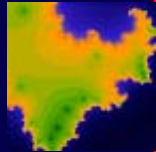


# SMUD's Compact With the Customer



**Alice Perez**  
**Manager Customer Strategy**  
**Sacramento Municipal Utility**  
**District**

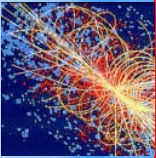




# SMUD: An Overview

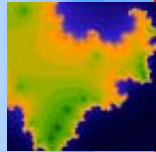


- ◆ About SMUD



- ◆ 5th largest electric utility in California

- ◆ 6th largest municipal utility in U.S., 2nd in California



- ◆ 900 square mile service area covering Sacramento County and a portion of Placer County



- ◆ 590,000 customers within a 1.4 million service area population



# Industry Challenges



## Board's Strategic Objectives



**AMI**



- **SB1**
- **AB 2021**
- **SB 1368**
- **AB 32**



**Workforce Changes**

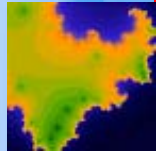
# Meeting the Challenges: General Manager Initiatives

## Sustainable Power Supply



## Changing Workforce

## Compact with the Customer





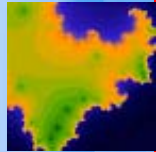
# The District's New Vision



**Empower customers with solutions and options that:**



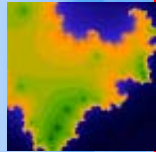
- ◆ Increase energy efficiency
- ◆ Protect the environment
- ◆ Reduce global warming
- ◆ Lower the cost to serve our region





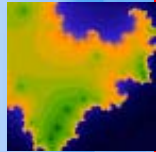
# “Customer Compact” Teams Formed

- ◆ Energy Efficiency
- ◆ Demand Response
- ◆ Rate Design
- ◆ Advanced Metering Technologies
- ◆ Renewable Resources
- ◆ Community Engagement
- ◆ Integrated Marketing



# The Paradigm has shifted

- ◆ The District's "compact with the customer" concept will give customers choices of how they participate, not whether they participate



# Energy Efficiency

## Principles

- ◆ Customer participation
- ◆ Offer customers choice
- ◆ Enlist the community in marketing, options and benefits
- ◆ Link customer awareness with the impact on climate change
- ◆ Help customers permanently reduce peak consumption

