



# Time-of-Use Workshop 1

*EW-2023-0199 / March 28, 2023*



**Schedule SLKL-d9**



# Agenda

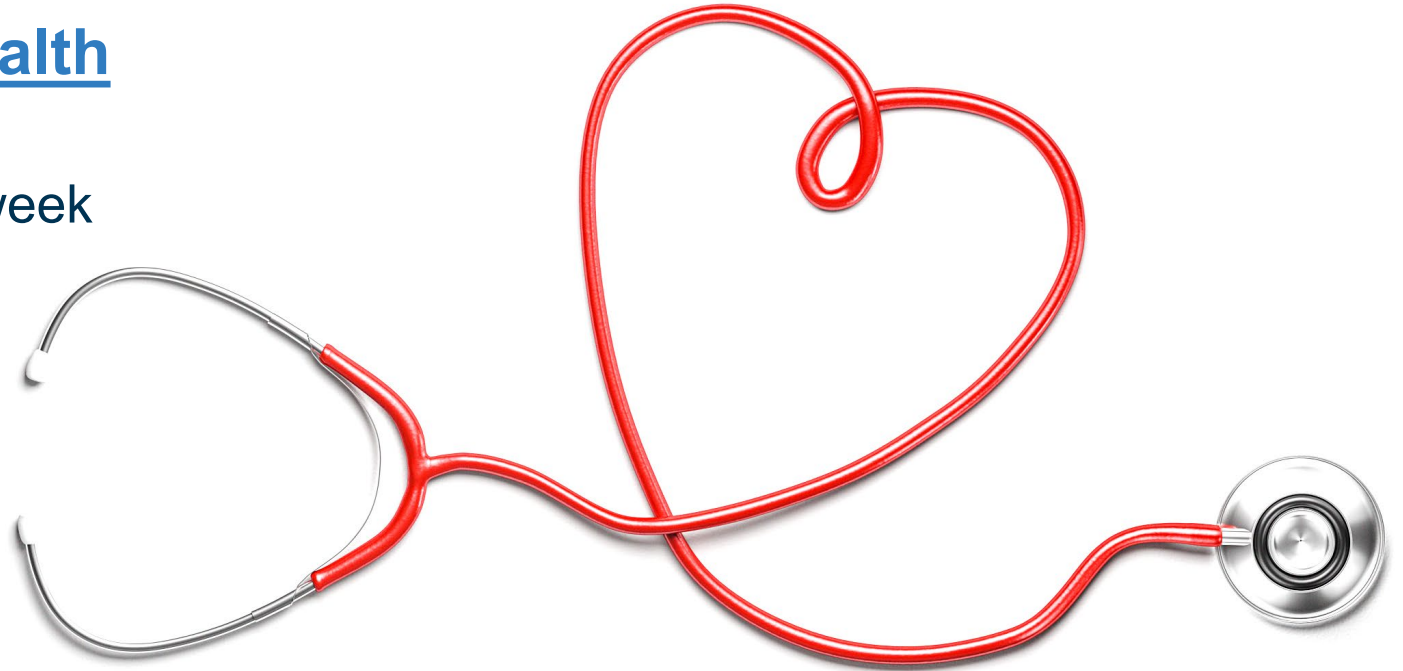
- Safety Moment & Introduction
- Background & Purpose of Workshop
- Brattle Presentation:
  - Bill Impacts Analysis
  - Observations from other Jurisdictions
- Evergy Update
- Facilitated Discussion / Stakeholder Feedback
- Next Steps



# Safety Moment: Heart Health

## Self-Care Tips for Heart Health

- Get physical - 150 minutes per week
- Watch for meals high in sodium & unhealthy fats
- Sleep 7-8 hours a night
- Manage stress levels
- Maintain a healthy weight
- Check blood pressure, blood sugar, & cholesterol levels
- Talk to your healthcare provider





# Process for Follow Up Questions/Material

- To help ensure questions are addressed accurately, please remember for any follow up questions or requests coming out of this meeting that could not be answered and delivered within the construct of this meeting, please email the request(s) to:
  - [Regulatory.Affairs@evergy.com](mailto:Regulatory.Affairs@evergy.com)
  - Reference docket **EW-2023-0199** in the subject line.

