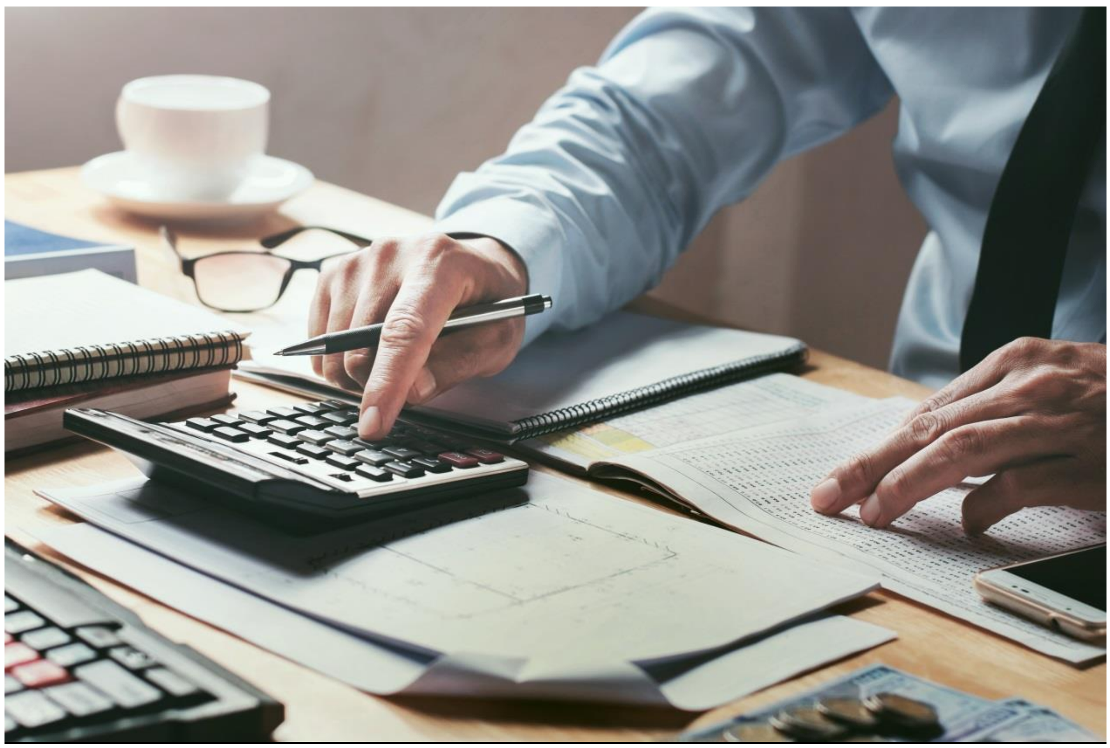
NRECA
A Touchstone Energy® Cooperative

2018 C&I MEMBER SATISFACTION



6/21/2018

Vermont Electric Cooperative

Survey Results Prepared by:

NRECA MARKET RESEARCH SERVICES

VERMONT ELECTRIC COOPERATIVE

Final Report

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2018 C&I Member Satisfaction

VERMONT ELECTRIC COOPERATIVE

EXECUTIVE SUMMARY

Following are the top-line findings for the study's main objectives based on the results of a phone survey of 102 C&I members of Vermont Electric Cooperative (VEC) conducted in May and June of 2018:

- Overall satisfaction among C&I members is good. The mean rating is 8.31 on a 10-point scale and 58% give ratings of "9" or "10". This is lower than all of the studies since 2011, significantly lower than in 2013 and 2014.
- Eighteen of the 23 performance attributes evaluated also receive positive ratings with mean ratings above 4.0. The highest mean ratings are in regards to the co-op's employees and electric service reliability. The lowest rated attributes in the survey are in regards to customers' bills - *the monthly service fees*, *helping members to be more efficient in their electric use*, *charging reasonable rates*, *helping customers keep bills as low as possible*, and *delivering good value for the money*.
- None of the attributes are significantly higher than in recent studies (2013 through 2017) and 20 are significantly lower than in at least one study in that timeframe. Compared to the 2017 study, seven attributes are rated significantly lower.
- There is no single strongest driver of overall satisfaction. Rather, Cost and Efficiency, Employees, Electric Service, and Member Service are identical or nearly identical in their impact on customers' overall satisfaction. Maintaining high ratings and making improvements in these areas will have the biggest impact on members' overall satisfaction with the co-op.
    - **Cost and Efficiency**: Not surprisingly, the four attributes in this driver are the lowest rated attributes in the study with mean ratings below the "good" threshold of 4.0. *Delivering good value for the money* is not included in this driver but is also evaluated below 4.0. This attribute, along with *helping customers keep bills as low as possible* and *helping customers to be more efficient in their use of electricity*, is significantly lower than in 2017.
    - **Employees**: The attributes in this driver are evaluated well above 4.0. *Having professional employees* is the highest rated attribute in the study with a mean rating above 4.50 which is excellent. *The courtesy, understanding, and helpfulness of employees* is the second highest. None of the ratings differ significantly from the 2017 study, but two are significantly lower than in at least one recent study.
    - **Electric Service**: Again, all of the attributes are rated above 4.0 and are consistent with the 2017 study. However, all are significantly lower than in at least one recent study. In the studies since 2012, power outages of 3-4 hours were evaluated as having the most serious

impact on respondents' businesses. This year, customers say that inconsistent power quality has the most serious impact.

- **Member Service**: The four attributes included in this driver are evaluated as being good. However, *the accuracy of meter reading and billing*, *demonstrating concern for customers' best interests*, and *the overall customer service provided* have decreased significantly since the 2017 study. Among the 63% who indicate they contacted VEC in the past year, evaluations of their contact is good, with approximately nine in ten saying it was at least what they expected. More than half give positive ratings for the value of having an account rep. The mean rating of 3.55 is consistent with the 2016 and 2017 studies and continues to be significantly higher than the studies between 2012 and 2015.

OBJECTIVES

This commercial and industrial member survey addresses but is not limited to the following informational objectives:

- ***Overall Performance***: Assess how satisfied C&I members are with VEC.
- ***Performance Quality Attributes***: Evaluate C&I member perceptions of service quality on a variety of attributes (e.g., rates, billing, outages, customer service, etc.).
- ***Performance Quality Trends***: Compare the results to past studies to identify trends.
- ***Prioritizing Improvement and Maintenance Efforts***: Derive the key drivers of overall satisfaction and to what degree consumer needs are being met to help VEC prioritize any improvement efforts.
- ***Other***: Explore other areas of specific interest to the co-op, including members' perception of the value of having an account representative and the impact of power outages.
- ***Member Characteristics and Segmentation***: Provide business characteristics of the C&I membership base and identify differences in attitudes between segments.

METHODOLOGY

Telephone surveying was again used as the data collection technique. Interviewers were thoroughly trained on telephone interviewing techniques and on the questionnaire prior to initiating the survey. During this training, the survey instrument was reviewed to ensure that all surveys would be completed in the same manner. On average, the telephone interviews lasted approximately 11 minutes.

