182 Understanding Customers

"You Ask, We Investigate": Webcast #3
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Becky Wingenroth
EPRI
Technical Leader, Principal

Joe Hally
Central Hudson
Manager of Energy Transformation and Solutions

Erin Erben & Marianne McElroy
Eugene Water & Electric Board
Resource Planning

Jennifer Todd
Gulf Power
Marketing Service Manager

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More and more, utilities want to be able to offer choice to their customers with regard to rate plans, supportive enabling technologies, or a combination thereof. Obtaining internal company support for new customer offerings can be challenging at times. There are so many supporting functions that are needed to make a new customer offering successful. Everyone needs to be aligned with the company goal to achieve success.

This presentation focuses on internal processes to gain support for customer offerings.

**P182 Customer Behavior Webcast Series:
“You Ask, We Investigate”**

Threes webcasts in the series:

1. The Demand for Residential Demand Charges
 - Jul 30, 2015 (on epri.com by Dec 31, 2015)
 - Deliverable #3002006183
2. Bring Your Own Device Program Models
 - Sep 16, 2015 (on epri.com by Dec 31, 2015)
 - Jointly presented with EPRI P170 (EE & DR)
 - Deliverable #3002006184
3. Obtaining Internal Support for Customer Choices
 - Dec 1, 2015 (on epri.com by Dec 31, 2015)
 - Deliverable #3002006185

Today!

New Customer Offerings: The Internal Challenges

Sometimes, it seems like.....

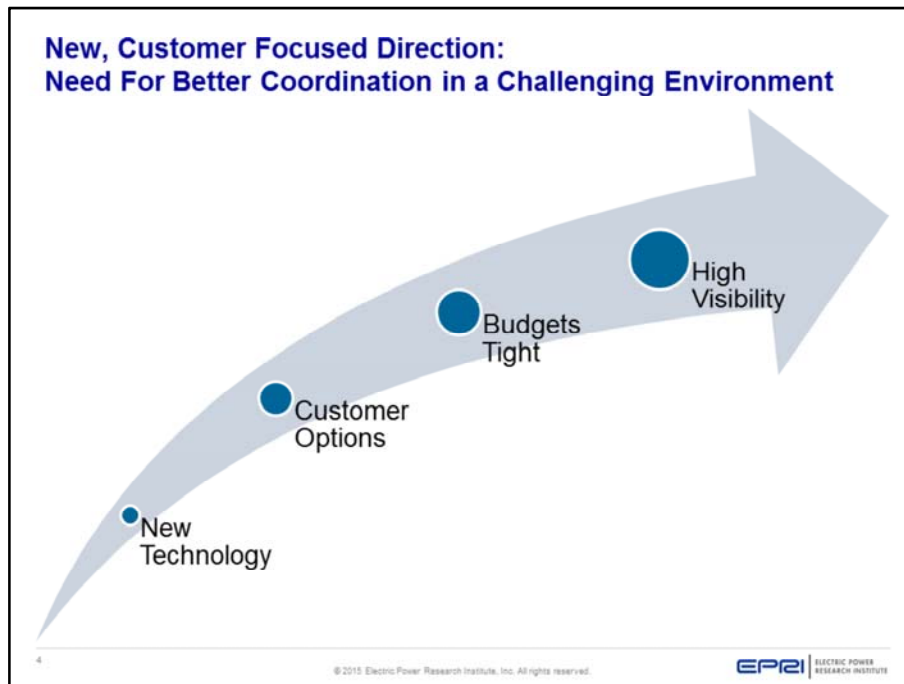


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Advancing your new customer offering to its final, successful destination may be filled with internal hazards. Sometimes (hopefully not all the time), it can feel like when we try to create new, customer offerings, it seems like everyone is against us.

