

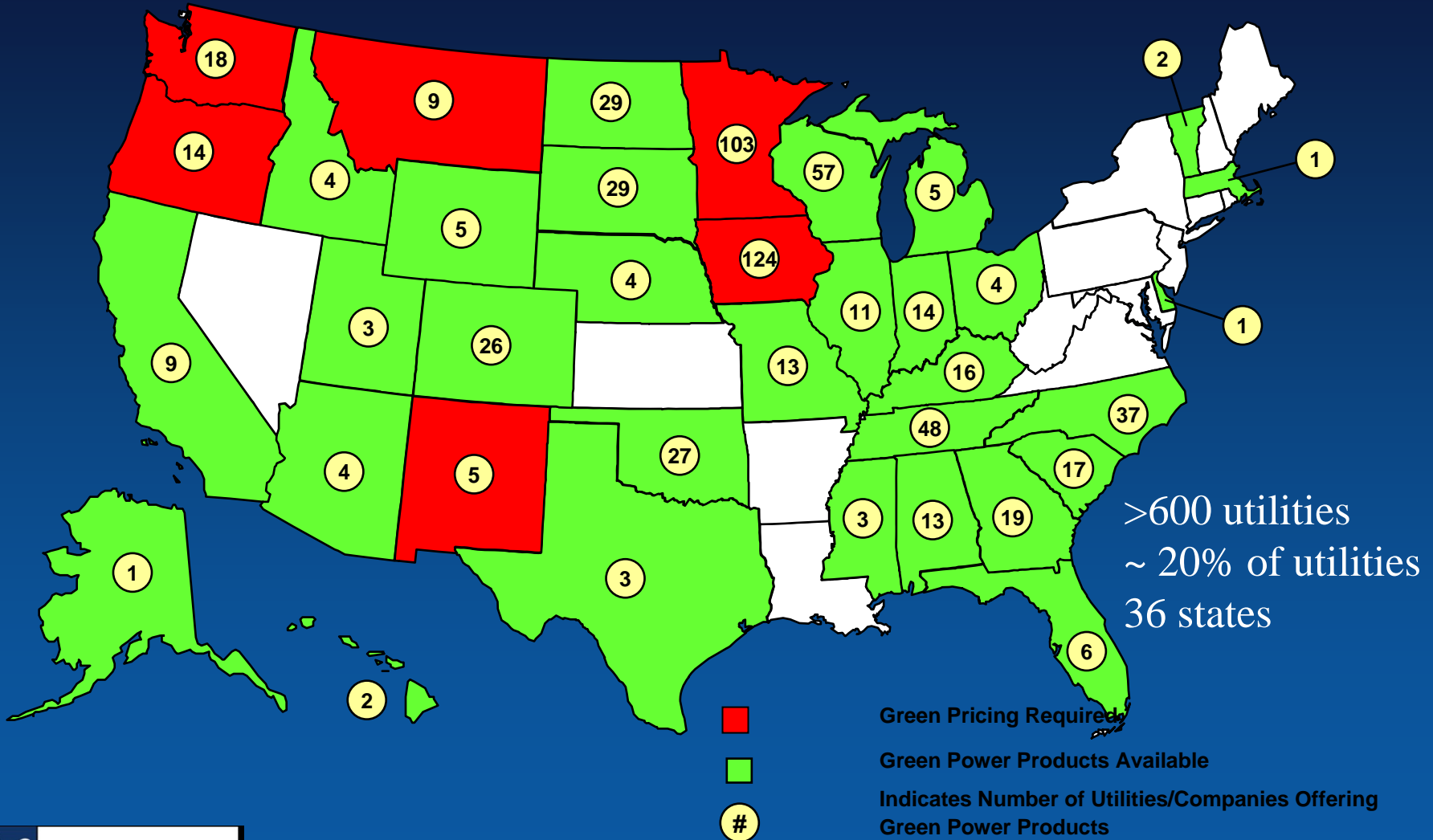
Utility Green Pricing Program Marketing and Administrative Costs

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Oregon Portfolio Options Committee
Meeting

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Utility Green Pricing Activities



