

Water Finance Forum: Communicating Utility Needs to Stakeholders

Rich Henning
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SUEZ in North America

Operating in all 50 States and Canada



3,430 employees



15 water utilities

Regulated by state utility commissions



55,000 tons of waste for recycling



16,000 industrial & municipal sites

for water treatment and advanced network solutions



7.5 million people water & wastewater served



84 public-private partnerships – municipal water systems

Two concession agreements investing over \$300 million in infrastructure in partnership with private equity firm KKR



Revenue \$1.1 billion

Manager of \$3.3 billion in total assets in 2014



Benefiting from \$80 million global research & innovation budget



TODAY'S DISCUSSION: CLEAN WATER ISN'T CHEAP



Current Crisis Facing our Industry

Value of Water

Role of Communication

Communicating to the Public

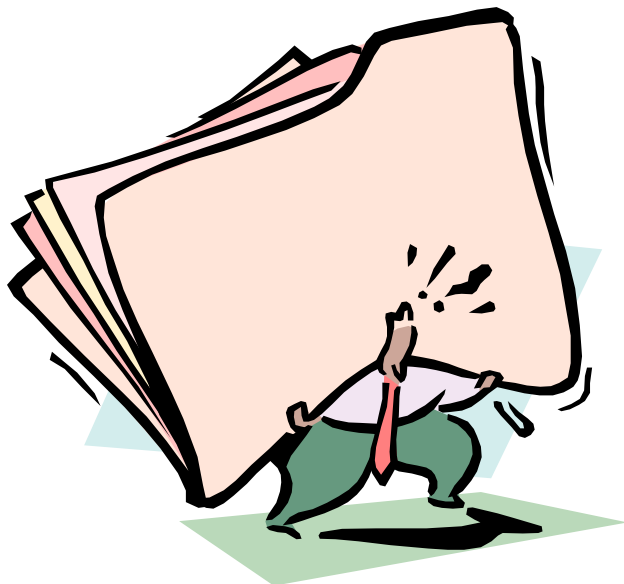
Communicating to Elected and Appointed Officials

CURRENT CRISIS

Water utilities around the state are facing many challenges, among them...how do we educate our customers on the rising costs associated with providing reliable water service at a time when the economy is struggling and they're using less water?



WHO ARE THE STAKEHOLDERS?



WHO ARE THE STAKEHOLDERS?

Principal Stakeholders

Elected Officials

Municipal Clients

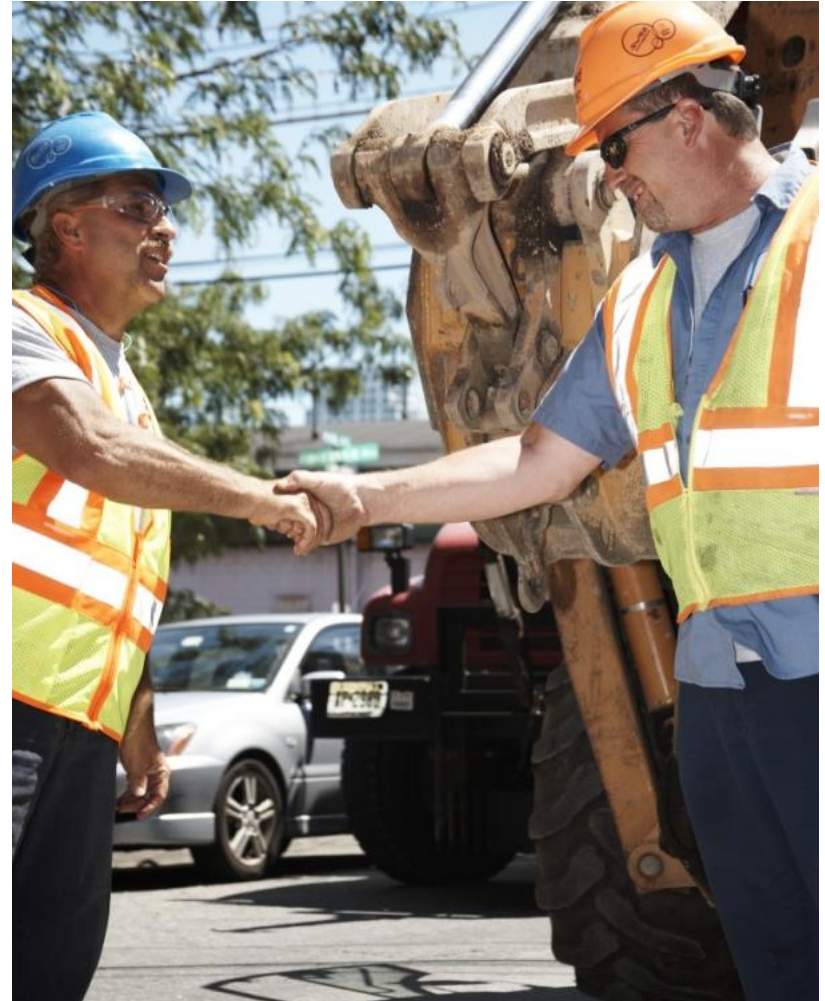
Customers (billing & collection)