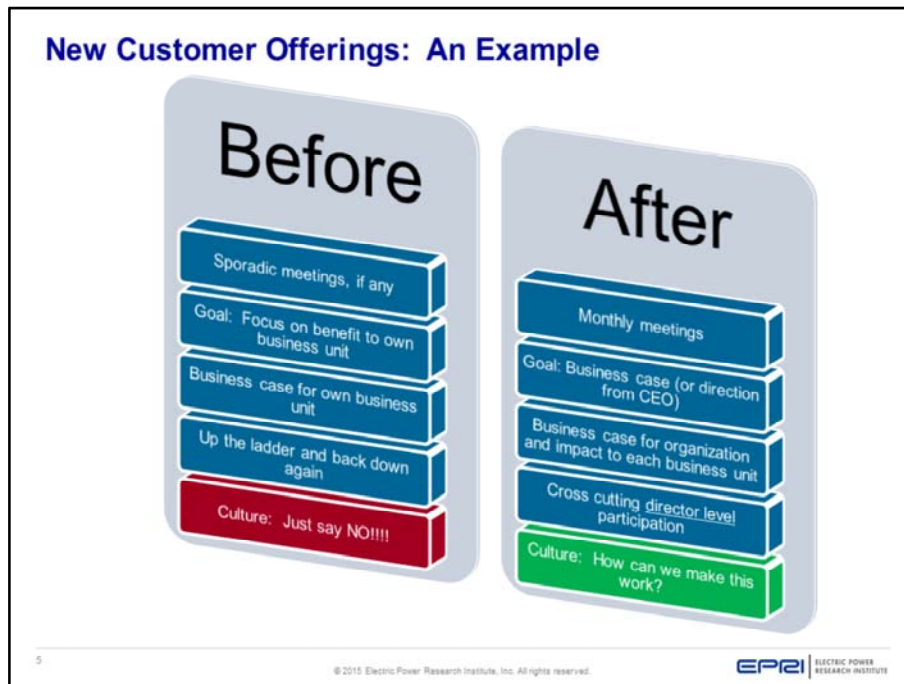


There is increased expectations in today's environment. This is due to the availability of new technology, which allows for higher customer engagement and therefore the desire for more options. Along with those changes, the budgets are getting tighter and there is more transparency with higher visibility on utility programs. So, with everyone's scrutiny, we need to offer new customer offerings that not only are desirable to the customers, but also will be supported by our internal stakeholders. What a challenge!

Example:

GPU Energy was the initial owner of Three Mile Island. After the nuclear accident, the company was on the verge of bankruptcy, filing rate cases in all jurisdictions at the state and federal level every year, trying to get increased funding to pay for the capacity shortage from two major nuclear plants. At the same time, VERY angry customers were picketing offices due to higher prices as well as anger regarding the accident itself.

The executives worked with the industry and regulators to come up with a plan that eventually led to the company's rating of Three Mile Island Unit 1 as the safest nuclear plant and our company's rating as first and second in customer service by the Commonwealth of Pennsylvania.

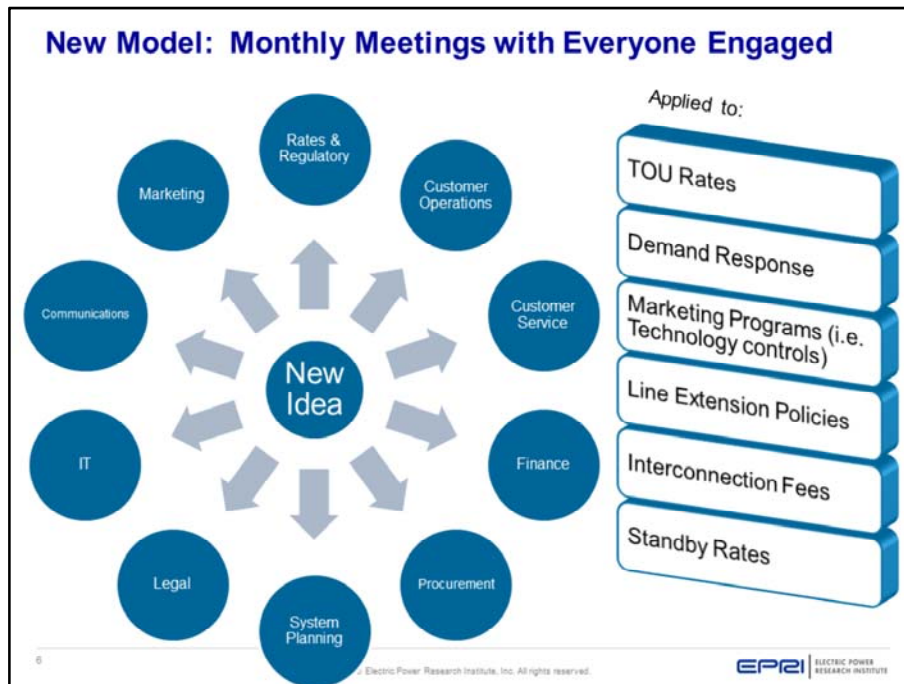


To obtain that progress, the company employees had to work together. The executives gave new marching orders: come up with a new Energy Master Plan that enabled customers to have more control of their energy usage, giving them an opportunity to lower their bills. A lot of the programs being offered in the industry today, like Time of Use Rates for all rate classes, Demand Response, technology controls, etc, we offered in the early 80s to our customers.

