

## First Person—Building Strong Customer Engagement: More Fun and Less Expensive



Mark Bonsall is General Manager and CEO of Salt River Project (SRP), an Arizona utility that holds J.D. Power's highest ranking for customer satisfaction among utilities in the West. In this interview with *EPRI Journal*, Bonsall discusses how his company engages its customers, the benefits, and the future of customer-utility relationships.

### EJ: What is driving SRP to engage more with customers?

**Bonsall:** It's our dedication to customer satisfaction. At SRP we have developed a culture of service, excellence, and customer respect. Engaging with our customers in this way is obviously better for them, and a lot more fun, rewarding, and interesting for our employees. Plus, we've found it to be substantially more productive and, frankly, less expensive. Lastly, our industry is draped in the public interest. A customer relationship built on excellence and respect makes for more rational dialogue with our customers about the many public issues we face together.



Mark Bonsall

About 20 years ago, we started to question the idea common in the utility business that the least amount of customer communication is the best communication. As we got more of a taste of customer engagement, the more we liked it and found it energizing for employees and customers alike. Over time, it has developed into the norm at SRP.

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Internally, we have spent a lot of time figuring out how to relate the many different employees' jobs to customer satisfaction, so that every employee can say, “That's what I do for the customer.” One issue, for instance, was figuring out how to relate power plant personnel to customers. Addressing this involved

redefining the product we provide to our customers. We consider reliability, rather than electricity, as our number one product. The link between plant personnel and reliability is obvious. So, the customer service metric for personnel in our power plants is the availability rate of their plant.

### **EJ: What do customers look for in service from SRP, and how do they measure value?**

**Bonsall:** They look for reliability, choice, convenience, conservation opportunities, and information. Through focus groups, surveys, and other customer research, we have found that all these elements enhance the value equation for the customer, and we have developed many products and services in these various areas that customers appreciate.

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That’s not the entirety of the value equation, however. There are two other important elements for SRP: our hearty community involvement and our obligation to provide water, because we secure and deliver much of the water supply to central Arizona. The more our customers understand and appreciate these activities, the more they value SRP. This leads to respect, loyalty, and the ability to have those conversations about matters of public interest.

### **EJ: You mentioned choice as a key element that customers are looking for. SRP offers time-of-use rate plans as well as a pay-as-you-go plan. Describe the rationale for these programs, how they work, and how many customers participate.**

**Bonsall:** Our original Time-of-Use programs, introduced decades ago, had complex pricing structures. We now have about 160,000 customers on SRP’s Time-of-Use Price Plan. In time, we realized that many of our one million customers don’t want to deal with the complexity of those programs. They want to conserve, but don’t want to be bogged down “doing the math.” That led us to pilot our EZ-3 Price Plan in 2008. EZ-3 enables customers to save on bills by managing their consumption during three on-peak weekday hours. All they need to do is remember the same three hours year-round. These easier, more convenient programs attracted a whole new population of customers—roughly 125,000.



In-house display and smart cards for SRP’s M-Power program

Currently, about 285,000 customers are enrolled in what we call our Time-of-Day Price Plans, which include both EZ-3 and Time-of Use.

In 1999, we launched our pre-pay program called M-Power. Customers decide how much energy to purchase in advance with a smart card and monitor their consumption on a display unit inside the house. The idea was born out of our desire to provide a way for customers to avoid credit problems. We knew that people want to manage their bills responsibly and avoid credit trouble. But with the traditional payment approach, the bill arrives weeks after consumption, and there is absolutely nothing the customer can do about it—the horse has left the barn. It was frustrating for our customers and frustrating for us.

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With M-Power, we reversed this business model and found it to be very effective. The in-house display unit is like a gas gauge, but for electricity, so customers can see how much power they have left. This is key to the program’s success because it makes an invisible commodity visible. M-Power gives customers the ability to manage consumption in real time. It turned an entire population of customers—who were previously struggling in their relationship with us—into our most satisfied customers. Approximately 150,000 of our customers are on M-Power. In all, almost half of our residential customers have chosen some kind of alternative price plan.

Choice is a big driver of satisfaction, whether customers exercise it or not. If they don’t switch price plans, they’re happier simply because they made the conscious decision that they didn’t want to change. If they did change and liked it, they’re happier because they made the choice.

### **EJ: To what extent have these programs reduced peak demand and lowered customer bills?**

**Bonsall:** SRP’s Time-of-Day residential customers see an average annual bill savings of about 4.5%, with many saving even more. Our pre-pay customers on average reduce their power consumption by 12% and their cost by 9%. They also avoid late fees. That is substantial energy conservation and meaningful savings for customers.

**“Our research has shown that if customers select just one additional service—whether it’s M-Power, Time-of-Day, Custom Due Date, eBill, large print bills, various text messaging products, or something else—their satisfaction with SRP increases.”**

The Time-of-Day Price Plans have reduced our peak demand by about 280–290 megawatts. We estimate that our pre-pay program has yielded an 80-megawatt reduction. Again, these are substantial numbers.

### **EJ: How have the programs affected or re-shaped customer satisfaction?**

**Bonsall:** Quite dramatically. Customer satisfaction is as high as it’s ever been. Our research has shown that if customers select just one additional service—whether it’s M-Power, Time-of-Day, Custom Due Date, eBill, large print bills, various text messaging products, or something else—their satisfaction with SRP increases. It takes just one additional service to deepen their relationship with us. That’s powerful.

