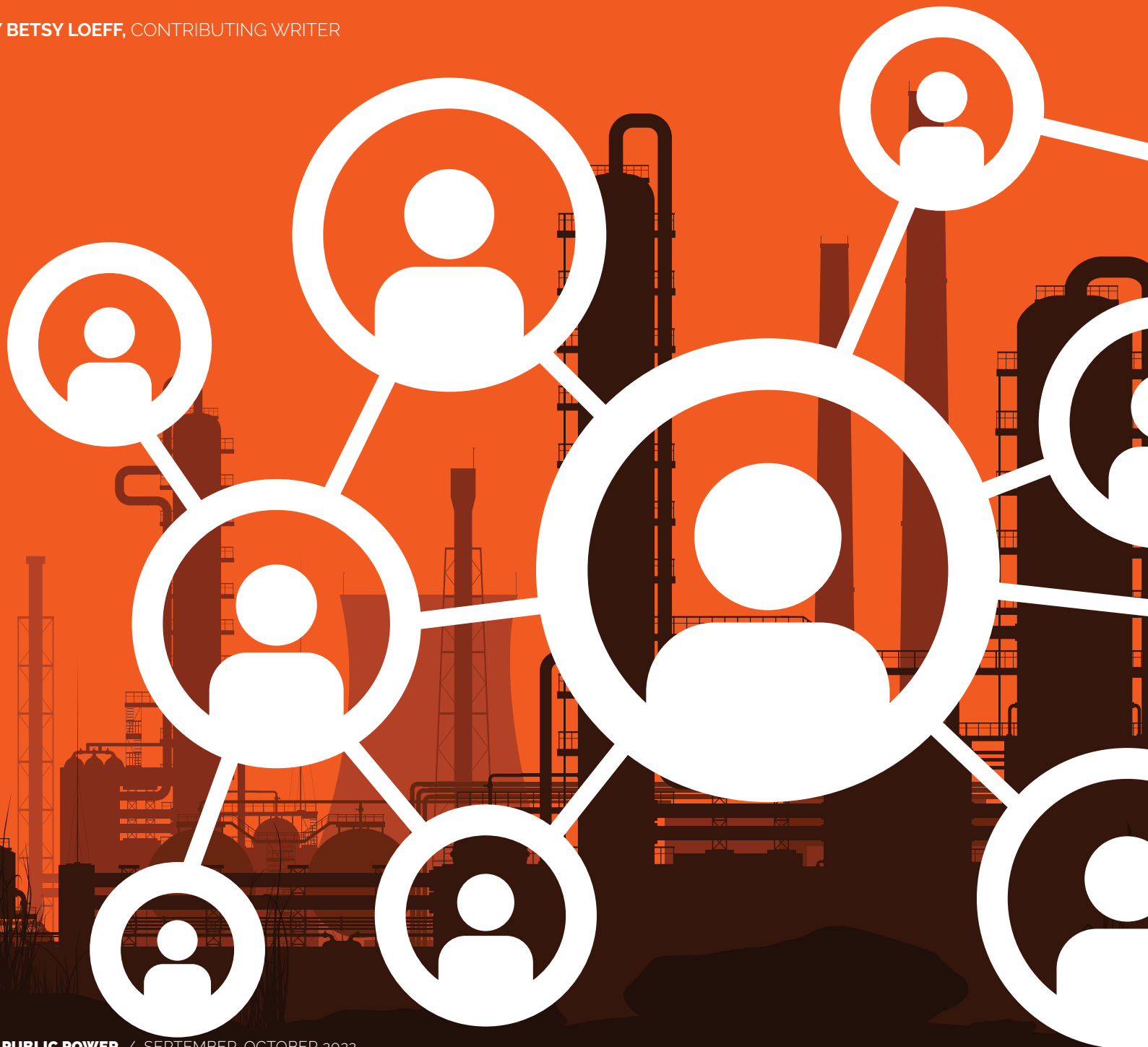



Paying the Price

How Rising Energy Costs Are Affecting Customer Communications

BY BETSY LOEFF, CONTRIBUTING WRITER





As of June 2022, the consumer price index was up 9.1% year-over-year. Driving that overall inflation rate was the 41.6% rise in the energy index, which includes oil, gas, fuel, and electricity. This is “the largest 12-month increase since April 1980,” reported The Washington Post, and it’s been a source of concern for utilities and their customers.