# TOU Workshop 1

*EW-2023-0199*





# Presenters & Participants

- Evergy
- Brattle Group
- Stakeholders
  - Missouri PSC Staff
  - Office of the Public Counsel
  - ChargePoint, Inc
  - City of St. Joseph, Missouri
  - Google LLC
  - Midwest Energy Consumers Group
  - Missouri Industrial Energy Consumers
  - Nucor Steel Sedalia, LLC
  - Renew Missouri
  - Sierra Club
  - Velvet Tech Services, LLC



# Background & Purpose

- Evergy Rate Review Amended Report & Order (ER-2022-0129/0130)
- Collaborative Workshop for Customer Education and Outreach Regarding the Introduction of Default Time-of-Use Rates by Evergy Missouri (EW-2023-0199)
- Workshop 1:
  - Share observations from other utilities that have implemented (or are preparing) mandatory TOU rates
  - Provide an update on Evergy's activities and plans for the coming months
  - Solicit ideas and feedback from Evergy stakeholders

# Transitioning to Default TOU: Observations from Other Jurisdictions

PREPARED BY

Ryan Hledik  
Long Lam  
Rohan Janakiraman

EVERGY TOU TRANSITION WORKSHOP  
MARCH 28, 2023





# Objectives of this presentation

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- Present expected Evergy customer bill impacts due to the default TOU transition
- Summarize emerging practices of North American utilities that have transitioned residential customers to default TOU
- Comment on the applicability of those practices to the Evergy default TOU transition

# Summary of Evergy's TOU rates (MO Metro)

	Default		Opt-in Alternatives					
	2-period TOU		3-period TOU		High Differential TOU		Peak Adjustment Rate (Low Differential TOU)	
	Summer	Non-summer	Summer	Non-summer	Summer	Non-summer	Summer	Non-summer
<b>Peak</b>	38.3	N/A	33.8	27.6	35.9	27.3	+ 1 cent	+0.25 cents
<b>Off-peak</b>	9.6	11.3	11.3	10.8	12.0	9.1	14.5 (avg)	10.7 (avg)
<b>Super off-peak</b>	N/A	5.7	5.6	4.7	3.0	2.3	- 1 cent	- 1 cent
<b>Price ratio</b>	4 : 1	2 : 1	6 : 2 : 1	5.9 : 2.3 : 1	12 : 4 : 1	12 : 4 : 1	1.2 : 1 (est)	1.2 : 1 (est)

**Notes:**

- Rates are shown in cents/kWh and exclude customer charge and riders. Rates are shown as rounded to the nearest tenth of one cent.
- The same period and season definitions apply to all modeled rates: Summer = June 1 – Sept 30. Peak = 4 to 8 pm on non-holiday weekdays. Super off-peak = midnight to 6 am on all days. Off-peak = all other hours.
- The Peak Adjustment Rate displayed in the table above reflects the average energy charge that the average customer would face in the given season.

# Other defining characteristics of Evergy's TOU rollout

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- The standard non-time-varying rate is no longer available to customers
  - TOU effectively is the mandatory rate option, though with a choice of TOU rates
  - The Peak Adjustment rate somewhat resembles the standard non-time-varying rate
- The default transition must begin by October 1 and end by December 31, 2023
  - Spans the 3 months at the beginning of the non-summer season
- Electric heating customers no longer will have access to the heating rate discount
- Net energy metering customers are defaulted to the Peak Adjustment rate
- Existing customers on the 3-period time varying rate will remain on that rate

# Bill Impact Analysis

# Approach

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**We assessed the distribution of customer bill impacts resulting from Evergy customers being transitioned from the standard residential service rate to default TOU**