External Stakeholders

- Community Organizations
- Environmental Groups
- NGOs (both pro- and anti-privatization)
- Political Groups
- Others?

Internal Stakeholders

- Executive Management
- Human Resources
- Finance
- EH&S
- Others?



CUSTOMER POINT OF VIEW

They used less water – you are increasing your rates

You aren't rewarding their conservation

**Employee salaries and pensions
are causing rate increases**

You should reduce your costs

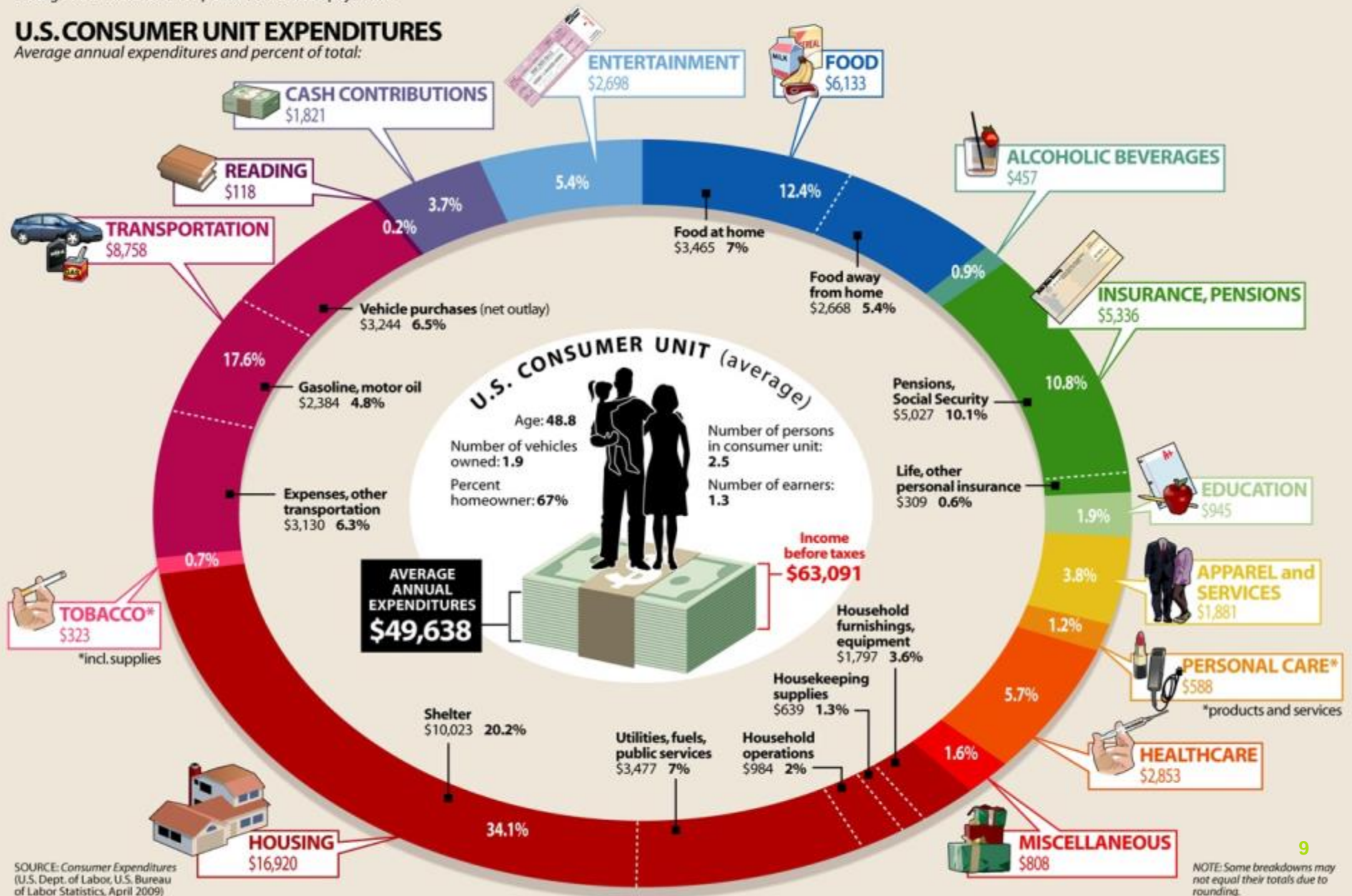


Where Does the Money Go?

The Department of Labor's latest survey provides a detailed look into how the average U.S. consumer unit spends their annual paycheck.

U.S. CONSUMER UNIT EXPENDITURES

Average annual expenditures and percent of total:



SOURCE: Consumer Expenditures (U.S. Dept. of Labor, U.S. Bureau of Labor Statistics, April 2009)

NOTE: Some breakdowns may not equal their totals due to rounding.

DIRE NEED TO REPLACE AGING INFRASTRUCTURE



THIS IS TODAY'S STANDARD



REPLACING OLDER MAINS KEY TO BETTER SERVICE

Some pipes have been in the ground for more than a century



Without replacement, more repairs will be necessary



YOUR “COMPETITION”

- ✓ Mortgage
- ✓ Car Payment
- ✓ Insurance
- ✓ Food
- ✓ Electric service
- ✓ Gas Service
- ✓ Cable / Satellite TV
- ✓ Phone Service
- ✓ Cell Phone Service
- ✓ Internet Service
- ✓ Repair / Upkeep
- ✓ School & Athletics
- ✓ Movies
- ✓ Dining Out
- ✓ Clothing
- ✓ Recreation



VALUE OF WATER

Quality of life

- Your trip to the bathroom
- Your morning shower
- Your hot cup of coffee
- Watering of your lawn and garden

Public health protection

- Meets all federal and state guidelines for Safe Drinking Water

Fire protection

Support for the economy

- Clean water delivers growth, jobs



VALUE OF WATER

The value of water is situational

- It can have no value, a negative value or a high value
- Your water utility is **expected** to provide reliability and quality



COMPARISON SHOPPING



The **Best Deal** Around

On average, a gallon of California tap water costs two-tenths of a cent. When compared with the cost of other products we use every day, tap water is clearly one of the best deals around.