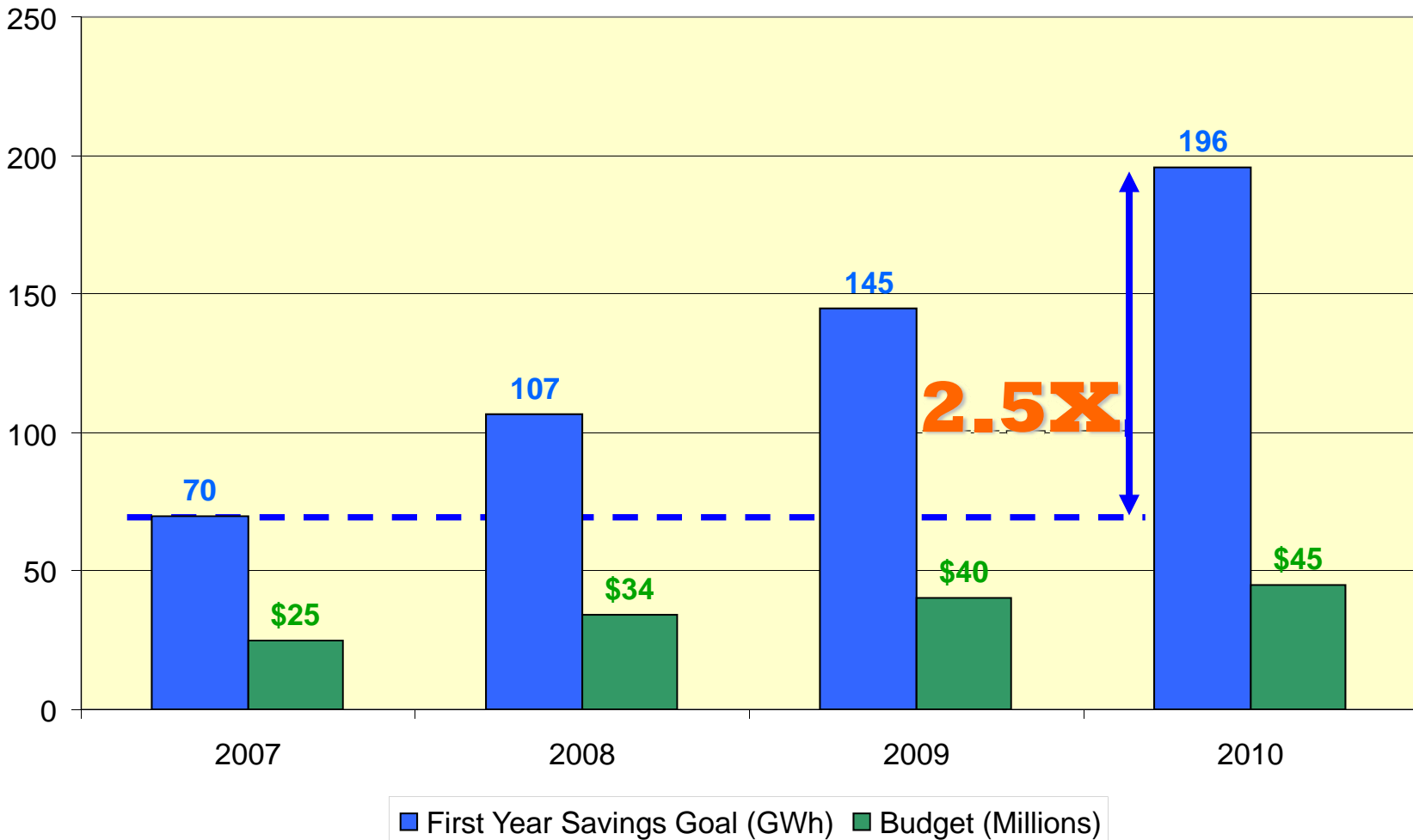
## Program Design

- ◆ Integrating/bundling offerings
- ◆ Third party programs
- ◆ New financing options
- ◆ Custom-tailored offering
- ◆ Leverage through peak reduction, rates, AMI and community engagement efforts
- ◆ Emerging technologies
- ◆ Working with local government agencies to enforce new codes and standards
- ◆ Providing incentives where they will have the most impact in the marketplace



# Bold New Energy Efficiency Goal

10-year goal to deliver 28MW and 107 GWh of demand and energy saving



# Demand Response

## Principles

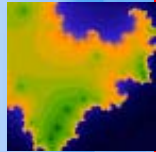
- Improved air quality and carbon footprint with customer awareness
- Easy to understand and implement
- Reduce costs in peak periods by
  - Consumer behavior changes (rate based incentives)
  - Automatic response through Direct Load Control
- Improve customer response in peak hours with automatic response technologies
- Emphasize programs that enhance reliability
- Support District goals on environmental impacts by reducing the need for peaking resources

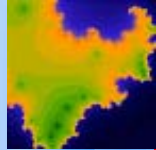
## Program Design

- Smart Thermostats for peak load reduction
- Commercial Demand Response during peak hours
  - Integration with Energy Management Systems (EMS)
  - Contract reduction with verification through advanced metering technologies
- Large Customer Contracted Curtailment during peak hours
- Emergency Programs to meet system reliability needs
- Leverage EE programs with peak reduction strategies
- Customer response to improved price signals

# Potential New Design Principles

- ◆ Design new rates and programs that address both energy efficiency and peak load
- ◆ Help people become good energy consumers
- ◆ Give customers choices, empowering them to make decisions
- ◆ Increase the integration of energy efficiency and demand response through bundling
- ◆ Link rates and programs to greater awareness of global climate change
- ◆ Create programs that support local projects aimed at reducing carbon and improving air quality
- ◆ Provide education and technologies that give customers the tools to exercise choice





# Pricing

## Focus on 40 Critical Hours/year

- ◆ Only 0.5% of the hours annually
- ◆ Most hours are in July and August
- ◆ 400 mW (14% of system peak)
- ◆ Strains system capacity
  - ❖ Generation
  - ❖ Transmission

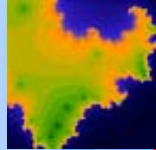
# Renewable Resources

## Principles

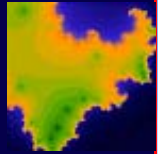
- Make programs affordable
- Offer various options
- Use local projects
- Reduce carbon footprint
- Increase availability and awareness

## Program Designs

- Carbon reduction initiatives
- Meet SB1 (125 MW of solar)
  - Solar Shares
  - Expansion of Commercial Solar program
  - New Construction/Solar Smart Homes
  - Residential Rooftop applications
- Green Energy offerings



# Engaging the Customer





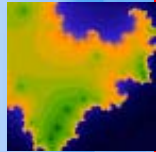
# Community Engagement

## Principles

- Partner with customers and the community to achieve customer compact goals
- Open new lines of communication for customer input
- Place a concentrated focus on ethnic, business and community based organizations
- Engage key leaders and organizations to support customer compact goals
- Engage more employees in building relationships in the community