The challenge was that our internal stakeholders saw huge risks in getting the customer more involved. Offering options to customer beyond rebates for energy efficiency appliances and the like was about the only thing we offered prior to the accident.

The management team had to learn to work together to make changes.

They went from a culture of “just say no” to “How can we make this work?”



The Directors held monthly meetings with stakeholders in which the question became “how can we make these changes work?” versus “How can we stop this from happening?”.

The process worked so well, they started using it for any change being made in our system, even if it wasn’t a new customer offering!!!

Not company goes through a crisis situation, but still need to gain that internal stakeholder support for new ideas to achieve success for new customer offerings.

Reforming the Energy Vision

Central Hudson's
Change Management Strategy

Joe Hally

Joe Hally is the Manager of Energy Transformation and Solutions for Central Hudson Gas & Electric Corporation. Within this role, Joe has the lead responsibility for developing and executing all responsibilities related to Central Hudson's REV-related initiatives, including new demonstration projects such as the Energy Exchange, Targeted Demand Response Programs and Micro-Grids. Joe's current responsibilities also include working with the other New York electric utilities and various stakeholders in the energy industry to develop policy positions in order to facilitate the implementation of the Reforming the Energy Vision proceeding (REV).

REV Initiatives

Feasibility Study
Approved



Approved

Targeted
Demand
Response



Approved

Energy
Exchange



Reforming the Energy Vision (REV) is a policy proceeding in New York aimed at reducing carbon and giving customer more control of their utility bills, as well as increasing the use of Distributed Energy Resources.

Central Hudson introduced new initiatives in support of the REV goals.

1. Microgrids: working with NRG to provide a microgrid at the Sterwart international airport that can accommodate many different resources. Central Hudson analyzing costs.
2. Targeted Demand Response: goal to defer capital investment in three targeted zones. Intend to share savings with customers.
3. Energy Exchange (to be renamed): Looking to provide mass market customers an engaging and informative new channel to interact with customer programs, purchase products and services and utilize energy and bill information to make informed decisions. This program will also give energy savings tips.

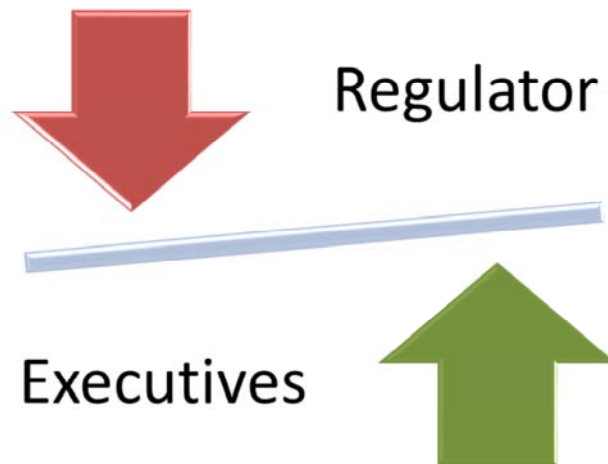
Seeds of Change



There were many changes in this process:

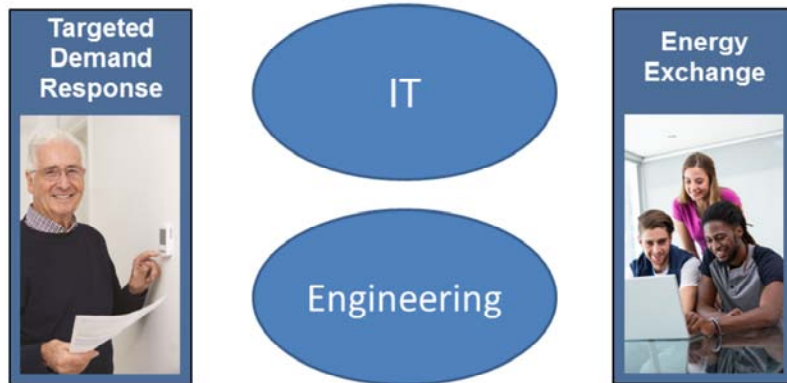
1. **Regulatory:** Changes in regulatory structure in New York. A new energy Czar, Richard Kauffman and new chair of PSC, Audrey Zibelman, who have been instrumental in moving REV forward, engaging many stakeholders.
2. **Internal:** Central Hudson was fortunate to have a number of very talented employees that were looking for new, cutting edge projects. Central Hudson staff wanted to get engaged.. This was very beneficial. In addition, senior executives wanted to stay ahead of the regulatory curve. If changes is being called for, we should embrace it and get engaged.
3. **Customer Expectations:** Particularly in the Energy Exchange program, Central Hudson is trying to get customer interaction with the utility company to increase similar to what is being seen in other industries

Challenges & Endorsements



- When Central Hudson developed the three projects, they saw the need for buy in, specifically with regulators and executives. It was also very important for the PSC staff to be involved. The PSC staff was a key stakeholder group.
- The Central Hudson executives wanted to know for each project the value and benefits for the customer, what new channels were being used. They also wanted to make sure that the projects were at the forefront of new activities in the state. Central Hudson is a smaller utility in the state and felt that if other utilities' programs were mandated for their utility, it might not be the best fit.