Calls were completed with 102 commercial and industrial members of VEC between May 29 and June 5, 2018. Of those contacted, 217 declined to participate, resulting in a response rate of 32%. Additionally, 44 of the phone numbers attempted were disconnected or were otherwise unable to be used to complete a survey (not a C&I account, fax number, etc.). The margin of error at the 95% confidence level for the sample is plus or minus 9.5 percentage points. This means that a result of 50% in the survey may range from 40.5% and 59.5% in an infinite number of samples this size.

ANALYSIS

The graphics presented in this report are based on data collected from the current study and tracking results from 13 studies conducted between 2005 and 2017. The results of tracking surveys provide value in two ways: by demonstrating when results remain consistent and by indicating where there has been significant change over time.

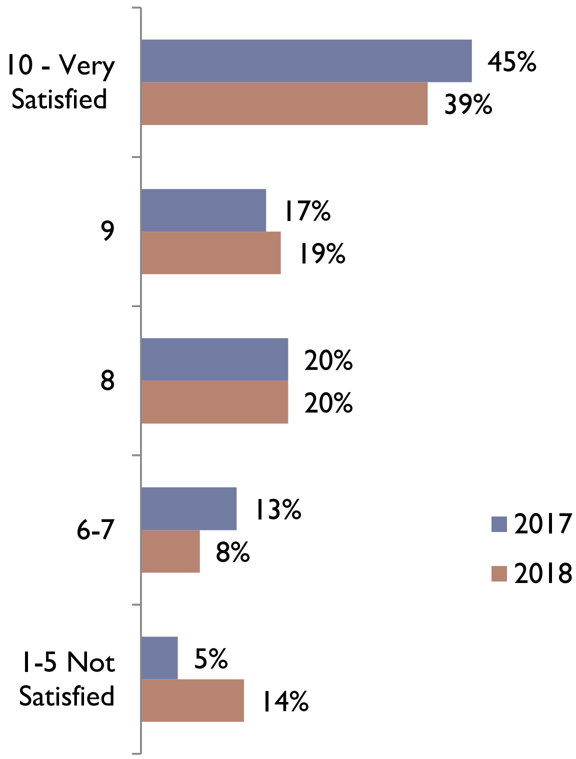
Differences between years and differences between member segments, such as business type or tenure, are pointed out and characterized as being either statistically significant or not. When the term "significant" is used, this refers to the certainty of a difference, not the magnitude or size of the difference. Significance is measured at the 95% confidence level, meaning that 95% of the time or more this difference will occur; the difference is likely not a matter of chance due to sampling. It is important to note that many of the C&I member segments are very small (fewer than 30 respondents), so tests for significant differences among these segments are not valid.

When evaluating the mean ratings in this report, on a 5-point scale a mean of 4.50 or above should be considered "excellent" and a mean between 4.00 and 4.49 is considered "good". Means below 4.00 may be cause for concern and those below 3.75 indicate problems and a need for improvement.

KEY FINDINGS

Overall Satisfaction

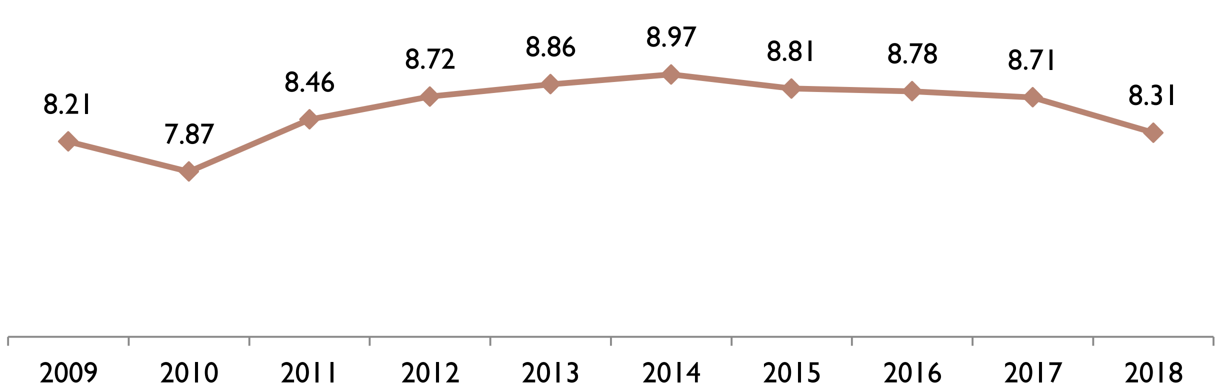
Overall satisfaction among C&I members is good. The mean overall satisfaction rating is 8.31 on a 10-point scale and 58% give ratings of "9" or "10".



However, the mean satisfaction rating in 2018 is lower than all of the studies going back to 2011, significantly lower than in the 2013 and 2014 studies.

Government/Non Profit organizations give the highest satisfaction ratings, significantly higher than manufacturing/construction/wholesale/retail companies, service organizations, and agriculture organizations.

Mean Satisfaction Ratings by Year



Performance Quality Attributes

C&I members were asked to evaluate 23 performance quality attributes related to member service, electric service, communication, billing, and cost. On 18 of the attributes measured, the mean ratings are higher than 4.00, a "good" rating on a 5-point scale.

Additionally, the mean rating for *having professional employees* is above 4.50, which is considered "excellent". The highest rated attributes in the study include:

- Having professional employees (4.57)
- The courtesy, understanding, helpfulness of employees (4.44)
- Providing consistent voltage without surges or brownouts (4.43)
- The reliability of service and frequency of interruptions (4.42)
- Keeping the number of longer outages to a minimum (4.40)

However, compared to recent studies (2013 or later), none of the attributes have increased significantly and almost all are significantly lower than at least one study. Significant decreases from recent studies are shown in the table below.

	2017	2016	2015	2014	2013
Accuracy of meter reading and billing	↓	↓	↓		↓
Accurate and easy to understand bills	↓		↓		↓
Helping customers be more efficient	↓		↓	↓	↓
Helping customers keep bills as low as possible	↓		↓	↓	↓
Concern for customers' best interests	↓			↓	↓
Overall customer service provided	↓				
Delivering good value for the money	↓				
Resolving any issues/problems		↓		↓	↓
Convenient payment options			↓	↓	
Keeping members informed on outages			↓		↓
Restoration of power after an outage			↓		↓
Minimizing longer outages			↓		↓
Providing consistent voltage			↓		
Charging reasonable rates			↓		
Monthly service fees			↓		
Reliability of service, frequency of interruptions			↓		
Courtesy, understanding, helpfulness of employees				↓	↓
Speed/efficiency responding to customers				↓	↓
Communicating, keeping customers informed				↓	↓
Minimizing blinks and momentary outages				↓	

The attributes on which VEC is rated least well by C&I members are listed below. While these are attributes that are often rated lower in satisfaction research, with mean ratings well below 4.0 and significantly lower than in at least one recent study (three are significantly lower than in 2017), this may be a cause for concern.