## Approach

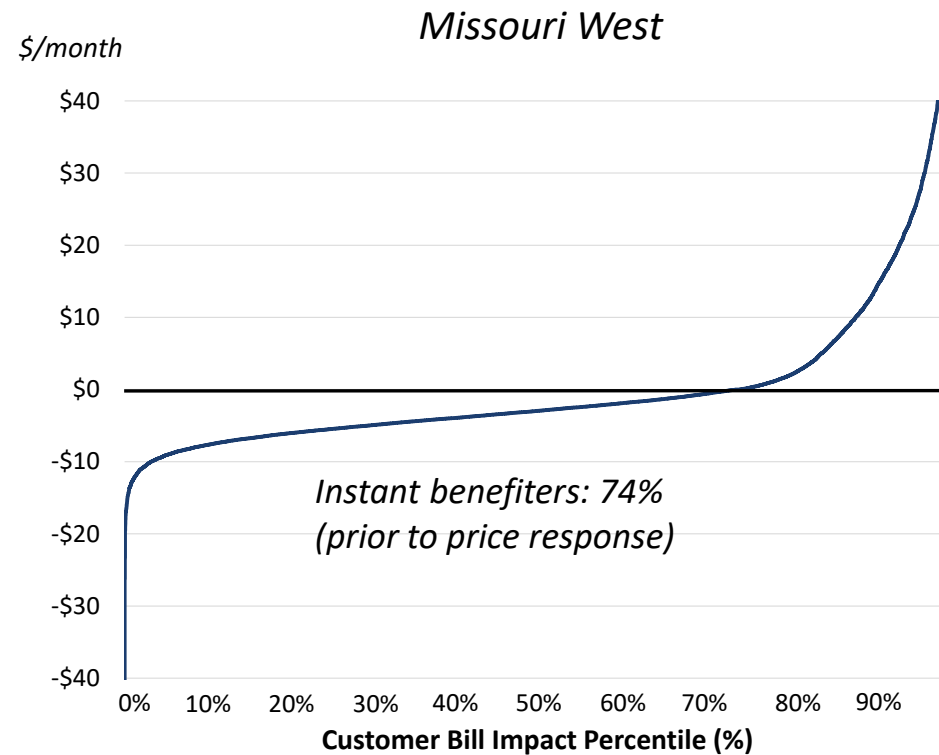
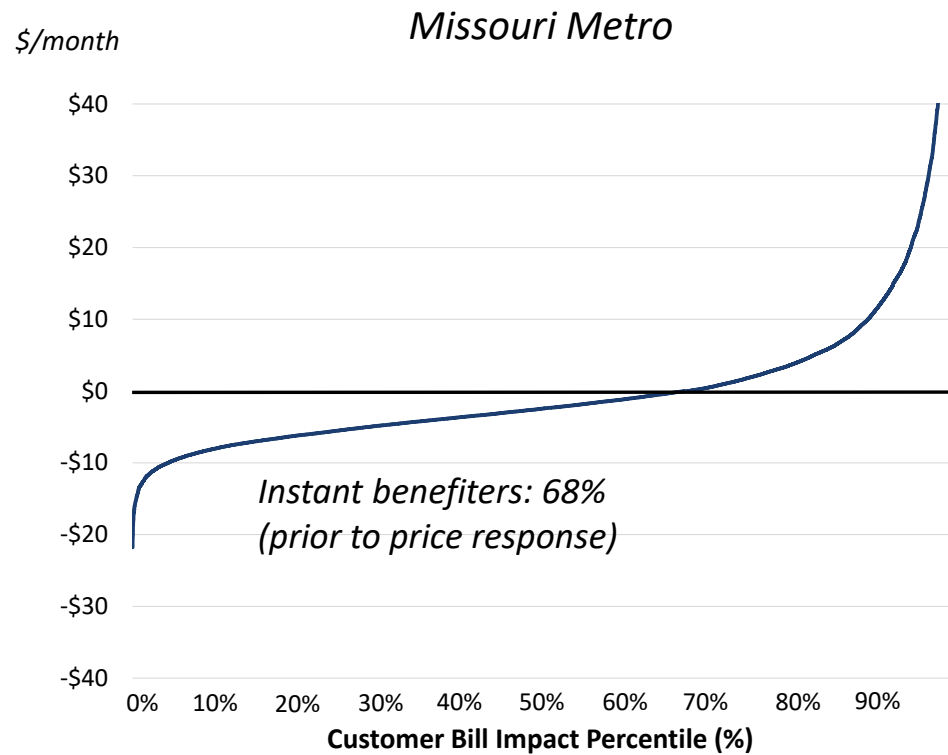
- Establish representative samples of customers using test year AMI data (July 2020 to June 2021)
  - 20,000 randomly selected customers with a full year of load data in each Missouri jurisdiction
  - Includes representative share of electric heating customers
- Calculate four TOU rates that are revenue neutral to the residential service rate for the samples
  - 2-period TOU, 3-period TOU, High Differential, Peak Adjustment Rate
  - Based on current tariff, with slight adjustments to establish revenue neutrality for the sample of customers
- Calculate the annual bill of each customer under each rate
- Summarize distribution of customer bill impacts due to rate transition
  - Including for several customer segments

*Note: Bill impacts in this presentation do not account for price response / load shifting potential. See Evergy's impact evaluation study of its three-period TOU pilot rate for an estimate of customer price response.*

# Distribution of bill impacts

68% to 74% of customers are instant benefitters on the 2-period TOU, but around 10% could experience an average bill increase of at least \$10/month.