Key Department Buy-In



After high level buy in, needed to focus on internal stakeholders. The process for this change management was somewhat informal because of time constraints. The project team worked with individual departments directly to make sure the projects were realistic. The two departments that played the largest role was IT and Engineering.

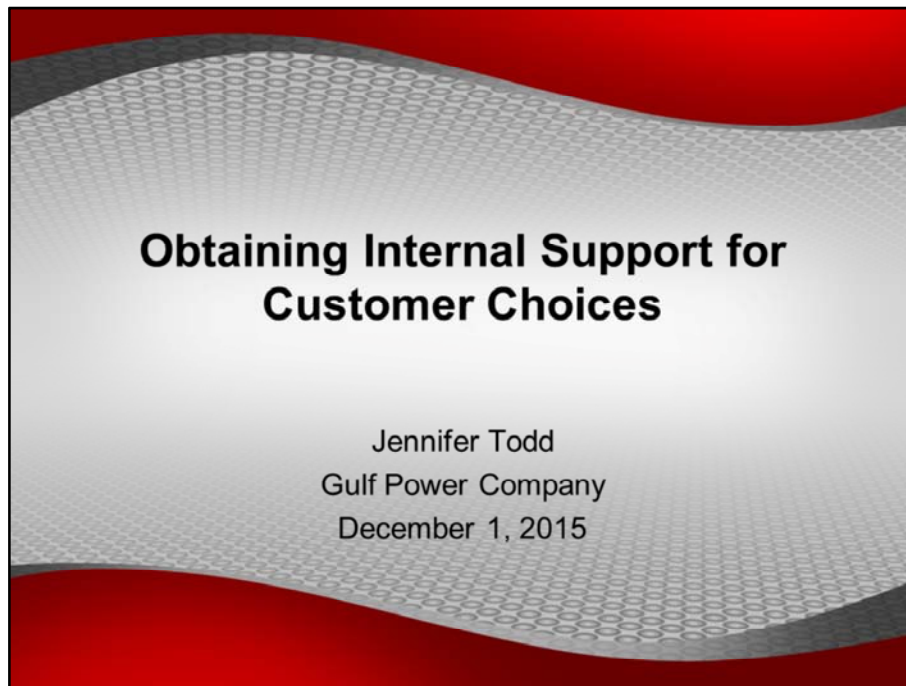
These departments were brought in very early on. Formal socialization with the rest of the company is yet to come.

Key Takeaways



What was key is the alignment of goals and communicating at all levels.

The project team was created after REV started. It was staffed from experts from the existing working projects and included experts from Energy Efficiency/Demand Response, IT, as well as new hires that were external experts who had additional skills needed. The employees have been excited to work on these new concepts.



Jennifer Todd is the Marketing Services Manager for Gulf Power Company, a subsidiary of Southern Company, located in Pensacola, Florida.

As the Marketing Services Manager, Jennifer and her team are responsible for providing analytical and regulatory support to the Marketing organization. They are responsible for customer research, residential and small commercial end-use research, customer pricing analyses, cost-benefit analyses for new product offerings and reporting.

Customer Program Opportunity

Does FlatBill® work for you?

- ☐ I'm on a fixed price
- ☐ I like convenience
- ☐ I don't want to shop
- ☐ I'd like to explore another electricity provider
- ☐ I don't know what I'm doing
- ☒ I'm ready!

After you bring in the new electricity bill 12 months ago, you'll see how much you've saved. If you're not ready to bring in the new electricity bill, you'll see how much you've saved. If you're not ready to bring in the new electricity bill, you'll see how much you've saved.

There's still time!

You can still sign up for Gulf Power's FlatBill® program.

FlatBill® will give you peace of mind knowing your bill is the same every month for the whole year, regardless of how much electricity you use. This is a great way to budget your electricity costs.

FlatBill® locks in your electricity rate for the first 12 months, the expected median for the upcoming 12 months and guaranteed savings of more than \$100 a year. After the 12 months, you'll see how much you've saved.

The complete details on the FlatBill® program will be sent to you by email. Sign up now at GulfPower.com/FlatBill.