- *Their monthly service fees* (3.31)
- *Helping members to be more efficient in their use of electricity* (3.33)
- *Charging reasonable rates* (3.43)
- *Helping customers keep bills as low as possible* (3.45)
- *Delivering good value for the money (3.71)*

Prioritizing Improvement and Maintenance Efforts

The key drivers of overall satisfaction among VEC's C&I members are cost of electricity, employees, electric service, member service, social responsibility, and payments and bills. Going forward, these are the areas that VEC should focus on most in regards to commercial members.

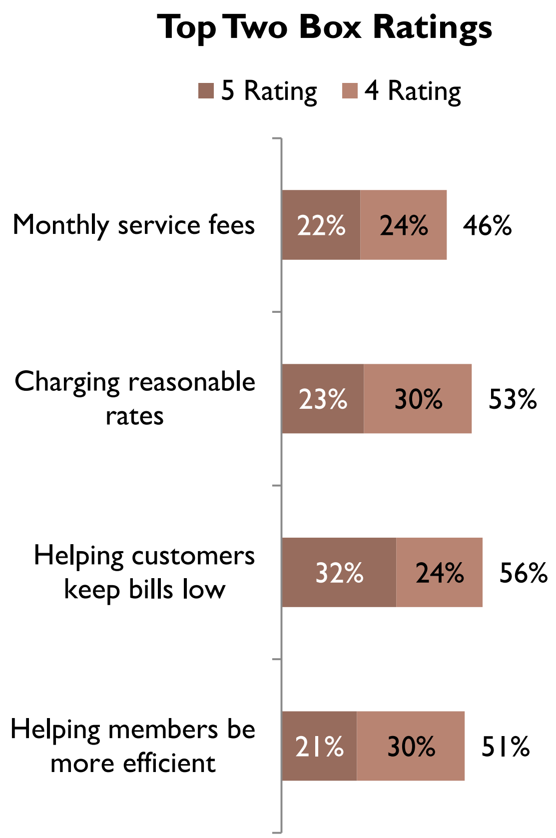
Regression analysis was used to determine the key drivers of overall satisfaction. The scores are to be interpreted relative to each other. For example, since *cost and efficiency* has a score of 0.39 and *social responsibility* has a score of 0.25, we can say that C&I members' perception of the cost of their electric service has 1.5 times the impact on their overall satisfaction as their perception of the co-op's *social responsibility*. Attributes and factors not shown below are not significant drivers of overall satisfaction. Note that there is no one factor that is clearly the strongest key driver of overall satisfaction among C&I members of VEC. *Cost and efficiency, employees, electric service,* and *member service* are calculated to be the top four drivers with nearly identical importance scores. More information on how the factors were formed and importance scores derived can be found in Appendix A.

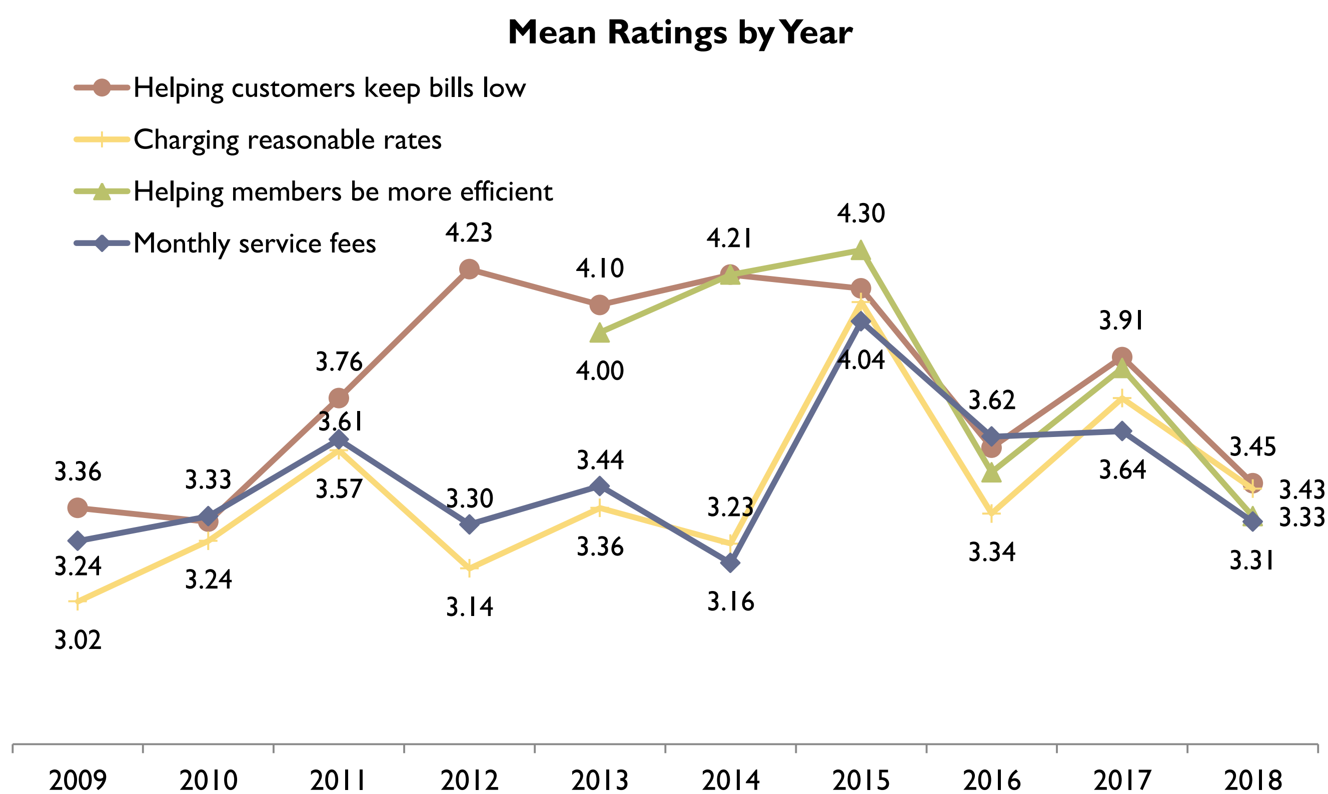
Cost and Efficiency	•The monthly service fees •Charging reasonable rates •Helping customers keep bills as low as possible •Helping customers to be more efficient in electric use	**0.39**	Overall Satisfaction
Employees	•Courtesy, understanding, helpfulness of employees •Having professional employees •Communicating with customers, keeping them informed	**0.39**	
Electric Service	•Keeping longer outages to a minimum •Keeping blinks, momentary outages to a minimum •Reliability of service and frequency of outages •Restoration of power after an outage •Speed and efficiency of responding to customers •Keeping customers informed on status of outages	**0.36**	
Member Service	•Accuracy of meter reading and billing •Resolving any issues or problems •Demonstrating concern for customers' best interests •The overall customer service they provide	**0.35**	
Social Responsibility	•Supporting the local community •Operating with concern for the environment	**0.25**	
Payments and Bills	•Having convenient payment options •Providing accurate and easy to understand bills	**0.15**	