A Gallon of **TAP WATER**
\$0.002

A GALLON OF



\$45.00

A GALLON OF



\$16.00

A GALLON OF



\$11.35

A GALLON OF



\$3.06

A GALLON OF

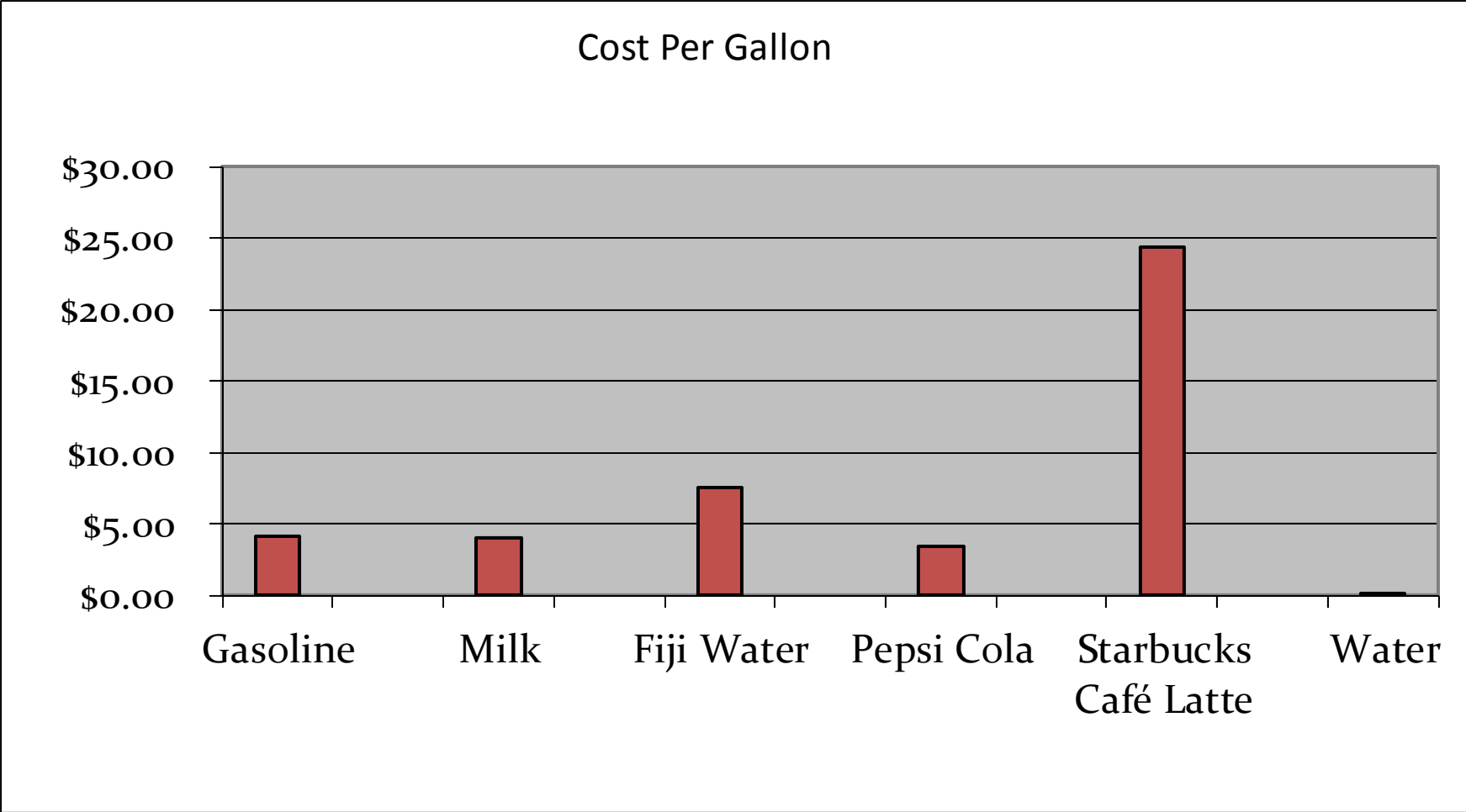


\$2.49

(*Prices based on California averages.)



\$0.002 DOESN'T COMPUTE



VALUE OF WATER

Why communicate at all? After all, you have a monopoly?

Research indicates that informed consumers are:

- Less likely to complain about perceived billing errors
- Less likely to complain about taste & odor problems
- More likely to be satisfied with utility performance
- More likely to be loyal to your service



VALUE OF WATER

As their water rates increase – and they will – your customers need to understand what they are paying for:

Greater reliability

- Infrastructure improvements (pipelines, plant, etc.)

Improved Customer Service

- Smart Metering, pay online

Improved taste

- Consumer groups

Meeting or surpassing all health standards

- Federal, state guidelines constantly changing

Responsible fiscal management

- Transparency



VALUE OF WATER

How much are customers willing to pay?

One pint of bottled water at a baseball game, an airport or a shopping mall sells for as much as \$5.00, usually within spitting distance of a drinking fountain.

People are paying for peace of mind

Believe it or not, that is 500 times the cost of the water you supply every day on a 24/7 basis

- Delivered to their taps, showers, etc.



VALUE OF WATER

Where are the costs in providing bottled water?

- Acquisition
- Treatment
- Storage
- Transportation

Did you know:

- 80% or more of consumers in the West, Southwest and Southeast regularly drink either bottled water or home filtered water



VALUE OF WATER

These are the same costs incurred by your own utility Acquisition – Treatment – Storage – Transportation

We just haven't done as good a job as the bottled water industry has in convincing people of value added to water

Why not? Because they have one additional huge cost – Marketing – that few cities incur