This offer is available only for a limited time and may be extended or terminated by Gulf Power at any time.

Account No.: (000000)
Service No.: (000000)
FlatBill® Monthly amount: (\$99.99)
FlatBill® Annual amount: (\$999.99)
Reg. Monthly amount: (\$99.99)
Reg. Annual amount: (\$999.99)

See website for details on the FlatBill® program. Gulf Power reserves the right to modify or terminate this offer at any time.

GULF POWER
A MEMBERSHIP COMPANY

[John Sample]
We promise your electricity bill will be just \$109.00, each month for a whole year!

At Gulf Power, we give you peace of mind knowing your bill is the same every month for a whole year, regardless of how much electricity you use.

How it works:
 FlatBill® locks in your electricity rate for the first 12 months, the expected median for the upcoming 12 months, and guaranteed savings of more than \$100 a year. This makes a month's bill just \$109.00.

FlatBill® guarantees your rate will stay the same for 12 months, regardless of how much electricity you use. After the 12 months, you'll see how much you've saved. If you're not ready to bring in the new electricity bill, you'll see how much you've saved.

Does FlatBill® work for you?

- ☐ I'm on a fixed price
- ☐ I like convenience
- ☐ I don't want to shop
- ☐ I'd like to explore another electricity provider
- ☐ I don't know what I'm doing
- ☒ I'm ready!

After you bring in the new electricity bill 12 months ago, you'll see how much you've saved. If you're not ready to bring in the new electricity bill, you'll see how much you've saved.

Extreme Weather. Summer Heat. Winter Frost. Same Price. Every Month.

I want to pay only \$109.00 each month.

Sign Up Now!

Account No.: (000000)
Service No.: (000000)
FlatBill® Monthly amount: (\$99.99)
FlatBill® Annual amount: (\$999.99)
Reg. Monthly amount: (\$99.99)
Reg. Annual amount: (\$999.99)

See website for details on the FlatBill® program. Gulf Power reserves the right to modify or terminate this offer at any time.

This project focused on FlatBill® is underway with Gulf Power right now.

What is *FlatBill*®?

- Pricing option offered by Gulf Power to eligible residential and small commercial customers
- Fixed bill amount from Gulf Power for a 12 month period regardless of actual electricity usage
- Each eligible customer receives a customized *FlatBill*® offer
- Customer offer includes assumptions for increased usage and a risk premium
- At the 11th month, customer receives an updated *FlatBill*® offer and can choose whether to continue with the program

Eligibility for the *FlatBill*® program is dependent on:

- Customer type (Residential and Commercial only)
- Customer must have been in the same premise for the most recent 12 months
- Customer must be in good credit standing with Gulf Power
- *FlatBill*® offer only applies to electric service (no street lighting, etc.)
- *FlatBill*® is calculated by taking 12 months average usage for most recent 12 months and estimating future usage. A 5% risk premium is then added to the bill amount.
- Each Customer's offer is unique.
- Each year customers can choose whether to move forward for another year.
- There is a "true up" if the customer leaves the program before the 12 month commitment period is over.

Why a *FlatBill*® Campaign



Florida Public Service Commission approved the FlatBill® rate option in 2005. Gulf Power conducted a customer solicitation campaign in 2005 and another campaign in 2007. There has been no active campaign since 2007 and that has caused a slight decline in overall enrollment numbers.

Greatest Value:

Customers are consistently more satisfied.

Customers can plan better.

Process for Approval

- Develop Business Case
- Obtain Internal Stakeholder Buy-in
- Obtain Business Case Approval
- Develop Regulatory Documentation (if applicable)
- Obtain Regulatory Approval (if applicable)
- Communicate Results
- Implementation Begins

Projects requiring regulatory approval can add months to the process. Extra time is required to develop regulatory documentation and obtain internal approvals. Once a request has been filed with regulatory bodies, there is a lengthy review. The time period required for this varies, but it often involves additional data requests for clarification and/or more information. This review process must be complete before an item is actually scheduled for regulatory approval.

Within the utility, the business case is developed including a cost/benefit analysis.

It's important to get internal stakeholders engaged early on in the project.

Presentations are typically made to the executive team in order to obtain approval to move forward.

Once approval is obtained, the results are communicated and the implementation tasks begin.