## Program Designs

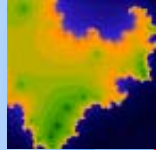
- Coordinate a monthly working group to strategically enhance and integrate community outreach efforts
- Provide guidance and support for achieving the Compact with the Customer
- Utilize tools (i.e. database) to gain efficiencies and synergy with customer engagement
- Engage SMUD employees to take SMUD's message to the community.
- Engage key groups and leadership to embrace SMUD's new goals



# Engagement Plan

- ◆ New vision guides new program development
- ◆ SMUD Board established principles to apply to program design (e.g. equity, gradualism)
- ◆ Staff develops new rates/pricing option, EE and LM/DR options for each customer segment
- ◆ Use multiple focus groups within each segment to test new offerings
- ◆ Include focus groups of key stakeholders
- ◆ Cyclical process with reports to the SMUD Board after each wave of focus groups

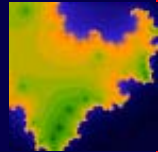




# Education Plan

- ◆ Creation of strategic marketing, advertising and media plan designed to update SMUD brand around the new vision
- ◆ Launch of "Green Portal" to raise customer awareness and action
- ◆ Community education through newly formed Community Engagement group

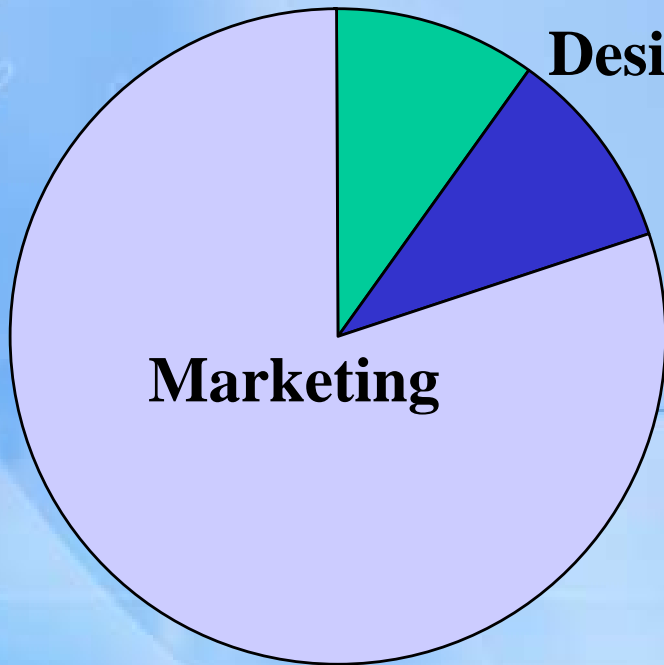
# Focusing on the Consumer



# How do we connect?

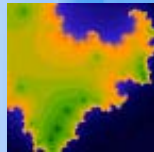
**Technology**

**Research  
and  
Design**

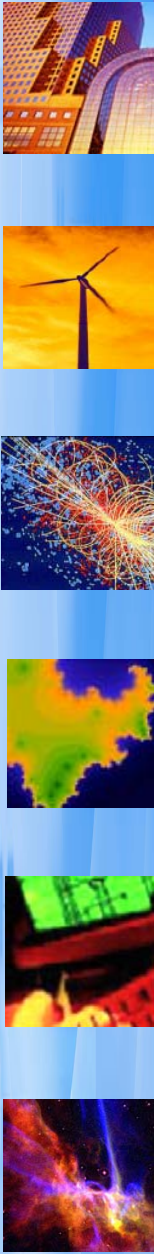
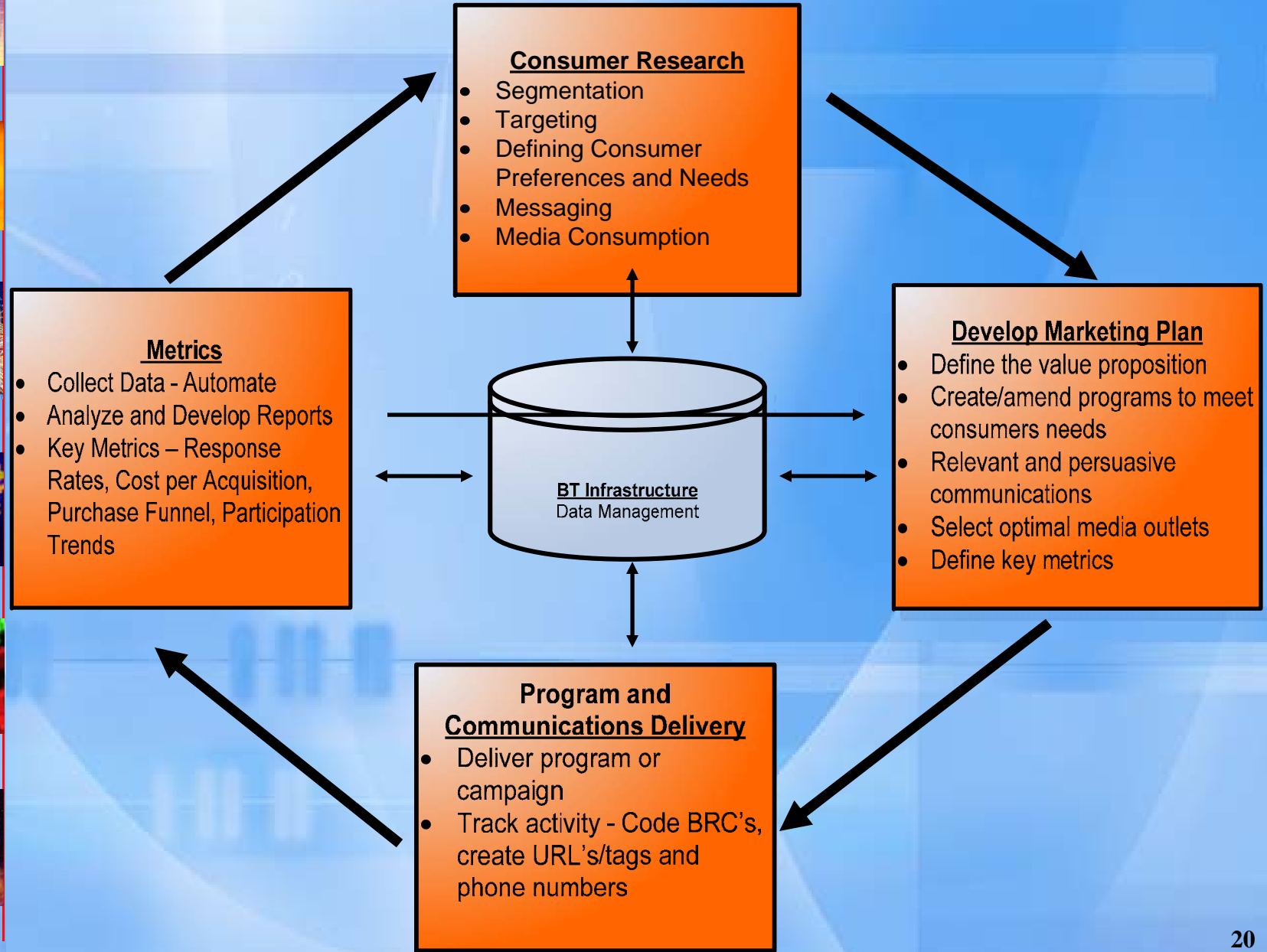


## ◆ Marketing Elements

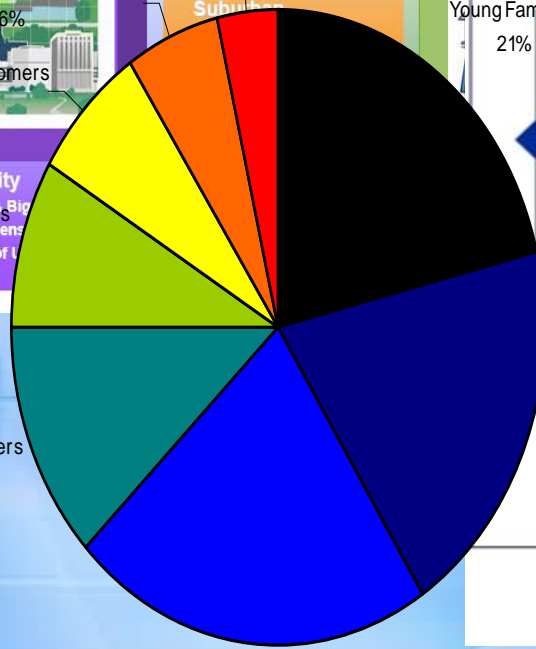
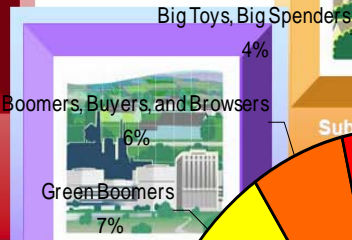
- ❖ Advertising
- ❖ Market Research
- ❖ Media Planning
- ❖ Public Relations
- ❖ Product Pricing
- ❖ Distribution
- ❖ Customer Support
- ❖ Sales Strategy
- ❖ Community Involvement