At CPS Energy in San Antonio, Texas, fuel costs are 30% higher than the utility forecast, said Cory Kuchinsky, CPS Energy’s chief financial officer. That and higher usage driven by persistent heat waves in 2022 have resulted in 20% increases on utility bills.

Faced with rising costs, the Orlando Utilities Commission, or OUC, in Florida sought and received governing board authorization to raise rates. In June, residential electric bills went up about 10%, or \$5 to \$15 per month, based on usage.

For JEA in Jacksonville, Florida, fuel costs are up 44%. Recent price volatility prompted the utility to switch from annual to monthly adjustments of the fuel component of electric bills. “We used to have a fuel reserve fund we used to absorb normal volatility,” said Tim Hunt, JEA vice president of customer experience insights & digitization.

Fuel costs are also up 44% for Norwich Public Utilities in Connecticut. “To date, we have not seen any impact on our collections for at-risk customers,” said Chris LaRose, general manager for the utility.

Price increases this year have amplified the importance of actions utilities took in years past, and utility representatives are sliding mentions of those actions into communications to help educate customers about rising rates. CPS Energy, for instance, has had a prepaid, long-term natural gas deal in place for almost 12 years, which Kuchinsky said has provided about \$85 million in savings for customers. The utility also has increased its natural gas storage and has a hedging program that has saved customers about 10% on utility bills.

Kuchinsky also has infused messages about CPS Energy's diversified fuel base into communications. "From a generating perspective, natural gas is getting all the headlines and that's the fuel source that's going up the most, but we also have nuclear, coal, and solar that dampens the impact." This message was woven into a May 2022 newsletter piece touting the utility's ranking as #5 nationwide for solar production in city limits. "Diversity helps balance reliability, affordability, and sustainability," the utility reported to customers in its newsletter. "Natural gas prices are up 70%. If we were solely dependent on natural gas, we would have no way to mitigate massive fluctuations like what we are seeing in the natural gas market today."

OUC also mitigates energy price volatility with a fuel reserve fund and long-term contracts for natural gas, coal, and transportation, said Mindy Brenay, chief financial officer at OUC. "Between May 2021 and May 2022, we exhausted about \$100 million in fuel reserves," she said. "To balance the budget, we needed a fuel increase."

"We anticipated media coverage of the fuel rate increase and had just rolled out our Ways to Save and Hot Weather customer education campaigns," said OUC spokeswoman Michelle Lynch. "So, we were ready when a reporter attended the April finance committee meeting and picked up on pricing issues," she said.

OUC's message to customers is straightforward. "The fuel charge is a pass-through of the cost OUC incurs," said Brenay. "There is no return on that revenue. When fuel prices go down, we share those savings with our customers as well."

Norwich Public Utilities also is spreading that message loudly. Wholesale energy costs in New England are driven by the price of natural gas, which now is a global commodity, said LaRose. "It is impacted by supply chain issues and the war in Ukraine."

This was the message customers could read after clicking on a pricing alert that appeared prominently on the utility website this past summer. "Inflation is impacting every part of daily life and every industry in the global economy," it began. "NPU is not immune from these economic realities."

The announcement explained that prices for power and natural gas had increased significantly, as much as 50% in some markets. Then it explained how the utility strives to moderate price volatility with a power purchase agreement and a purchased gas adjustment, as well as rate stabilization funds and reserves, and these tools need to be supported with an increase in the local cost of electricity to NPU's customers. "It's difficult news to hear, but people have been understanding," LaRose said.