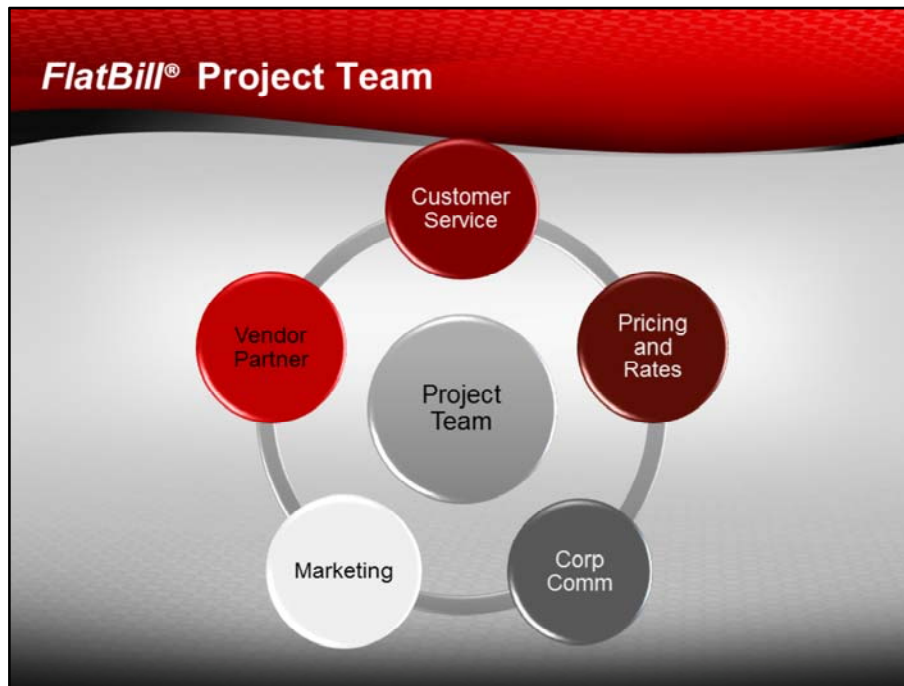
Process for Implementation

- Identify Project Manager
- Assemble project team
 - Internal Resources
 - External Resources
 - Others
- Develop detailed project plan and schedule
- Schedule Project Meetings
- Communicate Status

The key for making projects happen is:

- Obtaining buy in on the front side by including all of the right stakeholders
- Setting clear expectations with a detailed project plan
- Keeping the project plan in front of the team with regular status meetings

Success: Communicate, communicate, and communicate again



There are a lot of departments involved in this particular project.

The Call center is engaged in enrollment, unenrollment and taking care of customer issues. There are impacts to call center call times, etc.

Pricing and Rates facilitate the offers.

Corporate communications help to prepare all customer information and helped with customer focus groups prior to the campaign.

The marketing team managed the case.

A vendor partner handled all the mailing logistics.



Gulf Power Core Value: Customer are at the center of everything we do. This helps the company to stay aligned.

All departments in the FlatBill® project team have priorities that potentially compete with the project objectives. For example, we were asking the Call Center to help sell the FlatBill® product as they talk to customers on the phone. They are charged with getting customers needs fully as efficiently as possible. We had to work around these competing priorities.

We also want to sell FlatBill® to the right customers. Our employee incentive campaign could incent employees to sell the product to any customer without ensuring they are the right customers. We did training and prepared other communication materials to help avoid this.

Example: Corporate Communications goal was to create compelling material for the customers. This had to be balanced with delivering a clear message that met regulatory guidelines.

Example: True up when customers leave the program. This region has a lot of military customers who tend to come and go as customers. Therefore, had to coordinate with call center and communications to make sure customer information was very clear up front to emphasize customers should plan to be enrolled for a minimum of 12 months.

Example: Interest in conducting part of the campaign by email was an option not pursued in previous campaigns. Worked with the vendor to set up a test group to see results of various customer demographics to respond to email versus direct mail.

FlatBill® Project Status

FlatBill Campaign • Dashboard Nov. 24, 2015

FlatBill Enrollment Rate
% of Total Campaign Solicitations (2874)

4.75%

Total Mail Drops Delivered as of 11/24/2015

11K 11K 11K 21K 21K 21K 21K 21K 21K

Milestones:

- A total of 187,416 solicitations have been distributed through 11.24.2015.

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FlatBill® Program:

Question: Some years lose money and other make money. Does this fall above the line?

Answer: FlatBill® is an above the line program.

Questions: Any pushback from regulators that when you lose money, all customers will pay for this?

Answer: The risk premium that we add to the FlatBill® rate calculation is intended to avoid this issue.