Cost and Efficiency

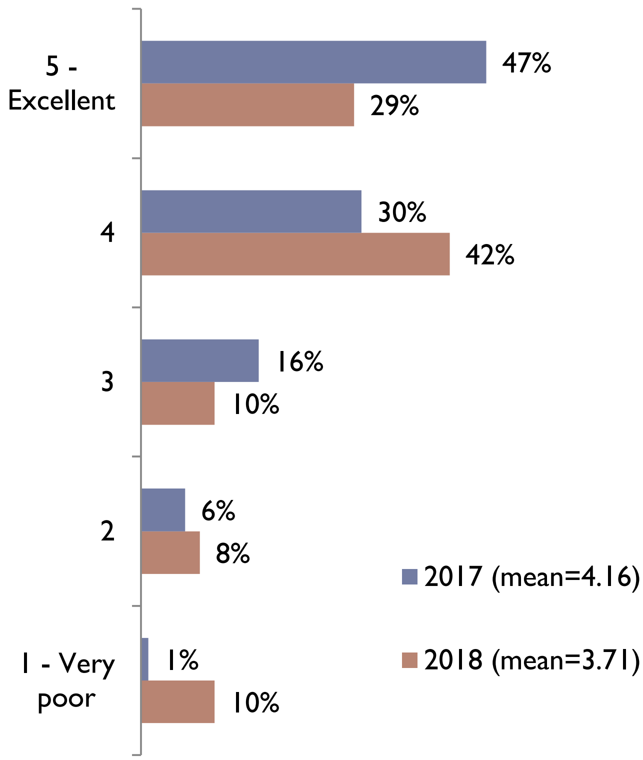
The first of the strongest key drivers of overall satisfaction is "Cost and Efficiency". The attributes that make up this key driver are the lowest rated in the study, which is very typical across studies of this type.

All four attributes are also significantly lower than at least one of the studies since 2013, with *helping customers keep bills as low as possible* and *helping customers to be more efficient in their use of electricity* being significantly lower than in 2017.





Value for the Money

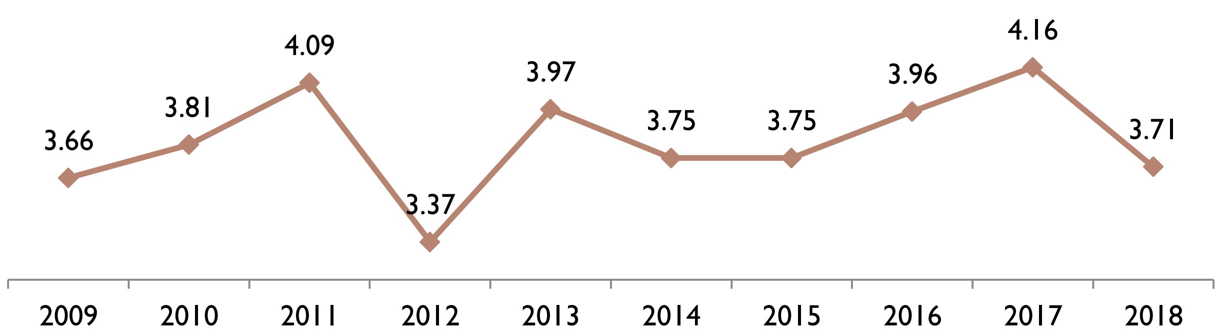


The mean rating for *the value they receive for their money* is significantly lower than in the 2017 study. It should be noted that the 2017 rating was the highest this attribute has been evaluated, significantly higher than many of the previous studies

A regression analysis was also conducted to determine the key drivers of *delivering good value for the money*. As seen in the table below, it was found that six factors are significant drivers of value. Although the perception of the cost of electricity has the strongest impact on the value members feel they receive, it is not the only factor that enters into the "value equation" among C&I members of Vermont Electric.

Key Drivers of Value	
Cost and Efficiency	0.59
Member Service	0.40
Electric Service	0.29
Employees	0.24
Social Responsibility	0.14
Payments and Bills	0.13

Mean Value Ratings by Year



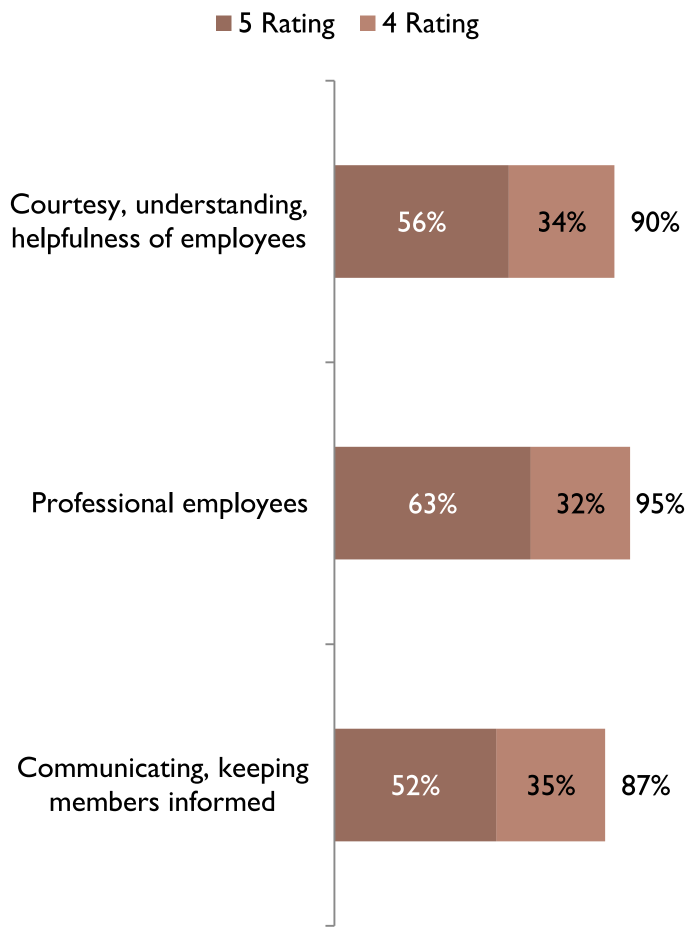
Employees

The next of the strongest key drivers of overall satisfaction is "Employees". This is an area in which VEC is rated positively.

