

STATE OF MINNESOTA
BEFORE THE PUBLIC UTILITIES COMMISSION

Nancy Lange	Chair
Dan Lipschultz	Commissioner
Matt Schuerger	Commissioner
Katie Sieben	Commissioner
John Tuma	Commissioner

Residential Time of Use Rate Design Pilot
Program

MPUC DOCKET NO. E002/M-17-775

**COMMENTS OF THE
SUBURBAN RATE AUTHORITY
REGARDING XCEL PETITION FOR
TOU PILOT**

INTRODUCTION

These are the comments of the Suburban Rate Authority (“SRA”) to the Xcel Time of Use (“TOU”) filing. The SRA supports implementation of Xcel’s residential TOU pilot conservation rate design, after appropriate plan development and necessary clarifications have been made. The SRA’s initial comments will focus on the Customer Engagement component of Xcel’s November 1, 2017 Petition.

The SRA was pleased to participate in some of the stakeholder meetings and looks forward to the further development of this pilot. The SRA believes that the TOU pilot will yield valuable customer information to Xcel and the Commission. The pilot will further usher in the type of conservation opportunities that new technology can afford all residential electric customers. Incenting residential customers to use electricity at times when generation is cheaper will educate customers and test their willingness to adjust usage habits appropriate to cost.

The SRA is disappointed that Xcel’s estimated commencement of an approved TOU pilot is not until the first quarter of 2020.¹ With such a long lead time, however, comes the opportunity to hone the TOU pilot structure and customer communication process. To that end,

¹ Xcel Energy (“Xcel”) Petition (“Pet.”) to Approve TOU Petition, p. 35.

the SRA looks for the details of the “Customer Engagement” component of the pilot, touted in general terms on pages 32 and 33 of the Petition, to evaluate the extent to which the TOU pilot will have “transparent, proactive communications”...“create a positive customer experience”...“rais[e] awareness”... and “a robust plan to support, inform and engage customers...”² It is clear that the strategies, messages and educational tools are under development.³ With one of the two test areas located in the boundaries of an SRA member, the SRA has a high interest in reviewing the Customer Engagement details to evaluate the important “first impressions” that potential participants will have affecting their decisions to remain in the pilot or opt-out.

Customer Engagement is a critical part of the success or failure of the TOU pilot. Xcel’s historically limited customer participation in its existing and similar Time of Day Service (rates A02 and A04) highlights the need for strong customer education and feedback components in the TOU pilot. The potential for customer and system-wide benefit through TOU pricing is apparent, but significant customer interest in utilizing a TOU rate design is not yet apparent. That interest must be carefully and objectively gauged as part of this pilot.

Accordingly, the details of Xcel’s broad Customer Engagement goals can and should be completed, produced and reviewed by the parties before implementation. These details should not be deferred or kept under wraps until the TOU commences.

COMMENTS

- 1. The SRA Supports the Diversity of Customer Found in the Two Test Areas but is Curious Whether Additional Areas can be Included.**

² Xcel Pet., pp. 32-33.

³ *Id.*

The Petition reveals that two service areas will be the sites for eligible TOU pilot participants—Hiawatha West and Midtown Minneapolis and Eden Prairie.⁴ The SRA appreciates that these areas suggest that the respondents will comprise a reasonable cross-section of socio-economic conditions affecting the customer use. Xcel does not explain, however, the means it will use to ensure that the approximately 10,000 pilot participants will reflect the economic and family diversity that can be found in these two service areas. With an opt-out pilot plan, it is unclear how Xcel will control the diversity of participants, necessary to gain the most accurate information on the broad, or narrow, customer appeal of a TOU.

As generally described, it seems possible that the pilot could be imbalanced in participants either by higher income or lower income. The Petition does note a plan “We will develop” that customizes communications to reflect the diversity in the test areas. Such a plan needs to be completed and reviewed before implementation for greatest effectiveness. Xcel includes the results of the July 2017 survey in Attachment B. It reflects pertinent questions and information. Yet it is hard to determine how representative these responses are of the eventual cross-section of residential customers that will embrace or ignore a wider TOU offering.

The SRA is pleased that one of the test areas is within the jurisdiction of an SRA member, Eden Prairie. This heightens the SRA’s interest in the type of communications Xcel conveys to customers in the test area. Regarding the areas selected, on page 17 of the Petition, Xcel reveals that the Westgate substation test area serves customers in Eden Prairie and also parts of Chanhassen and Minnetonka. Each city is an SRA member. Xcel even notified the three cities of their jurisdiction over potential TOU pilot participants. Unfortunately, despite the Westgate substation boundaries encompassing portions of Chanhassen and Minnetonka, neither city has any residential customers within the pilot test area. Both areas are zoned commercial

⁴ Xcel Pet., p. 10.

only, with the possible exception of two or three dwellings. Because of the notice, however, city staff in Chanhassen expressed interest in the pilot on the belief that city residents would or may be part of the pilot, as represented by Xcel. Now it is apparent that is not the case.