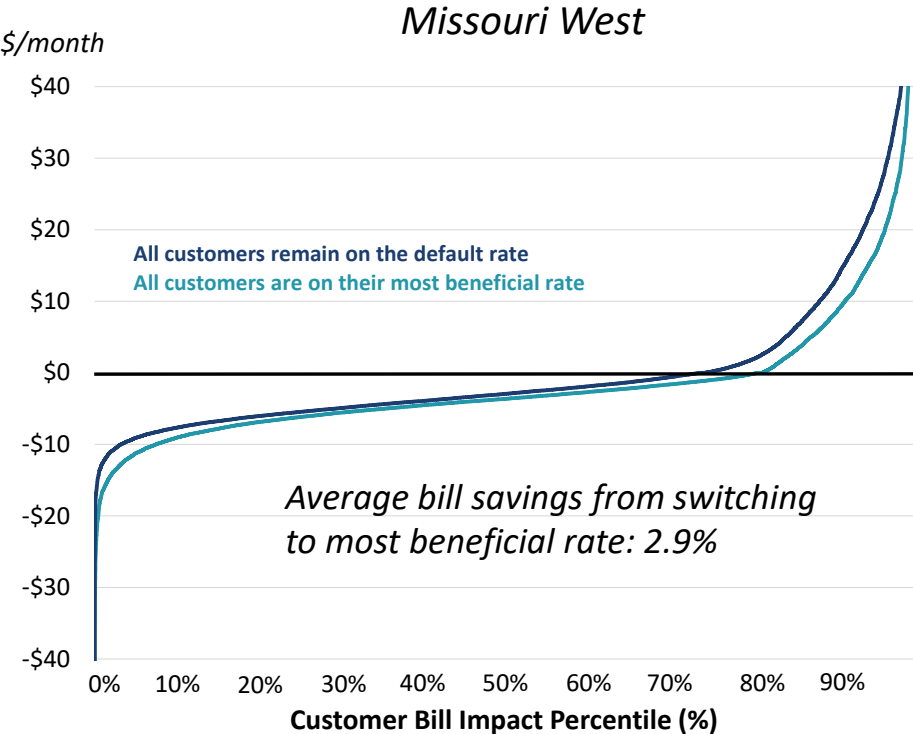
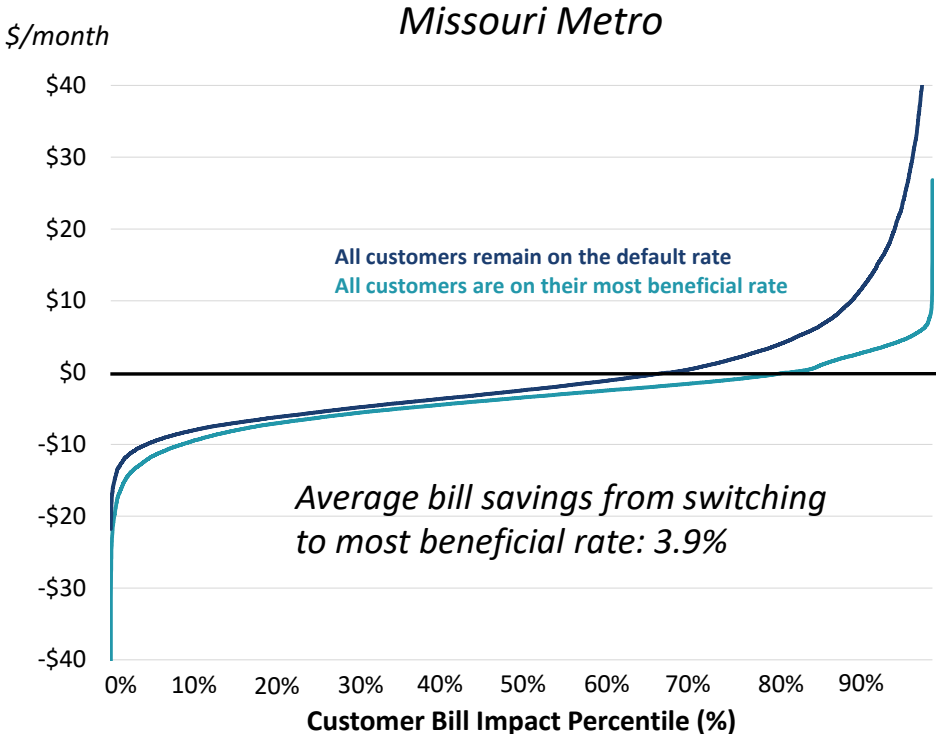
## Average Bill Change from Standard Non-TOU Rate to Default 2-Period TOU Rate