U.S. Voluntary Green Power Sales

	2003	2004	2005	2006
Utility Green Pricing	1,280	1,840	2,450	3,500
Competitive Markets	1,900	2,650	2,150	n/a
REC Markets	660	1,720	3,890	n/a
Retail Total	3,840	6,210	8,490	n/a

2006 data preliminary

Data Sources and Limitations

- Data based on a questionnaire sent annually to utilities with green pricing programs
- Utilities voluntarily report information to us,
- In recent years we have had response rates of about 70%, but not all report marketing data
- We do not provide specific guidance on how to calculate marketing and administrative costs, therefore methodologies vary
- Larger utilities with more successful programs calculate their costs with more accuracy, likely reporting more costs
- Smaller programs often provide very rough estimates

Residential Customer Acquisition Costs \$/customer

	2002	2003	2004	2005
Average	\$43	\$36	\$42/ \$48*	\$43/ \$31*
Median	\$35	\$31	\$30/ \$40*	\$25/ \$27*
Responses	28	22	43/ 18	45/ 10

On average, how much did you spend to sign up each residential customer?

*top performers

Acquisition Costs by Utility Size

Size of Utility	2003			2004			2005		
	Avg.	Median	Num. Resp	Avg.	Median	Num. Resp	Avg.	Median	Number of Responses
1-99,999 Customers	\$10	\$5	7	\$12	\$4	12	\$27	\$14	21
100,000-499,999 Customers	\$46	\$40	7	\$56	\$35	13	\$97	\$41	9
500,000-999,999 Customers	\$44	\$38	4	\$60	\$55	9	\$40	\$28	7
1,000,000 Customers	\$57	\$46	4	\$41	\$36	9	\$29	\$30	8
All Utilities	\$36	\$31	22	\$42	\$30	43	\$43	\$25	45

Marketing & Admin Costs as % of Total Premium

	2003	2004	2005
Average	17%	20%/28%*	15%/29%*
Median	5%	9%/25%*	2%/23%*
Responses	36	60	59

What percentage of your green power premium was attributable to marketing and administrative costs?

*top performers

2005 Marketing Costs, Excluding Staff Time

Number of Utility Customers	Number of Responses					Total Responses
	Less than \$10,000	\$10,000-\$50,000	\$50,000-\$100,000	\$100,000-\$250,000	\$250,000-\$500,000	
1-99,999	35	6	0	0	0	41
100,000-499,999	7	13	0	0	2	22
500,000-999,999	2	1	2	2	2	9
1,000,000+	2	1	0	4	2	9
Total Respondents	46	21	2	6	6	81
Top Performers/ % All Respondents	2/4%	3/14%	1/50%	4/67%	3/50%	13/16%

- Utility expenditures on M&A vary by utility size
- Utilities with > 500,000 customers reported a wide range of marketing expenditures
 - 30% spent <\$50,000 and 50%+ spent >\$100,000
- Top performers among highest spenders

2005 Administrative Costs, Including Staff Time

Number of Utility Customers	Number of Responses						Total
	Less than \$10,000	\$10,000-\$49,999	\$50,000-\$99,999	\$100,000-\$249,000	\$250,000-\$499,999	\$500,000 – \$750,000	
1-99,999	36	4	1	0	0	0	41
100,000-499,999	3	10	4	2	0	0	19
500,000-999,999	3	2	2	1	0	1	9
1,000,000+	2	1	1	5	1	0	10
Total Respondents	44	17	8	8	1	1	79
Top Performers/ % Total Respondents	3/7%	3/18%	1/13%	5/63%	0/0%	1/100%	13/16%

M&A Costs by Utility Size, 2003 (based on actual expenditures)

Utility Size	Marketing (Excluding Staff Time) Average/Median	Responses	Administration (Including Staff Time) Average/Median	Responses
1-99.9K Customers	\$17,000 / \$3,000	18	\$6,000 / \$500	7
100K-499.9K Customers	\$46,000 / \$30,000	16	\$64,000 / \$30,000	10
500K-999.9K Customers	\$227,000 / \$250,000	5	\$114,000 / \$70,000	4
1M+ Customers	\$388,000 / \$350,000	5	\$275,000 / \$87,000	5
All Utilities	\$94,000 / \$16,000	44	\$97,000 / \$23,000	26