This piece of Xcel misinformation highlights a couple of relevant issues. First, it demonstrates the importance of the pilot having well-thought through, well-researched, accurate communications to potential and actual participants. Innocent mistakes can negatively affect the attitudes of potential participants and the pilot. Staff and possibly council members in Chanhassen and Minnetonka are disappointed to hear that there will be no residents in their cities participating in the TOU pilot as presently structured. The Petition provides no communication material and, therefore, the SRA is unable to comment on what Xcel will be communicating with customers.

Second, it raises the issue of whether the TOU pilot can expand in area. This request is made on behalf of Chanhassen and Minnetonka, which having been led to believe that their residents would be part of the pilot are now interested in that participation. This is a positive indication for the TOU pilot. The SRA realizes that the areas are based on substation capabilities but the question remains whether the test areas can be expanded, while keeping the number of participants the same, or increasing the test size with it.

Xcel's opt-out method itself raises the question of whether it will actually deny customers the opportunity to participate if few opt-out in the test areas, or will it expand the pilot group? Conversely, if many more opt-out than predicted and the test group falls well below 10,000, Xcel may regret not having a third test area or expanded area in Chanhassen and Minnetonka.

2. The SRA Awaits Specifics to Xcel's Plan of Participant Education and Ongoing Communication about TOU.

The Petition emphasizes the importance of “Customer Engagement” and seeks to develop “effective” strategies that will “be grounded in transparent, proactive communications.”⁵ Yet all of the specific messaging content and methods seem to be under construction.⁶ This is not necessarily a criticism of Xcel’s progress to date. Rather it is intended to highlight the fact that pre-implementation Commission and interested party review of the strategy and content employed at the beginning, during and after the pilot, is very important. As Xcel accurately points out in the Petition regarding, “. . . transparent, proactive communications. This will help facilitate customer trust. . .”⁷ The varied interests, family situations, incomes and customer knowledge of the TOU design will help Xcel shape the vital customer engagement/communication process in this pilot. It can make the difference between an acceptance of TOU and its future benefits to both ratepayers and electricity generation, and rejection or a ho-hum response to a rate design that involves altering electricity use patterns to derive benefit.

For example, when Xcel first communicates with potential participants in the test areas, will it encourage participation generally, or identify participation preferences or requirements to limit or obtain balance in participant electricity usage, family size, conservation interest or factors? The opt-out method of establishing the test participants will generate a significant number of questions from potential participants in the test areas. Xcel needs to explain more about its strategy for introducing the pilot in the test areas and information it will communicate to those customers contacting Xcel about whether to participate or not. Will Xcel’s

⁵ Xcel Pet., pp. 14, 32-33.

⁶ Xcel Pet., p. 3 “will prepare” communications; p. 14 “As we develop a detailed customer engagement plan...”; p. 32 “The Company will develop a set of messages....”

⁷ Xcel Pet. p. 32.

communications in response to those inquiries be influenced by whether participation levels are easily reaching the 10,000 limit or not? Alternatively, will Xcel resort to recruiting participants if the roll-out does not retain the number of participants it needs; in pure numbers, or in diverse customer factors?

What are the communications Xcel intends to share in those initial, important pilot shaping days? The Petition states that Xcel will develop communications adjusted to best appeal to the diverse customer income levels.⁸ Party input on the specifics of those communications may assist Xcel in developing the most effective means and messages.

Xcel also states that it will have two Phases of communication in this pilot.⁹ Phase one focuses on educating participants in usage of the meters.¹⁰ During Phase one, will Xcel also administer a survey similar to the online survey Xcel's consultant Lon Huber administered in July 2017 in the same areas?¹¹ While there may be those who also responded in July 2017, a substantial, new customer response group will provide important "pre-pilot" views about attitudes and knowledge related to TOU and other relevant electricity use subjects. This baseline survey can then be a comparison to the survey of participants Xcel should administer upon completion of the TOU pilot.

Xcel's overview of this process on pages 3, 14, 32 and 33 of the Petition does not reflect what it intends to emphasize to potential participants and actual participants. That detail would be helpful in the SRA's evaluation of what level of success this pilot may have in educating and incenting participants in the efficient use of electricity. The SRA's member cities include the full range of households within Xcel's residential class. In addition to customers in large homes and

⁸ Xcel Pet., p. 33.

⁹ Xcel Pet., p. 32.

¹⁰ *Id.*

¹¹ Xcel Pet., p. 10.

heavy usage patterns, approximately 15% of total SRA city population live in households with incomes at 150% of poverty level or below. The engagement, acceptance and participation of both ends of the residential customer spectrum are important to this pilot and to electricity conservation efforts.

Xcel references the two Phases of customer information and engagement but does not state whether Phase one will end before Phase two begins, or whether they will have a concurrent duration. The focus of Phase two—increasing interest and knowledge in TOU—is positive. Again, the SRA would be interested in knowing what methods will be used to accomplish these important goals. Xcel undoubtedly will be expending greater resources to increase customer interest and knowledge in TOU than it has for the Time of Day rate design option.¹² Knowing what Xcel has communicated to customers on the Time of Day program may itself provide some guidance in ways to distinguish TOU from Time of Day and generate more interest in TOU than has been demonstrated with Time of Service.