Communicating is marketing

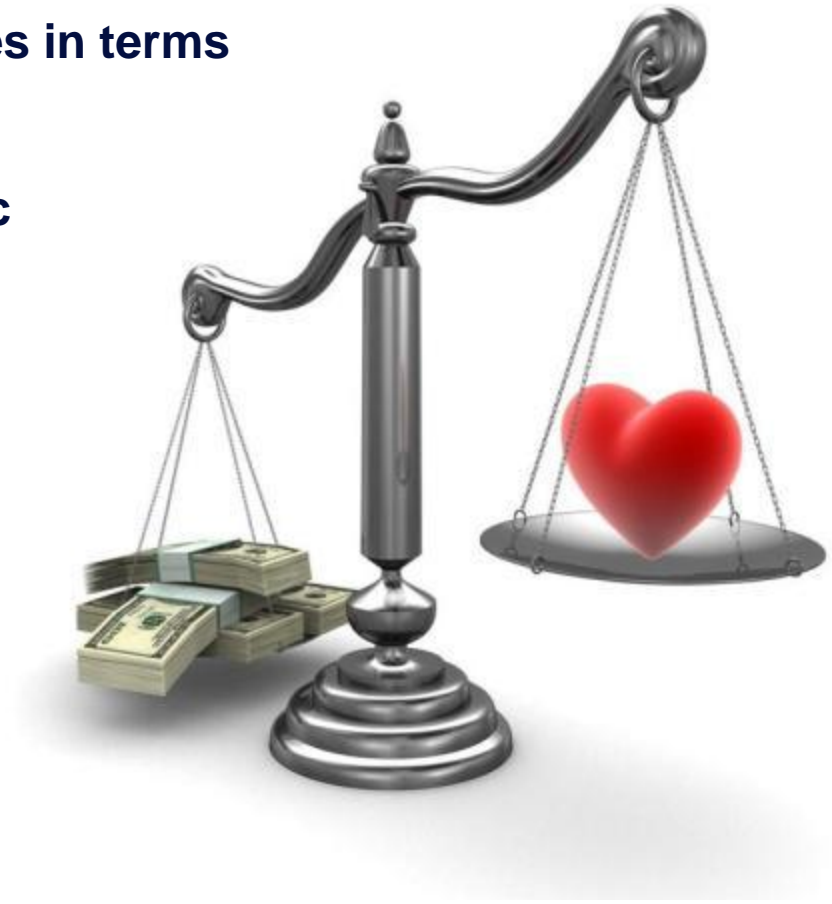


VALUE OF WATER

We have taught our customers to take water for granted

Customers tend to set spending priorities in terms of perceived value

Changes in those priorities are traumatic when not made by the customer



COMMUNICATING THE VALUE OF WATER

Rate increase shouldn't be the first thing community hears from you

**Develop a communication plan with key messages and tools –
implement it!**

Build on existing communication with community

San Diego Sending Out Notices On Water Rate Increase

Monday, September 28, 2015

The city of San Diego this week will begin sending out notices of a Nov. 17 City Council vote on increasing water rates. City staff are proposing five incremental [hikes in water rates](#), beginning with a 9.8 percent increase in January 2016. The final increase, in July 2019, would raise water rates to about 41 percent above their current levels.

Large Water Main Break Leads To Evacuations In West Philly

Never Waste a Crisis



COMMUNICATING THE VALUE OF WATER

What are your goals for improved communication? (The “why,” not the “how”)