M&A Costs Per Customer, 2003

Utility Size	Marketing Costs per Customer Average/Median	Responses	Program Administration Costs per Customer Average/Median	Responses
1-99.9K Customers	38.8¢ / 12.7¢	16	8.4¢ / 3.6¢	9
100K-499.9K Customers	18.7¢ / 9.2¢	16	17.0¢ / 6.2¢	11
500K-999.9K Customers	32.0¢ / 46.9¢	5	19.3¢ / 9.2¢	4
1M+ Customers	23.7¢ / 13.6¢	5	15.2¢ / 3.4¢	5
All Utilities	28.5¢ / 11.6¢	42	14.3¢ / 4.5¢	29

Who pays program costs?

- Nearly half of utilities report that some costs are not borne by program participants
 - Most indicate that some M&A costs are shared by ratepayers
- This is often true for municipal utilities and smaller utilities

Explanation of Costs Paid by Nonparticipants

	Number of Responses
Some marketing and administrative costs shared by all ratepayers (or not attributed to the green pricing program)	23
The program receives grants, public goods funds, subsidies, or other contributions	3
The utility spreads the cost of unsold renewable energy among all ratepayers	1
70 programs responded, and 33 programs provided explanations; not all explanations are accounted for in this table.	

Marketing Strategies Used, 2005

	All	Top	Usefulness Rank	
			All	Top
Utility newsletter	74%	81%	2.9	2.8
Bill inserts	66%	75%	3.5	3.7
Events	60%	81%	2.5	2.5
Publicity	57%	63%	3.1	3.1
Web marketing	54%	63%	2.7	3.2
Newspaper ads	42%	50%	2.2	2.4
Direct sales	36%	63%	3.4	3.5
Direct mail	34%	63%	3.2	3.7
Radio ads	27%	25%	2.4	2.3
Bangtails	16%	38%	3.9	4.5
Partner with enviro orgs	16%	38%	2.9	2.7
Retail partners	13%	31%	2.5	2.2
Television ads	10%	31%	1.5	1.8
Billboards	7%	13%	1.7	1.5
Community challenges^	5%	13%	3.8	3.5
Kiosks^	5%	0%	1.1	0
Telemarketing	4%	19%	2.8	3.7
Door -to-door	2%	6%	3.3	5

Number of Marketing Techniques Used by Utilities

Number of Techniques Used by Utilities	2003	2004	2005
0-1	7%	6%	13%
2-3	26%	20%	20%
4-6	45%	34%	33%
7-9	21%	22%	22%
10-13	n/a	18%	12%

Note: There were 58 responses to this question in 2003, 88 in 2004, and 91 in 2005. Percentages may not add to 100% due to rounding.

The number of listed marketing strategies used.

Program Benefits Offered, 2005

<i>Added Value for Customer</i>	<i>All</i>	<i>Top 10</i>
Newsletters (updates)	62%	88%
Decals for store windows	54%	81%
Business recognition	46%	69%
Plaques or other recognition	44%	63%
School programs	30%	38%
Tours to project sites	25%	31%
Other	16%	6%
Efficiency products (CFLs)	15%	25%
Discounts/promotions	15%	44%
Fuel costs exemption	15%	44%

More Information

Trends in Utility Green Pricing Programs, 2005 data
<http://www.nrel.gov/docs/fy07osti/40777.pdf>

Trends in Utility Green Pricing Programs, 2004 data
<http://www.eere.energy.gov/greenpower/resources/pdfs/38800.pdf>

Trends in Utility Green Pricing Programs, 2003 data
<http://www.eere.energy.gov/greenpower/pdfs/36833.pdf>

The Green Power Network
<http://www.eere.energy.gov/greenpower/>

Concluding Remarks

- Important to keep in mind the limitations in the data
- The methodologies for calculating costs and level of precision in estimates vary considerably
- We do not specify how utilities should calculate costs
- Many utilities, particularly smaller ones, do not track all costs closely
- Nearly half of utilities cover some costs under other marketing budgets, public benefits funds, grants, etc.
- Therefore, it is difficult to compare costs; these estimates provide rough benchmarking data