Save or Pay

Of course, one of the ways to reduce electricity bills is to use less power. All of the utilities interviewed for this article have increased their media outreach efforts and publicity around conservation. JEA, for instance,

recently had a broadcast news reporter tag along on an energy efficiency audit, said Jay Magee, digital communications manager. These free audits spiked in popularity this summer, he said. "About a month ago, we could schedule an audit the same day or next day. There was no backlog. Currently, we're scheduling our efficiency and irrigation audits about 30 days out."

JEA also offers online consumption data in near real-time and it is looking for ways to help its 23,000 customers who prepay for electricity. The utility will address them with a targeted approach, Magee said. "They have to look at their consumption in a different way, and we're looking for ways to help them."

Similarly, OUC offers several programs to help customers better understand their consumption, including a usage dashboard where real-time, hourly usage information is available. Seeing how much they use can lead to better decisions. "We've really tried to educate customers about how much various appliances account for on their utility bills, the effects of radiant heat on your home, and, most importantly, why air conditioners consume more energy during hotter weather," said Lynch.

CPS Energy has launched a color-coded conservation program where the color of the day is linked to anticipated demand. A "green day" calls for everyday conservation efforts. Yellow means the utility anticipates high demand, so customers are encouraged to take extra steps, like setting thermostats higher, using fans and window shades to support indoor cooling or avoid using large appliances. Orange days call for limiting power usage because grid reliability is at risk. Red days may require rolling outages, during which customers are asked to shut off lights, air conditioning, and other household loads while the outage is underway. This campaign includes proactive media outreach, recurrent social media and other promotional efforts. "We've really ramped up communicating the importance of energy conservation," said spokeswoman Dana Sotoodeh.

The same is true in Orlando and Jacksonville. "We push information continuously to our customers to let them know what they can do to help lower their bills," OUC's Brenay said. "We also suggest that customers schedule energy efficiency audits where our conservation specialists go into a customer's home and give recommendations that promote lower energy and water usage." Similar to JEA, OUC is seeing high demand for the audits and customers currently have a three-week wait for audits.

JEA's Magee and OUC's Lynch are sharing the same types of messaging through social media channels, websites, and email campaigns. "Our goal is to provide customers with tools and tips on how to take control of their consumption," said Magee.

Amping Up Support

Along with information, Sheila Pressley, JEA's chief customer officer, constantly challenges her staff to look at ways to support low- to moderate-income customers. Consequently, the utility has "changes queued up

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in anticipation of potential pain that customers may feel with rising fuel costs and those high summer month bills,” Hunt said.

Among the coming changes are elimination of credit and debit card fees, which added \$2 to \$4 to each payment. JEA also temporarily suspended disconnections to keep customers in safe conditions during peak summer months, a move also embraced by CPS Energy, OUC, and Norwich. Hunt said JEA is expanding payment programs, too. “We’re going to lower the thresholds of criteria that need to be met to qualify for payment plans,” he said. “Our goal is to make this option much more broadly available to our customers this summer.”

CPS Energy makes communication of energy assistance programs personal. Through its “customer outreach resource effort,” or “CORE” program, the utility targets customers with past-due bills that have not been responsive to other utility outreach. “We call people in our community just to see how they’re doing and check on them,” said DeAnna Hardwick,

CPS Energy’s executive vice president of customer strategy. Over the past two years, the utility has called some 91,000 customers and helped 100% of them find solutions for their bills.

“We have more than 100 partners we work with in the community to help get assistance for our customers,” Hardwick continued. “This year alone, we’ve identified about \$30 million in agency assistance, and we do everything we can to connect customers with that aid.”

With \$20 million available through American Rescue Plan funding, Hardwick said her team has been working with city staff to process applications for that funding before marking late-pay customers down for eventual disconnection. Utility staffers also walk door-to-door, often with San Antonio City Council partners, to reach out to customers with lower income. “So far this year, we’ve been in 50 neighborhoods and knocked on more than 2,500 doors,” she said. “Our goal is to do whatever we can to prevent customers from having to be disconnected.”