# VOICE OF THE CUSTOMER



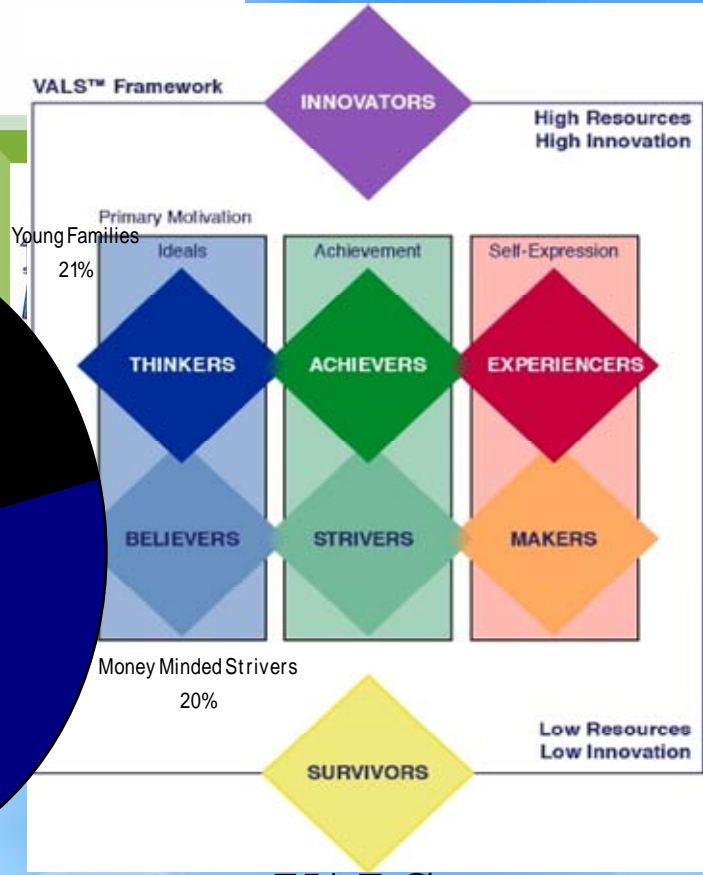
# Segmentation Tools



**PRIZM**

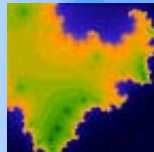
Uninvolved Achievers  
12%

VALS™ Framework



**VALS**

**SMUD**

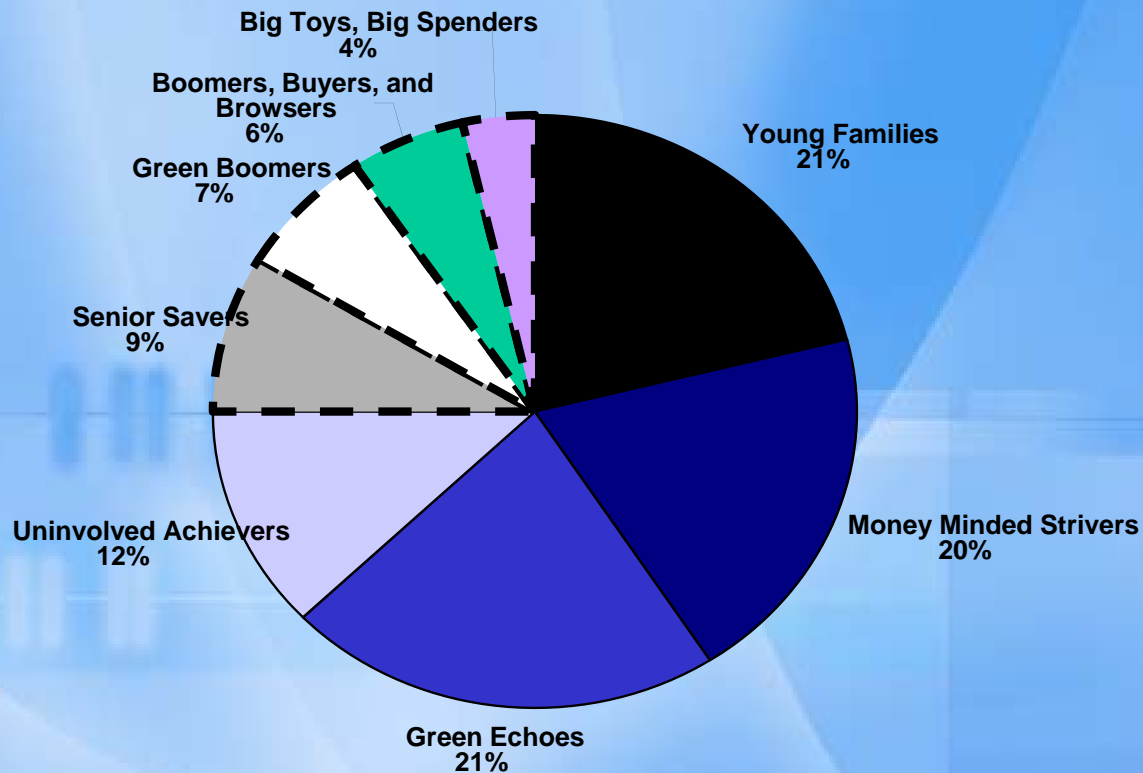


# Residential Segment Size

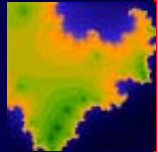


Business typically comes from a relatively small, core audience

- ❖ SMUD currently does well with approximately 30% of the customer base, but this is not sufficient to reach our goals (15% reduction over 10 years)
- ❖ The segmentation can help us penetrate our current core and identify opportunities to connect with new consumers



# Creative Research



# Creative Development

## Research Strategy:

- ◆ Integrate the “voice of the customer” into SMUD’s creative strategy
- ◆ Online surveys – Tested nine concepts. 670 residential customers identified top three concepts (rated overall appeal, imagery, attention, motivation to change energy behavior, emotional appeal, message/execution recall, and SMUD brand identity).
- ◆ Focus groups – Refined top three concepts down to one (6 residential and 4 commercial focus groups).





# Perception Tracker

Phone surveys - measure campaign impact:

- ❖ SMUD brand – customer perceptions
- ❖ Program awareness, familiarity, consideration, participation, and satisfaction
- ❖ Timeline:
  - ❖ Baseline – mid-June
  - ❖ Peak Campaign – September
  - ❖ Energy Efficiency Campaign - December





# Billboard (Peak Message-July/August)



# Program Ad

## Energy Efficiency Rebates–

bill insert