3. Xcel should address how pilot participants will be transitioned at the end of the pilot.

During the stakeholder meetings, concern was raised about how Xcel will transition participants at the end of the pilot. Xcel does not include in its proposal a plan for those customers that have participated in the TOU pilot. Xcel has the Time of Day option that may provide further helpful information on the success of the TOU pilot. Presumably the pilot must be terminated for evaluation by the Commission for consideration of actions to take going forward. Participants will be informed of their options while the TOU pilot is being evaluated. Participant sign-up for Time of Day will be an indicator of continued customer interest in a rate

¹² Xcel Pet., p. 34.

design based on time of use. While indirect, either very high or very low sign-up for Time of Day by the 10,000 pilot participants will be a gauge of the TOU pilot success.

4. More metrics on the bill may increase participant awareness and incentive to alter time of use.

The sample bill in the proposal can be improved with more user-friendly charts to educate and incent participants to improve the efficiency of their energy use.¹³ The sample bill includes a table showing Total Energy, On Peak Energy, Mid Peak Energy, and Off Peak Energy for the billed month. Perhaps the same information can be depicted with bar graphs. During the second year of the pilot a month to month comparison with the previous year can help the customer gauge improvement or not, factoring in the different kWh rates and temperatures, as done currently on electric bills. A more detailed chart may allow a quick take on when most of the energy is used by hour rather than just rate block. Also, helpful tips on usage can be conveniently placed to provide information the customer may not have known.

Xcel's survey indicates that customers do not spend much time looking at their bill.¹⁴ This is not a surprising response and validates one of the major hurdles in any new rate design that requires usage education and the establishment of new usage patterns to derive benefit—many electricity customers pay little attention to their bill, other than the total, and further fail to focus much on means and methods of saving electricity.

One measure that might counteract this customer condition may be to vary TOU pilot bill information formats among the participants and follow up with the customers as to whether the bill information positively or negatively affected their participation on TOU at the optimal times. The premise is to identify whether bill information or format can impact desired utility use. For example, a table showing the customer's highest use day and lowest use day would allow

¹³ Attachment ("Att.") H.

¹⁴ Xcel Pet. Att. B, p. 2.

customers to gain specific knowledge about how their use impacts their bill. Another option would be a chart showing the on and off peak use prior to the pilot compared to during the pilot assuming Xcel gathers data before the pilot begins.¹⁵ Although the SRA does not know if any of these suggestions would be possible or cost effective, additional metrics included on the bill could promote greater customer investment in the pilot.

SRA RESPONSE TO COMMISSION QUESTIONS

For the reasons stated above, the SRA believes the details of TOU implementation and customer communication are far too undeveloped to approve TOU proposal and tariff as submitted. It is unclear to the SRA why such approval is necessary at this early point for a pilot Xcel intends to implement in the first quarter of 2020—two years from now. The SRA defers to the Department and Office of the Attorney General on the remaining Commission questions posed in the November 14, 2017 Notice of Comment.

The SRA appreciates the opportunity to comment on the TOU pilot that is hopefully the first of several options for residential electricity customers to become more informed and efficient users of electricity.

Respectfully submitted,
KENNEDY & GRAVEN, CHARTERED

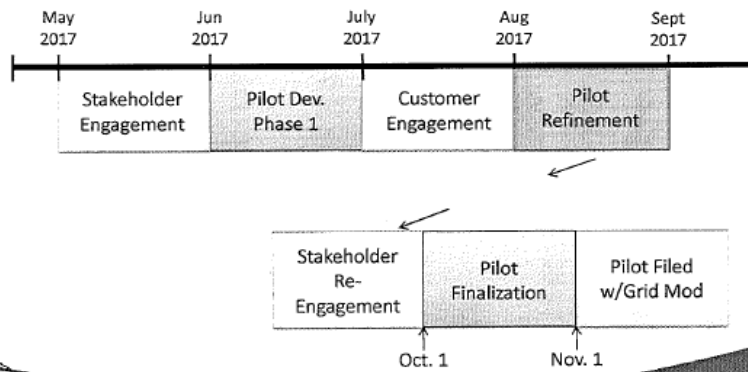
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¹⁵ The Proposal states that Xcel will gather data in Q3-Q4 of 2019 to establish a baseline of customer usage data after the new meters are installed but before the pilot begins in Q1 2020. (Proposal 35.)

PILOT DEVELOPMENT TIMELINE (“TIMELINE”)

Pilot Development Timeline



Stakeholder Engagement

- Small, Diverse Group of Stakeholders
 - Low income customers
 - Business customers
 - Renewable developers
 - Electric Vehicle advocates
 - Environmental advocates
 - Residential customers
 - DSM experts
 - MN Commerce
 - MN Office of Attorney General
- Convene core group of stakeholders for 2-3 meetings in May and Sept.
 - Deeper dive on specific topic areas
 - Facilitated stakeholder discussion, together w/ Company experts