Eugene Water & Electric Board

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Eugene Water & Electric Board

**Introducing New Products &
Services at EWEB**
“ Thoughts from the front lines...”

Erin Erben & Marianne McElroy
Power & Strategic Planning

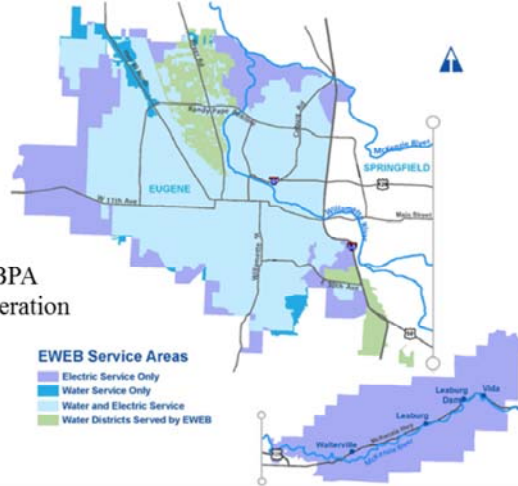


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Erin Erben and Marianne McElroy work in EWEB's Power and Strategic Planning Department, which has been responsible for R&D for EWEB over the past five years. Early on they focused on technology solutions, but with this pricing pilot moved into the customer behavior domain.

The Eugene Water & Electric Board

- **Water Utility**
 - 52,000 customers
 - McKenzie River
 - 26 Reservoirs
- **Electric Utility**
 - 89,000 customers
 - 70% power purchased from BPA
 - 23% owned & co-owned generation
 - 7% power contracts



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ERIN

1. Founded in 1911, is Oregon's largest customer-owned utility
2. EWEB is chartered by the city of Eugene to serve the interests of its customer owners.

How did we get here?

Our history includes a portfolio of conservation programs and Windpower/ Greenpower programs. Now we are focusing on what our customers want now, and in the future.

- Results of most recent IERP
- Changing business model as a result of external influences and internal modernization



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Does your organization have a process to gain new program/project success?

EWEB's historic culture has had a key focus on environmental issues. They are trying to avoid building new generation. Their portfolio of conservation programs has been in place for over 30 years. They have been engaged in Windpower/ Greenpower programs for 10 years.

EWEB is currently in the last year of a five year program to explore new programs that include customer preferences.

2011 IERP Recommended Strategies

- ✓ Pursue conservation to meet all forecast load growth
- ✓ Partner with customers to avoid new peaking power plants
- ✓ Continue to rely on and expand regional partnerships
- ✓ Pursue new large load strategy, if needed
- ✓ Review progress and key assumptions annually



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Why did you decide to offer a new set of customer programs, and where did this decision come from?

EWEB executive management gave direction for their five year planning process

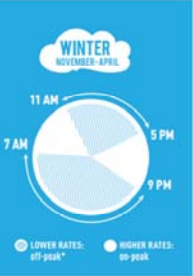
EWEB R&D

1. Cold Storage & Wastewater Treatment Demand Response
2. Water Heaters as Thermal Storage
3. Time of Use Pricing

Community Solar




Grid Edge Demonstration Project (Microgrid)



WINTER
NOVEMBER-APRIL

11 AM
7 AM
5 PM
9 PM


● LOWER RATES: off-peak* ● HIGHER RATES: on-peak



SUMMER
MAY-OCTOBER

12 NOON
8 PM
12 NOON

● LOWER RATES: off-peak* ● HIGHER RATES: on-peak



POWER HOURS PRICING
SHIFT & SAVE

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What are some examples of these new products & services that EWEB has introduced?

EWEB transitioned from residential to commercial programs over time with experiences. Their avoided costs are relatively low, and therefore, technology was not cost effective at scale. However, customer acceptance was higher than expected and EWEB customers successfully shifted load from peak times.

EWEB's Community Solar and Grid Edge Demonstrations are part of their future plans.

They are also trying to stay ahead of the regulatory curve by testing creative new ideas.

Introducing... *Power Hours Pricing!*

- 2 year study;
currently starting
year 2
- +/- 500 customers
- Without AMI
infrastructure



EWEB

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Can you give a successful example of a new customer program in which you obtained support from other departments within your organization?

A significant challenge was that they launched this pilot without all the technology (i.e. AMI). Therefore, they had to work closely with their internal stakeholders to find solutions to work around the technology they didn't have access to.

Let's talk about buy in...

1. Know your audience & develop a common language
2. Proactive engagements to create a shared vision of success
 - Customers/ Trade Allies
 - Executive Leadership/ Board
 - Internal Community



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How did you get support from other departments to support your program?

Within the utility, EWEB had to communicate definitions of various terms (i.e. demand response). Some of their staff in other departments were either not familiar with the specific terminology or used different terminology.

To enhance their communication efforts, they:

1. Utilized existing company meetings for communications, which included department meetings, executive meetings, etc.
2. Labelled their technology (i.e meters...see picture above which assisted meter readers)

What we were up against...