### Save Today. Save Tomorrow.

Saving today starts at home. As your customer-owned electric utility, we can help you save money on your bill while improving your home's comfort, and protecting the environment.

Before you purchase or replace equipment, appliances or electronics for your home, check with SMUD first for information and rebates on qualified ENERGY STAR® products.

Ask for ENERGY STAR to keep energy costs low and help build a cleaner, healthier environment for tomorrow.

**How will you save today?**

[smud.org/savetoday](http://smud.org/savetoday)



#### Savings

Get \$35 from SMUD when you recycle your old, operating inefficient refrigerator or freezer. Call 1-800-299-7573.



#### Community

Run appliances before 4 p.m. or after 7 p.m. The more we reduce our energy use during the peak hours, the fewer power plants we'll need to build.



#### Environment

Products with the ENERGY STAR label meet strict energy efficiency guidelines set by the US Department of Energy and EPA.

# Web Advertising

**Save Today.  
Save Tomorrow.**

Use less energy between 4 - 7 p.m.



Save today for a cleaner,  
healthier environment  
tomorrow.

[CLICK TO LEARN MORE.](#)



**SACRAMENTO MUNICIPAL UTILITY DISTRICT**  
*The Power To Do More.®*

**Save Today.  
Save Tomorrow.**

Use less energy  
between 4 - 7 p.m.

Save today for a  
cleaner, healthier  
environment  
tomorrow.



**SMUD**

SACRAMENTO MUNICIPAL UTILITY DISTRICT  
*The Power To Do More.®*

[CLICK TO  
LEARN  
MORE.](#)