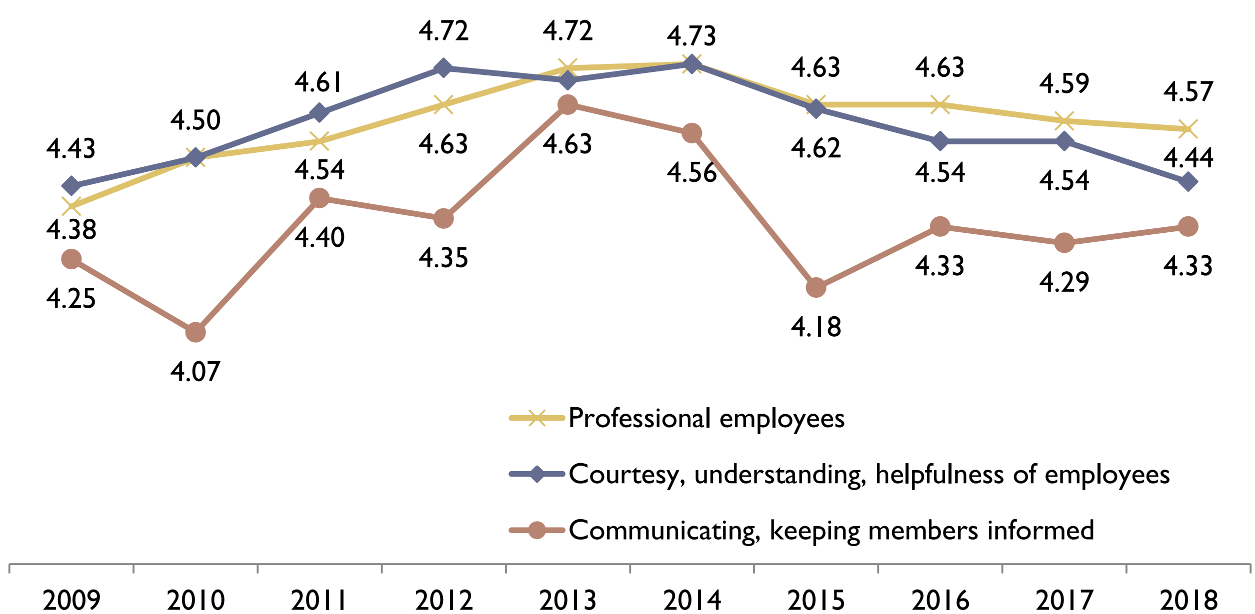
In fact, *having professional employees* and *the courtesy, understanding, and helpfulness of employees* are the two highest rated attributes in the study.

Although none of the attributes differ significantly from the 2017 study, *the courtesy, understanding, and helpfulness of employees* and *communicating with customers and keeping them informed* are significantly lower than in the 2013 and 2014 studies.

Top Two Box Ratings



Mean Ratings By Year



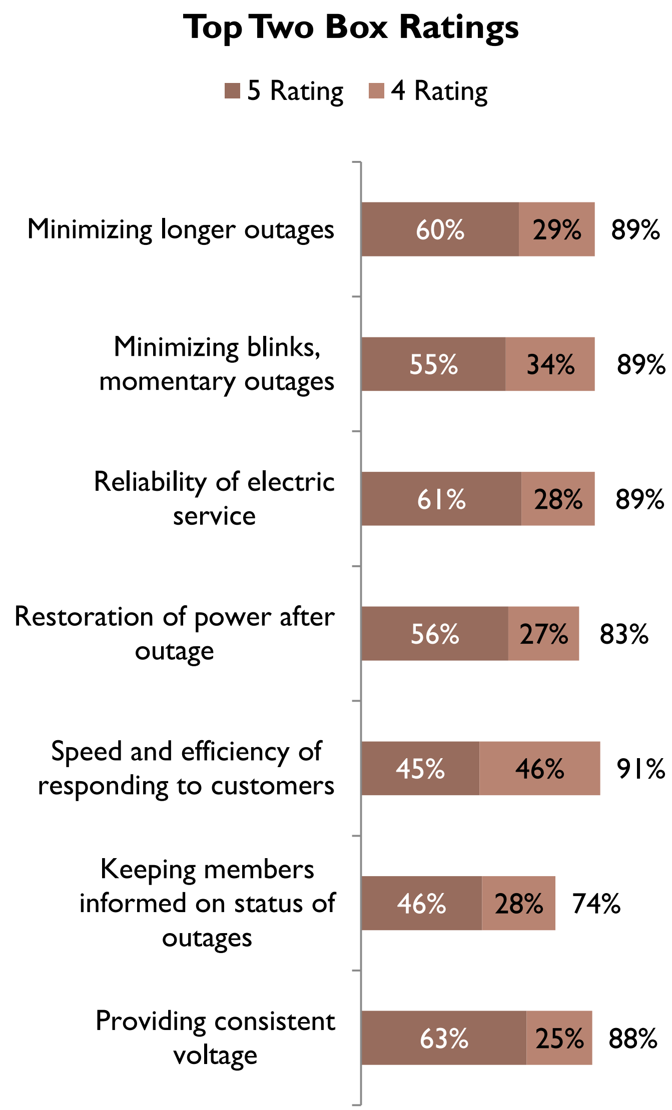
Electric Service

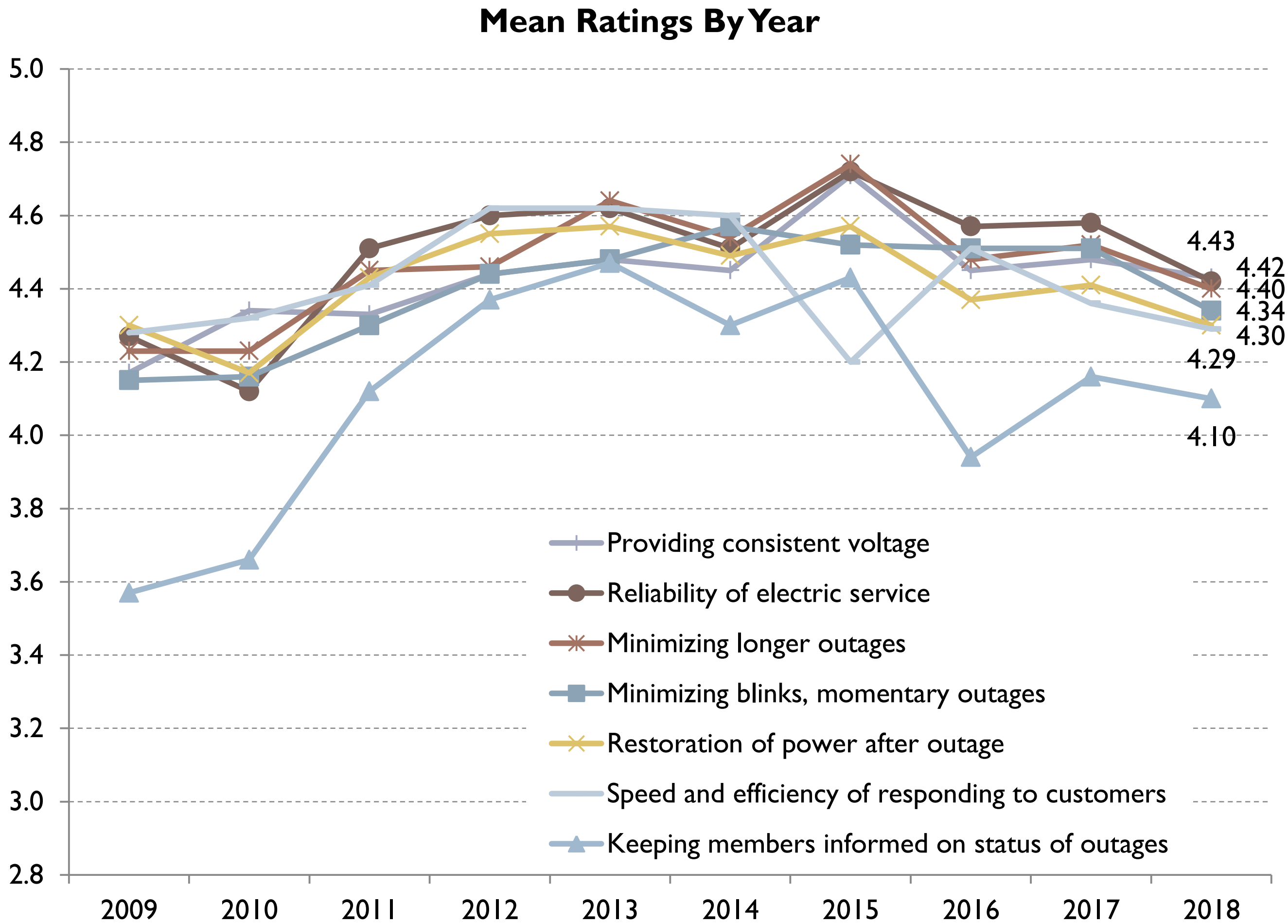
"Electric Service" is the next of the strongest key drivers of overall satisfaction. This is an area in which VEC is doing well.