# Distribution of bill impacts (cont'd)

Rate choice could increase the share of benefiteres to over 80%. However, the bill savings opportunity from switching rates is modest for most customers.

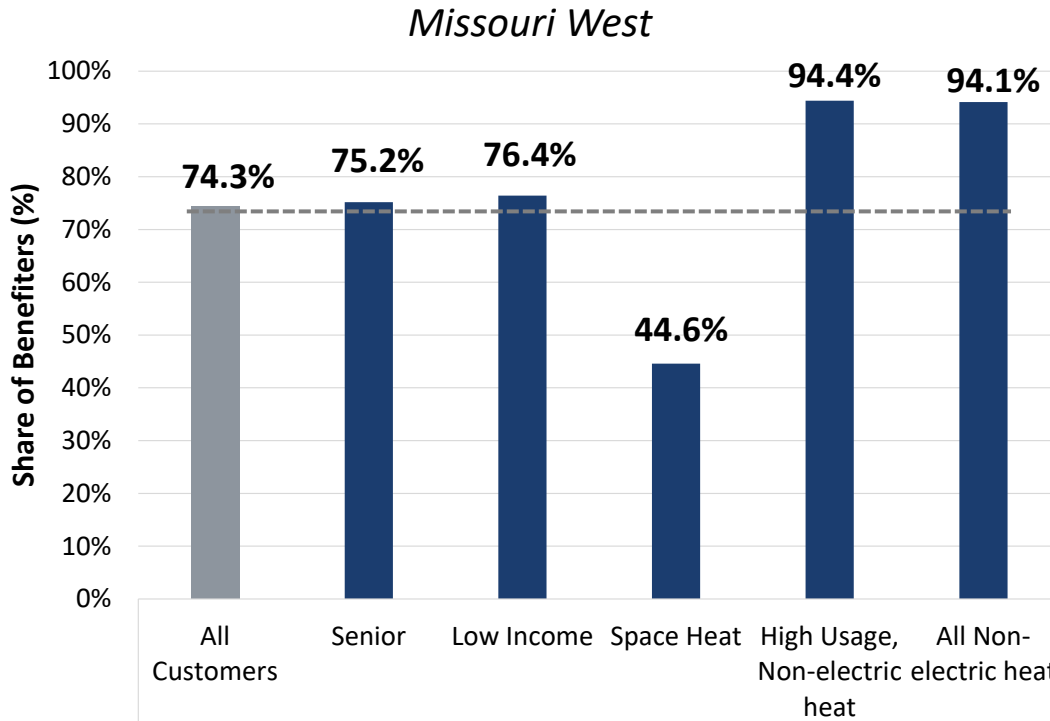
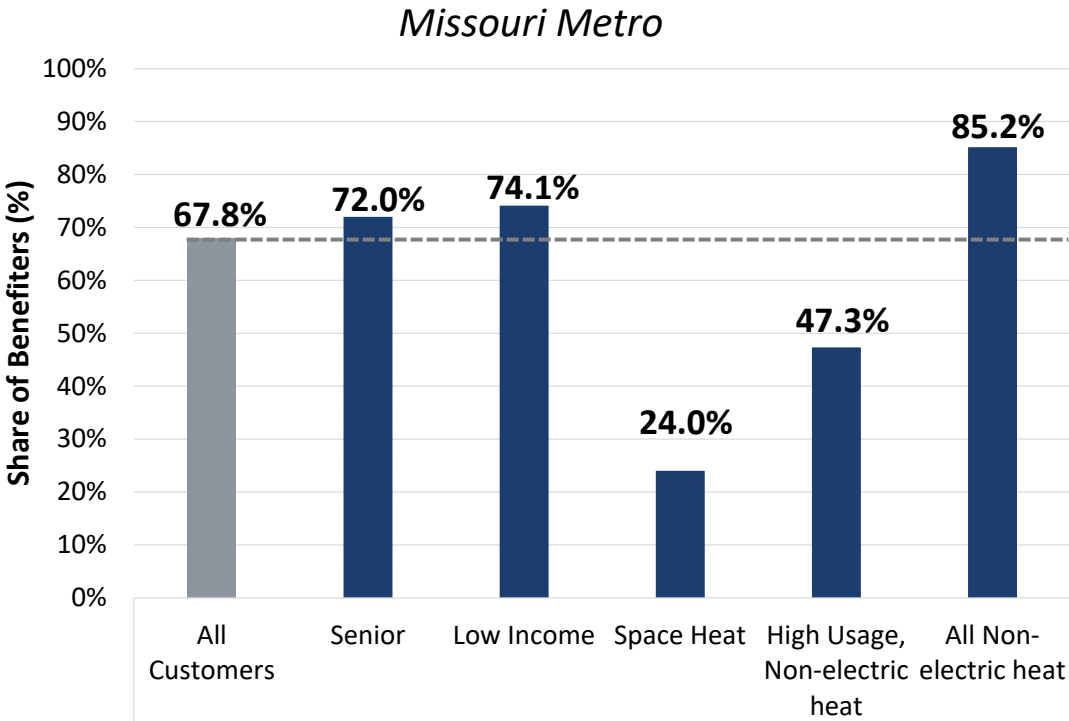
## Average Bill Change from Standard Non-TOU Rate to Default 2-Period TOU Rate