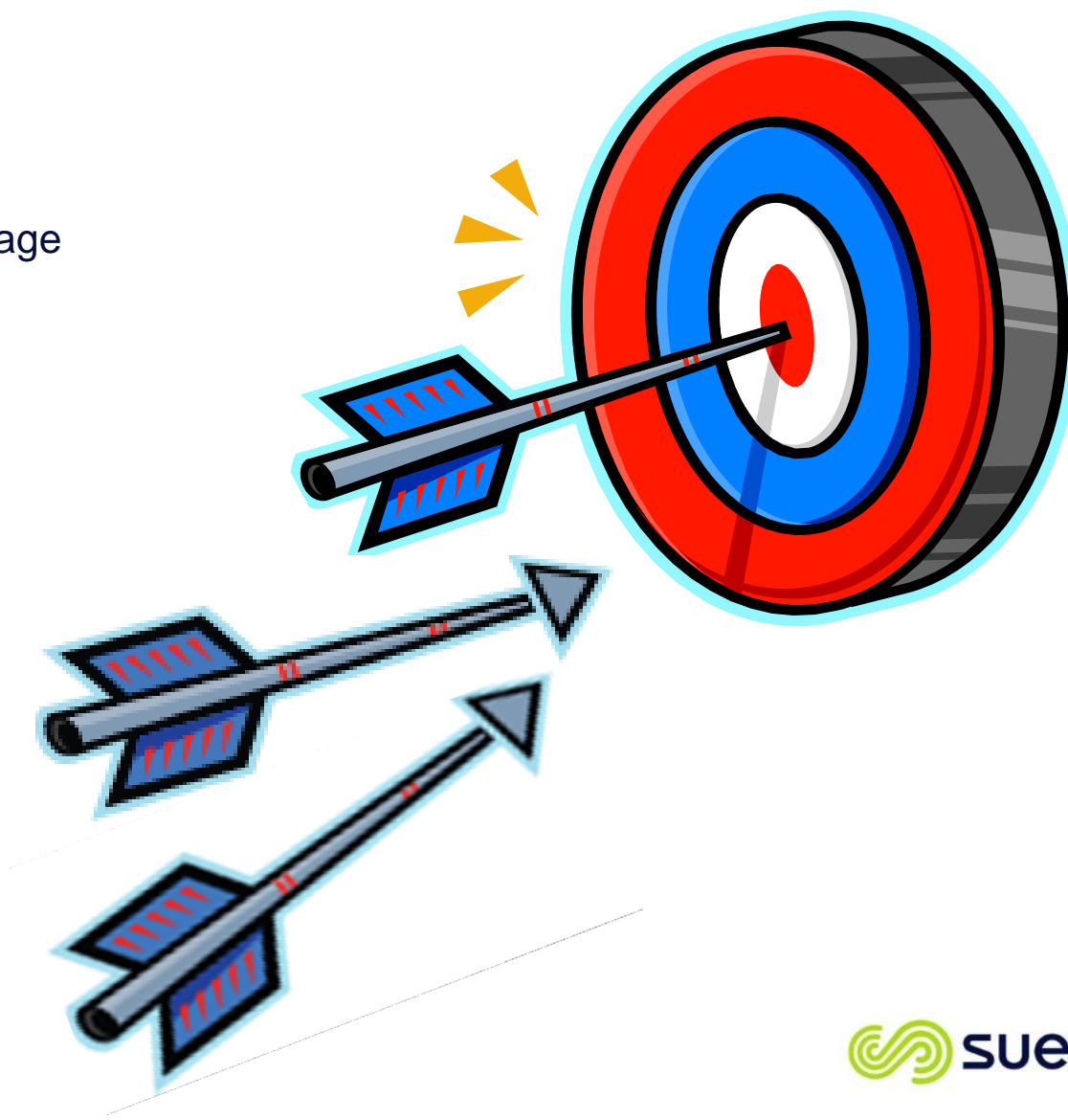
- Fewer customer complaints
- Less resistance to required rate hikes
- Infrastructure investment
- Greater cooperation to conserve
- Fill in the blank _____



YOUR CUSTOMER – A MOVING TARGET

“The Good Ol’ Days”

- Statement stuffer / bill message
- Local newspaper
- Direct Mail



REACHING A CUSTOMER TODAY

- ✓ **Statement Message**
- ✓ **Newsletter**
- ✓ **News Release**
- ✓ **Newspaper Ad**
- ✓ **Website**
- ✓ **Facebook**
- ✓ **Twitter**
- ✓ **You Tube**
- ✓ **Robo Calls**



- ✓ **School Messages**
- ✓ **Facility Tours**
- ✓ **Public Forums**
- ✓ **Board Meetings**
- ✓ **Community Events**
- ✓ **Op-Eds**
- ✓ **Cable TV**
- ✓ **E-mail Blasts**
- ✓ **I-Phone App**



...AND MORE

- ✓ Brochures
- ✓ New Customer Package
- ✓ Annual Report
- ✓ Water Quality Report (CCR)
- ✓ Landscape Classes
- ✓ HOA Meetings
- ✓ City Council Meetings
- ✓ Speaker's Bureau
- ✓ Public Support for District Initiatives
- ✓ Intergovernment Outreach
- ✓ AMR / AMI Data
- ✓ Bill Payment options
- ✓ Chambers of Commerce