**Save Today.  
Save Tomorrow.**

Use less energy  
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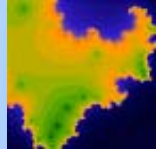
Save today for a  
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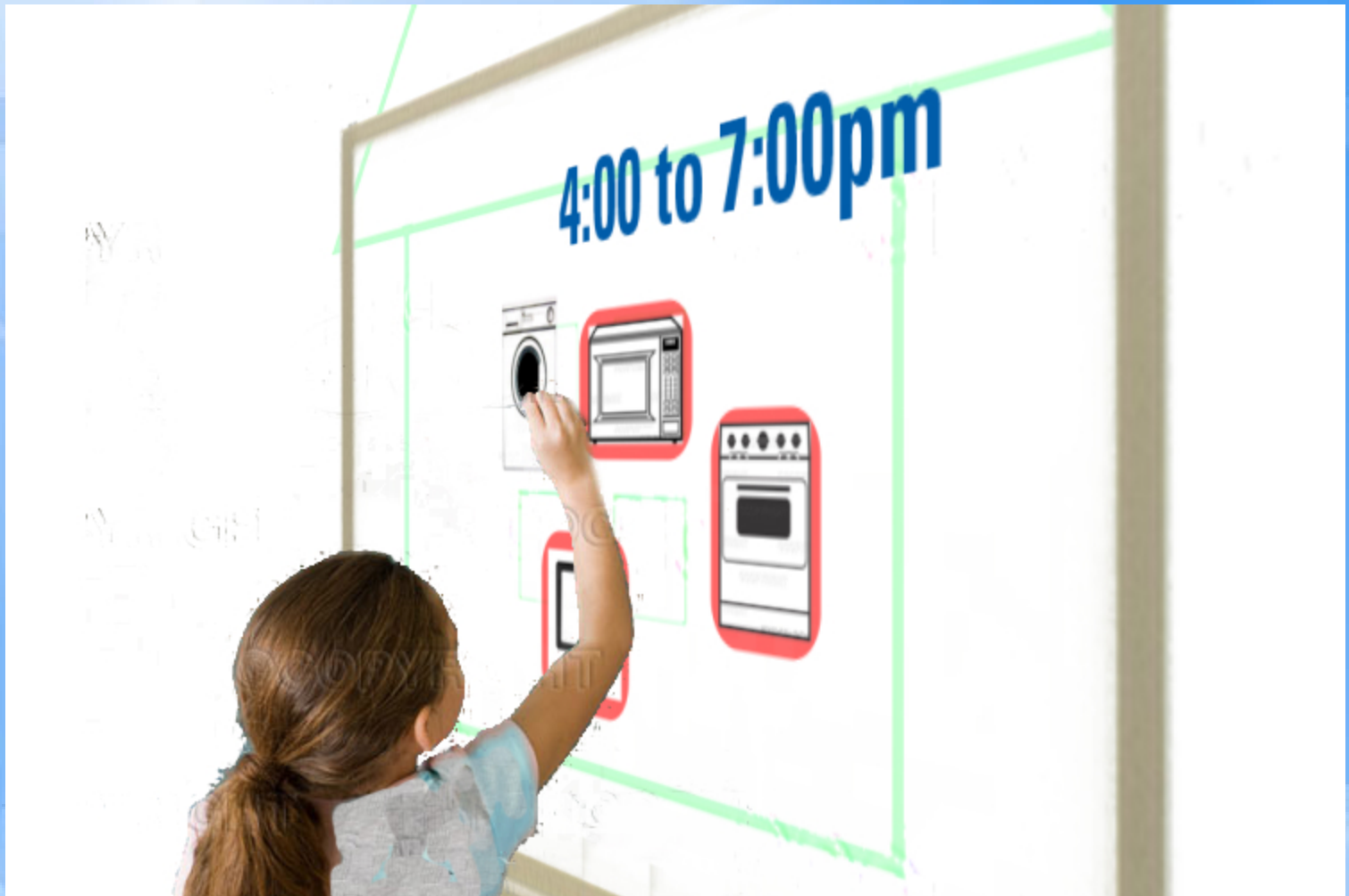
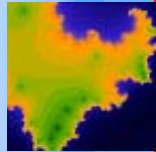


# TV Commercial - Peak Message

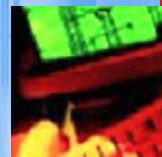
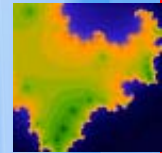


**This is simple.**

**29**

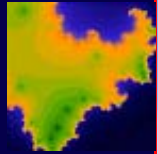


**This summer we can all help by using less energy during the peak hours...4 to 7pm....**



**...and turning our thermostats to 78 degrees.**

# Leveraging Stimulus Funding





# Objectives of the Sacramento Regional

## Energy Alliance

### (Federal Stimulus Proposal)

- ◆ Ensure all agencies' efforts are aligned, complementary and supportive

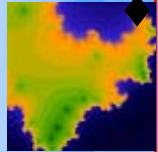
- ◆ Leverage existing efforts and delivery infrastructure

- ◆ Maximize energy savings throughout the region

- ◆ Create sustainable jobs and business models with a promotional ladder to higher-paid jobs and higher-profit businesses

- ◆ Set the Sacramento regional economy on a path capable of meeting AB32 goals (and to profit in a carbon-constrained future)

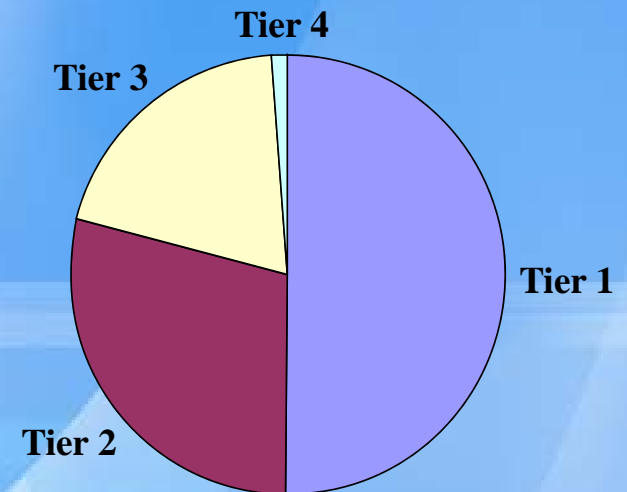
- ◆ Provide opportunities for all customers and businesses to participate (and make it easy)