# Default TOU bill impacts by customer segment

Senior and low income customers are more likely to benefit on the 2-period rate than other customers. Electric heating customers often experience bill increases on the new TOU rate.

## Share of Customers Benefiting when Moving from Standard Non-TOU Rate to Default 2-Period TOU Rate



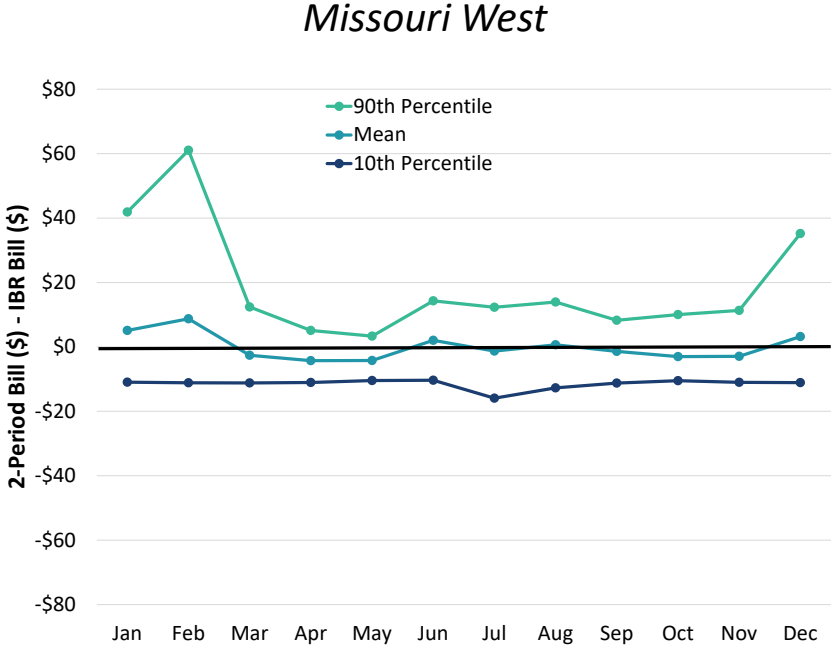
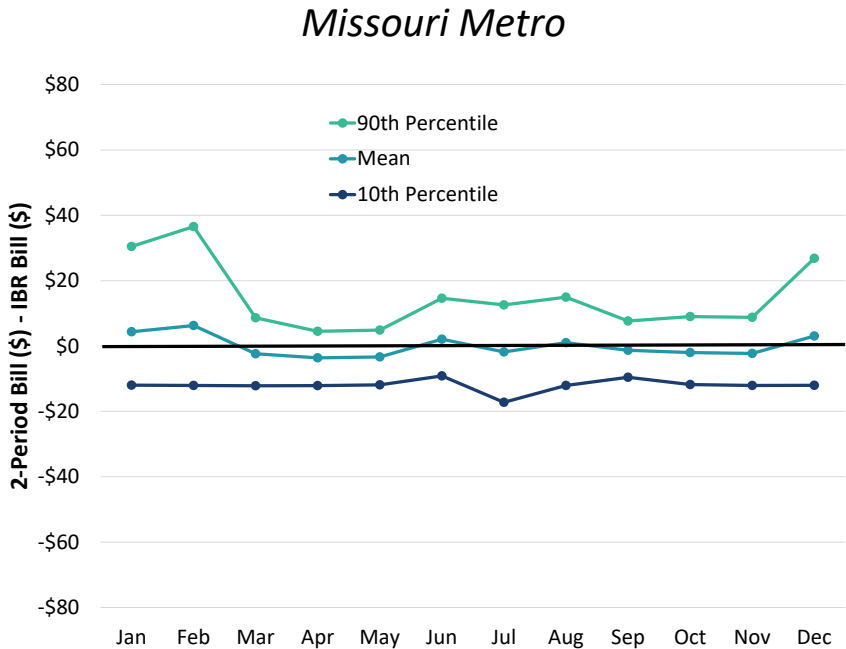
Note: Analysis assumes all customers remain on default rate. We define 'low income' customers as those with a household income of \$40K per year or less. We define 'senior' customers as those who are 66 years old or older. We define 'high usage' customers as those in the 4th consumption quartile.