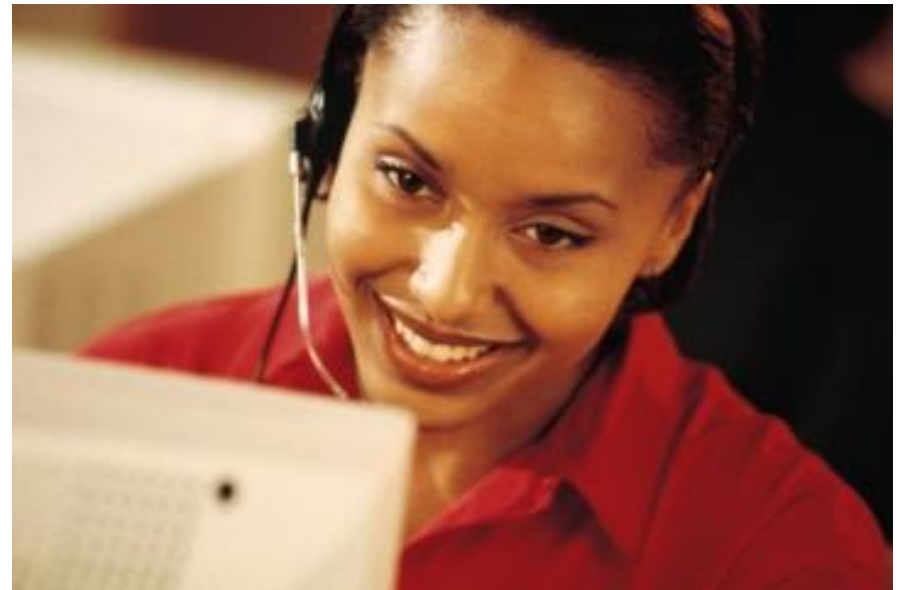
REACHING YOUR CUSTOMER TODAY

You are competing for his or her attention

**Your message must be brief and to the point.
It must have VALUE**

There is no “magic bullet” – some will miss it

**Customer will follow up if it is perceived
as necessary to do so – you provide
the means**



COMMUNICATING THE VALUE OF WATER

Develop your utility's story

- Describe components of your rate structure
- Use graphics to compare costs
- Develop message points
- Show examples of value your utility provides



Communicating Value Through: Water Reliability 2020



Wholesaler of imported & recycled water to 17 California coastal cities

Water Reliability 2020



Water Reliability Information Packet and Fact Sheets

- ✓ Have almost of local, state and Federal elected officials, business & community leaders and 4,000 individual supporters
- ✓ Names scrolled on website and in our new Water Education Center
- ✓ 200 “testifiers”
- ✓ New “Water Star” kids program



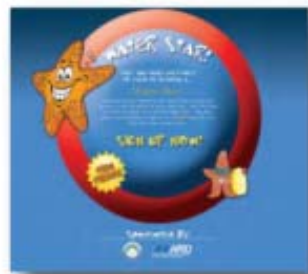
Huell Howser Ad for Library



Huell Howser DVD



Water Reliability Support Card



Screen Shot of Water Star Web Site



Sign up form

Water Waster Fix-it Ticket



T-shirt



CRANKED UP VOLUME ON LEADER OUTREACH TO IMPROVE COMMUNICATIONS

- ✓ Branding consistent look
- ✓ Updated logo
- ✓ Developed Customer Commitment statements
- ✓ Initiated public tours of plants
- ✓ Tasting recycled sewer water, now Desal water
- ✓ Developed new fact sheets
- ✓ Initiated annual Landscape Expo
- ✓ New Ocean Friendly/CA Friendly gardens at Headquarters & Plants
- ✓ Ocean Friendly Garden Program for public - 10 demo gardens & 40 classes in District
- ✓ Established water scholarship
- ✓ Added signage & kids toys at plant
- ✓ Expanded annual community “thank you” water festival
- ✓ Created kids water conservation – Water Star program
- ✓ Improved media relations
- ✓ Huell Howser video
- ✓ WR 2020 awards program
- ✓ Website improvements
- ✓ Wedgewire video camera
- ✓ Several surveys of our service area – leadership & customers
- ✓ Board presentations move into community

CONCLUSION

Water utilities need to have the courage to raise rates when required to pay for infrastructure, but they also have to talk to and listen to their ratepayers

It takes a “tremendous amount of work” to persuade customers to sign up for such increases



Questions?

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