# Residential Approach

- ◆ There are a wide range of opportunities in existing homes
- ◆ Occupant interest and willingness varies widely as well
- ◆ Provide options ranging from self audits to “whole house performance” audits

Tier	Savings	Costs
1	0-15%	0-\$500
2	10-30%	\$500-\$8,000
3	20-50%	\$4,000-\$30,000
4	75%+	\$20,000+

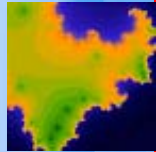
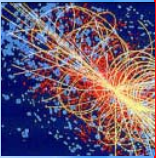


Possible Distribution of Participants at Various Levels of Efficiency Improvement

# Residential Sector - Tier 1

0-15% Savings, Improvement cost: \$0-\$500

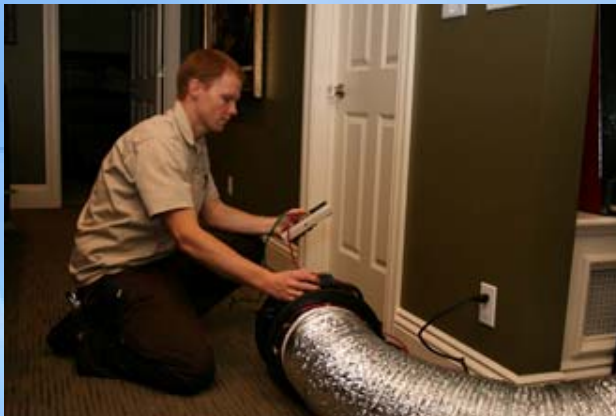
- ◆ Develop simple checklist audit tool
- ◆ Train workers/volunteers to perform observations & recommendations using checklist
- ◆ Promote Tier 2 and Tier 3 actions to encourage further energy efficiency



# Residential Sector – Tier 2

10-30% savings Improvement cost: \$500-\$8,000

- ◆ Home energy rating by trained HERS II rater/auditor
  - ❖ Guarantee that evaluation will identify worthwhile improvements
  - ❖ Incentives for implementing comprehensive improvements
  - ❖ Ultimately, incorporate HERS II rating scores into regional MLS listings
- ◆ Develop neighborhood/subdivision prescriptive contractor program



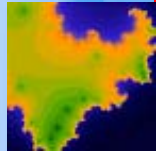
# Residential Sector – Tier 3

20-50% savings

Improvement cost: \$4,000-30,000

## ❖ Home Performance with ENERGY STAR

- ◆ Trained building science contractor performs diagnostics, recommends and installs measures
- ◆ Provide direct weatherization through Community Resource Project (higher cost projects)

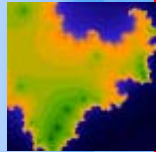


# Residential Sector – Tier 4

5 homes      Improvement cost \$25,000+

(customer cost share)

- ◆ 75%-90% saving
- ◆ Deep energy efficiency improvements plus solar PV and solar hot water
- ◆ Demonstration homes show what is possible, generate buzz
- ◆ SMUD grants cover half of the cost of improvements to selected qualifying homes





# Commercial Sector – Task 1

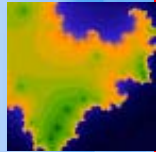
- ◆ Improve Existing Commercial Buildings
  - ❖ Benchmark medium/large commercial buildings with ENERGY STAR Portfolio Manager
  - ❖ Checklist for small commercial
  - ❖ Incentive for rating improvement
  - ❖ Apply rebates and existing SMUD financing
  - ❖ Target high energy users and special needs buildings
  - ❖ Streamline permitting process & charges



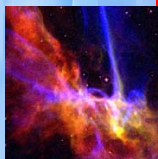
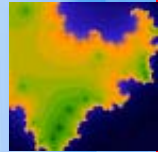
# General Approach



1. **Educate Customers and Workforce.** Combination of regional marketing, training, and community outreach to best candidates.
2. **Assess Opportunities.** Expert identifies and recommends optimal efficiency improvements to install.
3. **Implement improvements.** Contractor installs energy efficiency measures with costs covered by rebates, tax credits, SMUD financing and AB 811 financing.
4. **Track & monitor.** Common reporting framework
5. **Evaluate Results.** SMUD will coordinate impact evaluation study







# Questions?

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**aperez1@smud.org**