# Monthly bill impacts

There is minimal seasonal variation in bill impacts *on average*, because the default TOU rate is seasonally revenue neutral. At the monthly level, variation in bill impacts is lowest during shoulder months (Spring and Fall). Heating rate customers could experience significant bill swings in winter months (Dec – Feb) due to the loss of the heating rate discount.

## Average Bill Change from Standard Non-TOU Rate to Default 2-Period TOU Rate



Note: Percentiles indicate range of bill impacts in each month individually.

# Observations from Other Jurisdictions

# There is a trend toward large scale TOU rollouts

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The following utilities have or will transition to default or mandatory TOU, or otherwise have achieved high levels of opt-in participation

## **Default TOU (8)**

- Ameren, California IOUs (SCE, PG&E SDG&E), DTE, LIPA, SMUD, Xcel Energy (CO)

## **Mandatory TOU (2)**

- Consumers Energy, Fort Collins Utilities

## **Opt-in with high participation (2)**

- Arizona Public Service, Salt River Project

*We interviewed 9 of these utilities to survey their TOU transition strategies.*

# The interviews

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We conducted the interviews in Summer 2022

One-hour conversations with rates/regulatory staff to explore:

- Rate design
- Customer outreach, education and marketing
- Operational practices

We present aggregate observations; findings are not attributed to specific individuals or companies unless the information is publicly available.

## Context for the findings

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Given the emerging state of default residential TOU rates, there is not yet an established industry “best practice” for transitioning customers to the new rates.

We report observations about practices from other jurisdictions, and some lessons learned from that experience. We are not presenting Evergy's TOU transition plans

The relevance of the observations to Evergy’s TOU transition will vary, due to differences in rate options, policy environments, timelines, and other factors across the utilities.

For example, the California IOU rollout was a statewide marketing initiative with a deployment period that spanned well over a year, with specific legislative requirements for rate design.

# Observations: Customer communication

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- **Multiple notifications:** The California utilities provided customer notification of the rate change 90 days, 60 days, and 30 days before the rollout. Customers were given the option to opt out prior to being defaulted to TOU.
- **Focus on price discount:** Utilities recommended focusing messaging on the off-peak price discount that is offered during the majority of hours of the year relative to current standard non-TOU rate. This includes when engaging with the media.
- **Multiple communications channels:** The utilities advised using as many communications channels as possible to communicate about the upcoming transition.
  - Examples from other utilities include mass media, direct mail, email, outbound call centers, door hangers, refrigerator magnets, microsites targeting different customer groups, Facebook groups, and YouTube ads.
- **Post-transition support:** Post-transition customer care and engagement were considered necessary and effective at a fraction of the cost of initial marketing campaign.
- **Catch phrase:** Most utilities have a catch phrase or mascot to emphasize the appeal of the TOU rate or behaviors to facilitate bill savings (e.g., wait till eight, easy three, power down in afternoon, shift and save).