### **EJ: These programs cost money to develop and launch. How did research inform their design and support your confidence that customers would adopt them?**

**Bonsall:** Research is key. Focus groups and other research mechanisms give us an initial idea of how well a program might be received. Our board has given us authority to create a pilot program on almost any pricing approach we want, and we tend to do that. Two of the three EZ-3 programs are still in the pilot stage, and we’re looking at how they satisfy or don’t satisfy customers.

#### **Customer Engagement at Salt River Project: Key Figures**

- Total electric customers: 1,000,000
- Number of customers on Time-of-Day Price Plans: 285,000
- Number of customers on pre-pay program (M-Power): 150,000
- Average annual bill savings, Time-of-Day residential customers: 4.5%
- Average bill savings, pre-pay customers: 9%
- Average reduction in electricity consumption, pre-pay customers: 12%
- Peak demand reduction from Time-of-Day price plans: 280–290 megawatts
- Peak demand reduction from pre-pay program: 80 megawatts

Pilot programs are not particularly expensive to implement. Our flexible billing system helps with that. If they get traction, we move them to full stage. If not, we end the pilot and move on. To overcome customer hesitation with new programs, we often guarantee the customers that they will not be harmed—meaning they won't pay any more than they would under their current price plan. That approach has worked beautifully.

Another example: SRP is working with EPRI on research to understand residential customer preferences for electricity service plans, which include various pricing structures and technologies. With this and other research, we can better understand preferences and market sizes for different types of plans. This helps us to design a diverse set of offerings so customers can choose plans that best fit their needs.

### **EJ: Most people lack either understanding of or interest in electricity. How has SRP overcome this to engage with customers and enlist them in these programs?**

**Bonsall:** It's a major challenge for utilities to help customers understand electricity service. I've already mentioned one way we try to overcome customers' aversion to dipping their toes in a new pond: With SRP's 90-day risk-free guarantee, they can always return to their original program, if they want to, and we'll pay the difference if their bills increase. But change helps them learn about the service and how to save money in the process.

Providing useful, clear information helps. The most highly visited pages on our website are the customer's daily and hourly usage history on SRP's My Account. Soon we'll provide real-time usage information.

It's difficult but not impossible to explain the complexities of the modern grid. We produced a video that uses whiteboard animation to explain how the SRP grid is changing, why customers with solar still need the grid, and how our different price plans serve different kinds of customers. We found it to be highly effective for both our customers and employees. Customer education is an ongoing process. As you make good information available, customers look at it, become more interested, and their understanding increases.

### **EJ: What other programs are you considering or launching?**

**Bonsall:** We're redesigning our website to be adaptive to various mobile devices. In addition to energy statistics on our My Account website, we plan to provide users with a cost per day metric, so they can get a better feel for their electricity costs as they go and what their bill will be at the end of each month. This is similar to how people understand their cars' miles per gallon and how much their road trip will cost. With our second generation of smart meters, which we're implementing now, the same meter will have the ability to handle the pre-pay program or any of our Time-of-Day programs. We'll be able to offer pre-pay options and functions across all price plans, along with some demand response capability.

### **EJ: SRP ranks highest in residential and business customer satisfaction in the West, according to J.D. Power. What are the business impacts?**

**Bonsall:** For the most part, we don't use the J.D. Power awards for advertising. They are, however, wonderful drivers of employee morale because they validate the hard work everybody does to achieve good customer satisfaction. We have cabinets full of J.D. Power statuettes at 16 different locations around the company—including power plants and service centers—and those make a difference for employee morale. We have found the J.D. Power research to be very valuable as a complement to our own, and we use it regularly to inform our service offering decisions.

### **EJ: How are you advancing your relationships with customers who have rooftop solar?**

**Bonsall:** We're working with EPRI to test advanced inverters, with a plan to put them on 900 to 1,000 houses in our service territory. We're going to test various communications protocols with different inverters to

determine how to best integrate solar into our grid and maximize the benefits for both our customers and the grid. The possibilities are substantial. Smart inverters can enable us to dispatch these solar units for various system purposes just like you would a regular generating station.

**EJ: What R&D is needed for a better understanding of customer preferences?**

**Bonsall:** I'd like to see research on how to further differentiate, on a retail basis, the basic electricity commodity by reliability, fuel mix, or other variables. For example, customers in our M-Power program have the ability to self-disconnect from the grid and then reconnect. This is a different kind of service that these customers value. There may be other ways to provide that ability.

The same applies to fuel mix. Are you getting regular, high test, or premium? What proportions of solar, natural gas, and coal do you want in your mix? Having these choices could favorably impact customer satisfaction. But how would a power company implement this? It's an interesting question with profound operational implications, because it involves building a generation mix with variable costs driven by customer preferences, rather than a one-size-fits-all, least-cost generation mix.

**EJ: With respect to customer service and engagement, what particular areas does SRP's long-term business strategy target?**

**Bonsall:** Communications capabilities will be profoundly important in the future. Our smart meters can link with thermostats and other devices, and are connected in a radio network, backed up by an extensive fiber system. This combination enables substantial new product and service development, which is very exciting to me.

**EJ: Your look in the crystal ball: Describe the utility-customer relationship in 10 years.**

**Bonsall:** The customer relationship will be increasingly diverse and customized. Some will want least cost while others want premium. Some will want to pay as they go, while others want monthly bills. Some will be both buyers and sellers of electricity. Some will want access to all utility services while others want partial services. The ability to communicate well is going to be the key to navigating this transition.