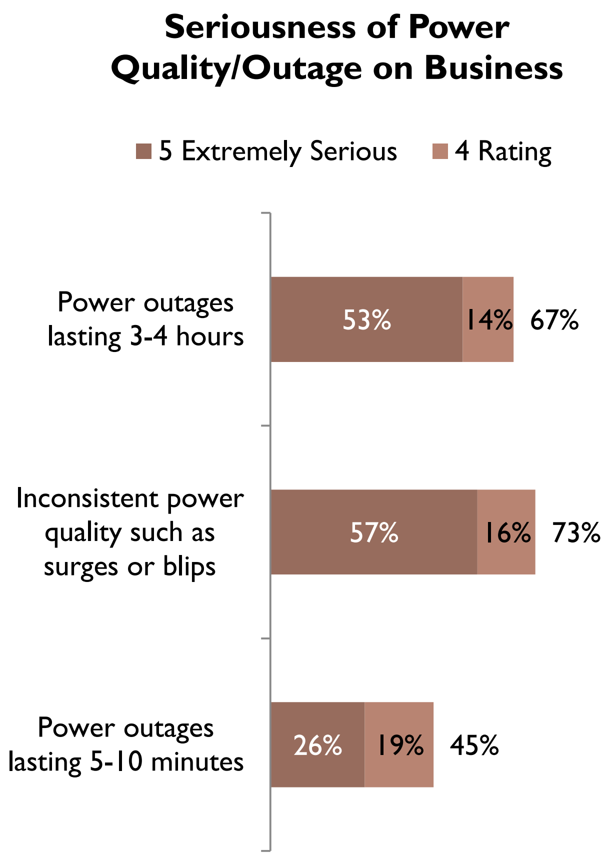
All of the attributes in this driver have mean ratings above 4.0. Although providing consistent voltage without surges or brownouts is not a part of this driver, it is also evaluated very well.

As is typical, the rating for *keeping members informed on the status of outages* is lower than the other attributes, but remains above 4.0.

As can be seen on the following page, mean ratings are consistent with the 2016 and 2017 studies, but all of the attributes are significantly lower than at least one study between 2013 and 2015.



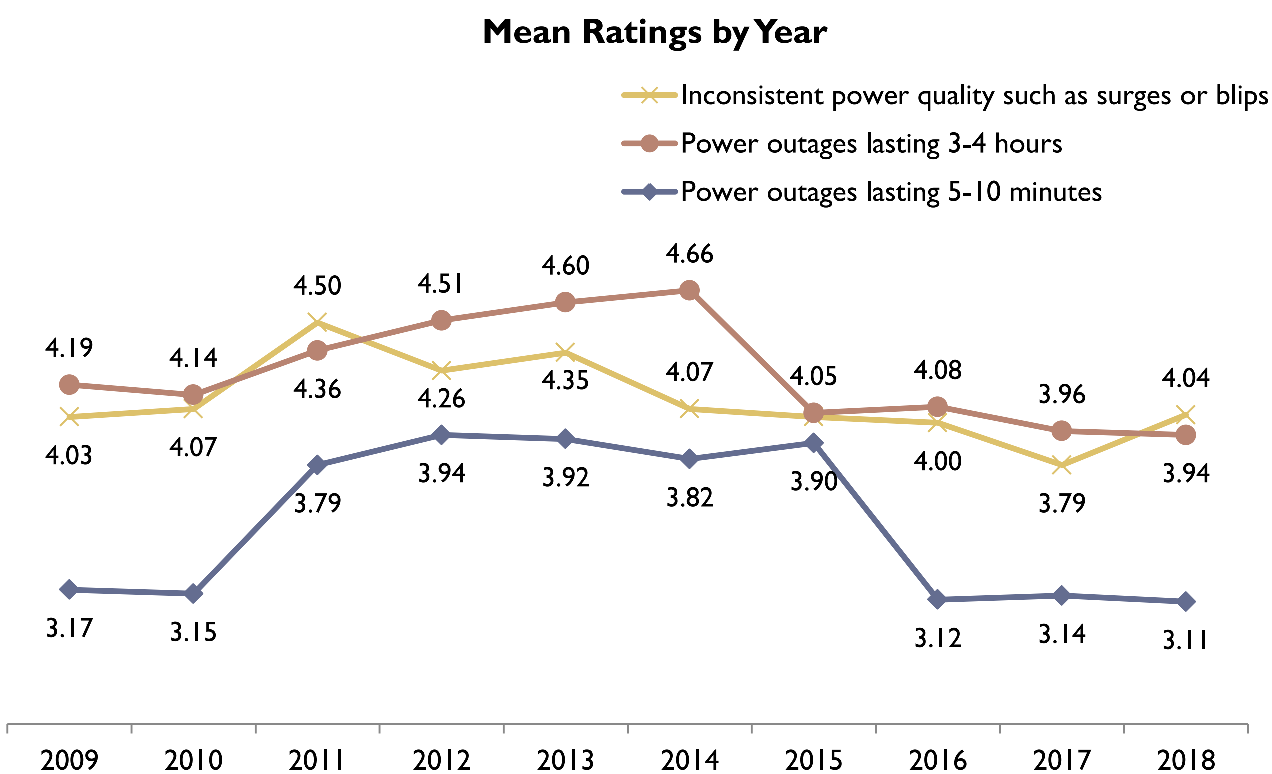

Mean Ratings By Year
5.0
4.8
4.6
4.4
4.2
4.0
3.8
3.6
3.4
3.2
3.0
2.8
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
4.43
4.42
4.40
4.34
4.30
4.29
4.10
Providing consistent voltage
Reliability of electric service
Minimizing longer outages
Minimizing blinks, momentary outages
Restoration of power after outage
Speed and efficiency of responding to customers
Keeping members informed on status of outages



Inconsistent power quality has the most serious impact on businesses with approximately three-quarters saying this type of interruption has a serious impact on their business. This is consistent with recent studies.