# Observations: Digital tools

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- **Bill calculator:** Most utilities offered an online bill calculator/price comparison tool. Some provided bill comparison for a representative customer, others provided comparison based on a customer's own 12-month usage.
- **Price response:** Some utilities included estimates of bill savings due to reducing or shifting usage associated with specific appliances.

# Observations: Marketing

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- **Budgets:** Varied significantly by utility; very difficult to establish consistent data for cost comparison. High-level estimates ranged from around \$7/customer to around \$24/customer. Variation is driven by factors such as which costs are included (e.g., education, workforce training, technology upgrades).
- **Market research:** Utilities often used market research to find a message/pitch that works. For example, the focus could be on environmental benefits, bill savings, contributing to system reliability, or other messages that resonate with the customer base.
- **Duration of customer engagement:** Some utilities provided up to a full year of customer engagement prior to the transition. In the case of the California utilities, early engagement focused on a general statewide information campaign.



# Observations: Customer protections

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- **Bill protection:** Some utilities offered bill protection for a limited term. In all cases, utilities were allowed to track and recover the lost revenue through future rates, and the “protection” was relative to the standard non-TOU rate (which will not be an option for Evergy customers).
- **Exemptions:** Some utilities provided default TOU exemptions for adversely impacted customer segments. In Evergy’s case, exemptions may not be allowed. Further, since there is not a non-TOU alternative, this activity may be limited to providing customers with information about the expected bill-minimizing TOU rate.

# Observations: Rollout strategy

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- **Soft launch:** Utilities introduced the rate first as a pilot and then as a full-scale voluntary option through a “soft launch” before it became the default option.
- **Deploy in waves:** Utilities often transitioned customers to the default TOU rate in waves, with the size and pace of the waves dictated by the utility’s capacity to handle new TOU participants from a billing and customer service standpoint.
- **Targeted initial deployment:** Some utilities focused early waves of the transition on customers who were likely to be automatic benefitters, to create positive word-of-mouth.
- **Duration of transition:** For several utilities, the period during which customers were moved to the new TOU rate spanned 15 to 20 months.
- **Seasonality:** Utilities advised not transitioning customers in months/seasons when they are more likely to experience a meaningful bill increase. In Evergy’s case, this would mean focusing the transition on shoulder months.

# Conclusion

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## **Based on our initial review, the following are three important considerations in Evergy's TOU transition**

- How to educate and communicate with electric heating customers facing potential bill increases
- How to effectively transition customers within a three-month time window
- Ensuring that the billing system and customer call center have the capacity for the scale of change that will result from the default TOU transition

# Evergy Update

*Jeff Beeson & Julie Dragoo*





# Customer Marketing and Education RFP Timeline

	Milestone	Tentative Completion Date
<input checked="" type="checkbox"/>	RFP Sent Out to Potential Agencies	February 8, 2023
<input checked="" type="checkbox"/>	Proposal Responses Due	February 27, 2023
<input checked="" type="checkbox"/>	Proposal Review	March 2023
	Stakeholder Discussion and Input	March 28, 2023
	Selection Process and Strategy Development	April 2023
	Strategy Review with Stakeholders	May 2023



# Implementation Update

- New Residential TOU Rates
  - Residential TOU 3-period
  - Residential TOU 2-period – default rate in October
  - Residential TOU High differential (EV whole home)
  - Residential TOU separately metered EV
  - Residential Peak Adjustment (Staff's low differential rate)
- Approximately 10 customers have called to enroll or inquire about enrollment in the new rates/programs (as of 3/10)
- Rate assignment details and key business decisions related to customer transition in progress
- Working with vendor to update TOU Rate Education Tools

# Workshop Discussion





# Facilitated Discussion / Stakeholder Feedback

- **Timeline:** Educating and transitioning customers within short time window
- **Transition:** Phased approach and billing system impacts
- **Customer Support:** Call center impacts and online tools/resource needs
- **High Risk Customers:** Support for income-eligible and hard-to-reach customers
- **Electric Heating Customers:** Impacts of potential bill increases



# Next Steps / Workshop 2





## Next Steps & Workshop 2

- Next workshop to be scheduled in May:
  - Evergy will provide an update on activities
  - Evergy will share more details on the education and marketing plans
- Open to additional workshops prior to October 2023
- Please email questions or requests that could not be answered and delivered within the construct of this meeting to:
  - [Regulatory.Affairs@evergy.com](mailto:Regulatory.Affairs@evergy.com)
  - Reference docket **EW-2023-0199** in the subject line.