- “Towers of Excellence” v. silos
 - Cross functional teams v. everybody else
- Technology
 - “We can’t.” v. “We won’t.”
 - Trade ally promises
- Uncertainty
 - Common vision
 - Localized support



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What worked and what didn't work?

EWEB's core project team shared information well. However they recognized the need to engage the rest of the utility population so that the entire company was aligned.

They had some challenges with meters and meter infrastructure because of changes in the technology.

Their project team tried to build upon other project groups work instead working solo and reinventing the wheel. Leveraging that expertise and experience was valuable.

Creating the “Power Hours” Team



Typically who do you have to get endorsement from for success?

This team engagement picture depicts the team effort within the company.

EWEB: A Long Way to Go...

HMMM...

- **Behind in technology investment**
- **Surplus energy for the next decade**
- **Still short capacity for arctic events**
- **Flat load growth**
- **Costs higher than average**
- **Carmen Smith relicensing**
- **Organizational Change Readiness**



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What challenges (issues, specific departments, etc.) do you face usually internally when you try to initiate a new program? How do you overcome those challenges?

Challenges and solutions:

- The items marked in red are directly related to R&D efforts
- They didn't have an advanced technology base to work from, so worked around those challenges by working closely with other departments for support and expertise.
- A limited budget actually created some innovation among the team members.
- Identified change management as something to work on.

What is our process to achieve success?

We have had some initial successes, and now we are looking to formalize and solidify what works...

And change what did not.



Process is to build upon successes and stop doing what doesn't work.

EWEB created a project team with competent project manager which worked very well.

Lessons Learned

1. What *we thought would be* the biggest challenge, customer acceptance; what *turned out to be* the biggest challenge, **internal processes**.
2. Recruitment contractor – requirements changed, impacting fulfillment.
3. Defining a shared purpose & promoting mutual benefit can move mountains.
4. When the future state is undefined, or unknown, managing expectations will be a moving target.



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TRANSITION BACK: What did you/your organization learn from the process you went through?

Key Learnings:

1. Documenting improvements is very important to learn from experiences.
2. The recruitment process requirements had some “scope creep”. The project team advice is to learn as much as possible about what you will need prior to implementation in order to waste less time. This was especially true when brining in 3rd parties.
3. Develop both short term goals as well as long term goals to advance the project well. Incremental phases may change and shift, which is fine. However, it is important to have short term goals to also demonstrate progress.

What's Next?

Our modernization efforts are enabling more opportunities to bring value, choice & control to our customers.

We are formerly adopting an organizational change preparedness, or change management, policy in 2016.



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Key Points:

1. Moving to a main stream effort with grid modernization is important.
2. It's important to include all stakeholders.in for better understanding at a company level.
3. We need to implement positive change without waiting for a crisis. In normal operations, it's hard to create urgency, but organizations still need to prepare for change.

Our Opportunity



We are focused on creating a future where there are opportunities to enhance our community's vitality by developing new products & services consistent with the values of our customer-owners.

With great challenge comes great opportunities...

EWEB is developing and implementing a strategic plan (& IERP) to drive the organization to define what a future EWEB looks like in this rapidly change environment.

We Must Continue to Perform While We Transform

Preparing for the future, or transforming the business, is the work we will do every day that will take us into the future.

We must choose carefully and focus on only a few transformational objectives at a time and then execute well.



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EWEB is developing their vision for the future by considering new ways to conduct their business that achieves their goals.

Conclusion



At the core of our business decisions are our customers; why we exist. Our intent in this work is to move EWEB from a historically asset-focused utility to a much more customer-focused one!

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Concluding remarks:

Customer is at the center of everything we do. We need to keep focused on that.

Questions: How can you apply the rates without having the AMI technology?

Answer: The water heater pilot had data coming through the internet so we did have the technology and that was collected through a third party. However, for time of use program, we didn't have the ability to collect data remotely. Meter readers collect billing data as determined by a sticker on the meter. Interval data is downloaded from the meters every two months.

Rely on us.

Erin.Erben@EWEB.org
Marianne.McElroy@EWEB.org





Summary:

1. Obtaining internal support for new customer offerings is critical to a program's success.
2. Engage stakeholders as early as possible in the process
3. It is important to communicate the new programs to the rest of the organization
4. Learn as much as possible about the subject in advance to avoid costly time delays.
5. Pilot projects minimize risk because:
 1. Allows for flexibility in testing different approaches
 2. Less financial risk
 3. Easier exit strategy
 4. More accountability
 5. Reporting easier
 6. Can be implemented outside a costly rate case
6. Pilot projects sometimes cannot avoid costs related to "set up" costs.



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