Two-thirds say power outages that last between 3 and 4 hours cause a serious impact on their business. The mean rating continues to be significantly lower than in all of the studies between 2011 and 2014.

Power outages lasting 5-10 minutes continues to have the least impact. The mean rating remains significantly lower than in the studies between 2011 and 2015.

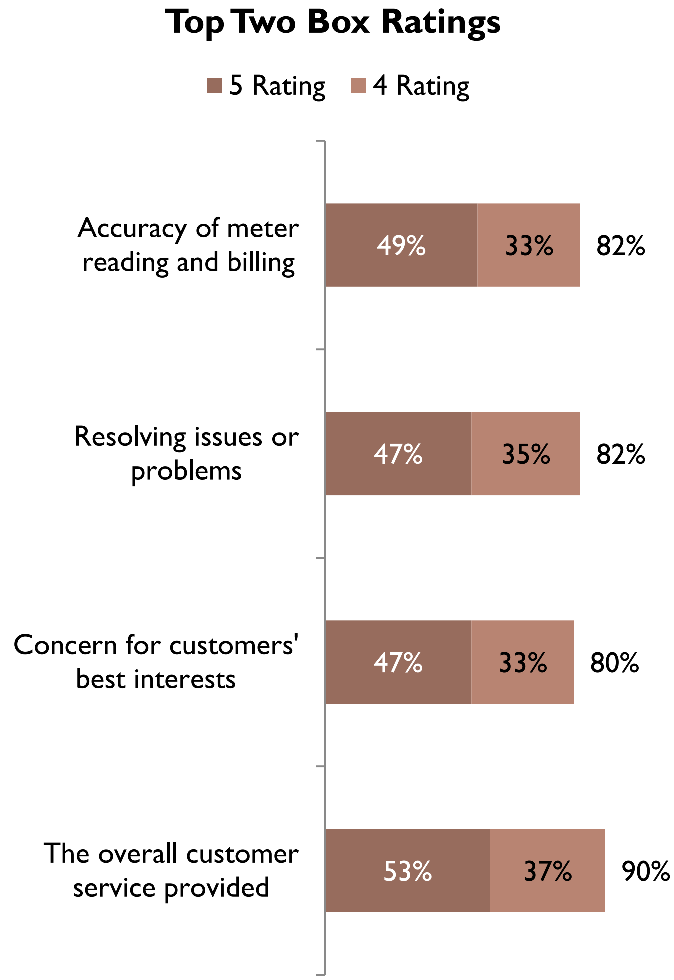


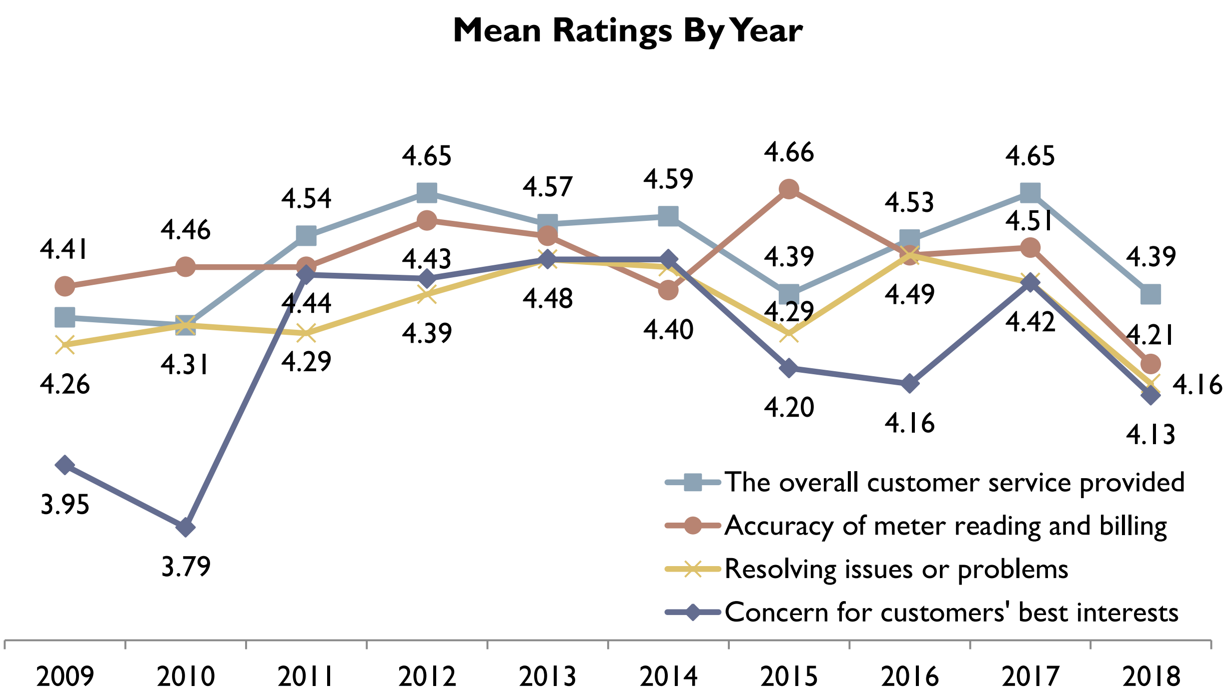
Member Service

"Member Service" is the last of the strongest key drivers of overall satisfaction. This is another area in which VEC is rated well.

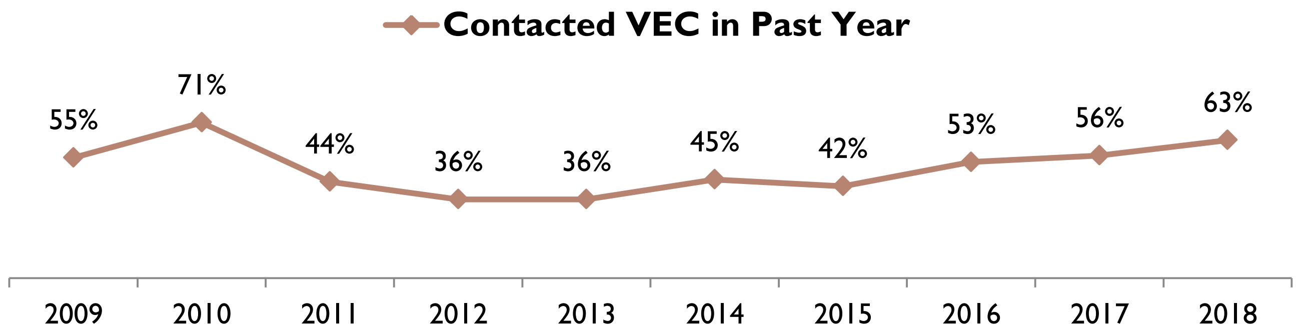
Mean ratings for the four attributes in this driver are above 4.0 on a 5-point scale.

However, the attributes are all evaluated significantly lower than at least one of the recent studies, with three of the four being significantly lower than in 2017 (the exception is *resolving any issues or problems*).

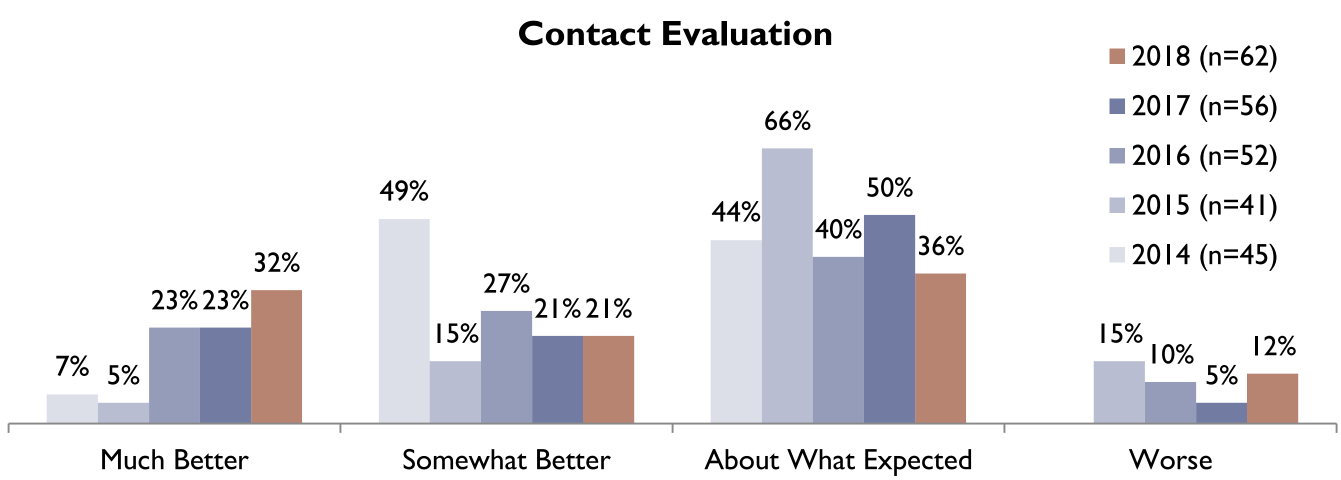


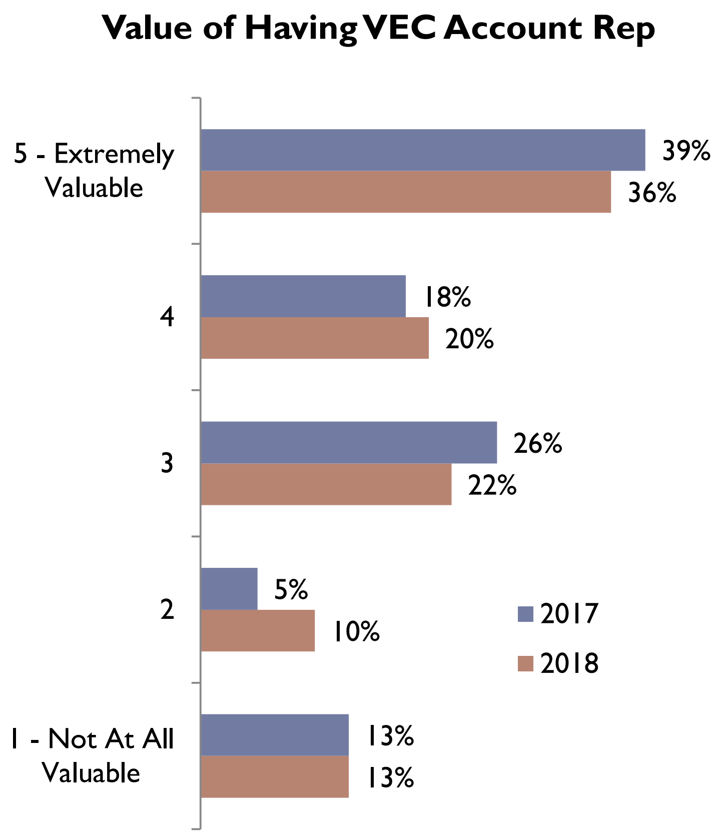


Nearly two-thirds of the C&I members say they have contacted VEC in the past year. This is consistent with 2017 and significantly higher than in all five studies between 2011 and 2015.

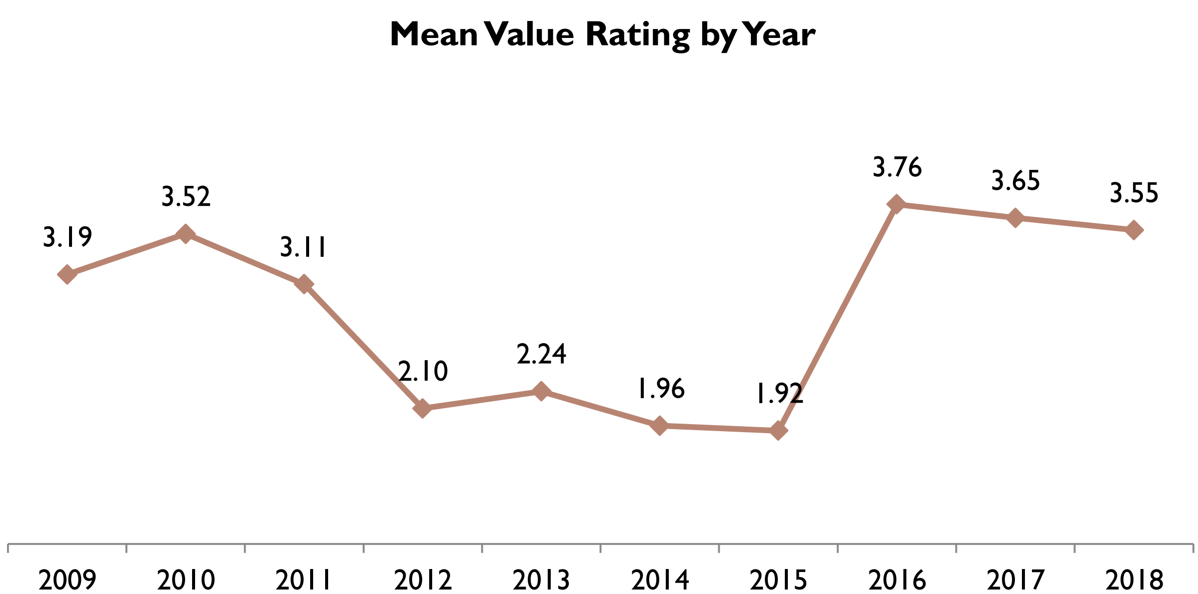


Approximately nine in ten C&I members who contacted the co-op say their expectations were met or exceeded, with just over half saying their expectations were exceeded. The proportion of members who say their contact was much better than expected continues to be significantly higher than 2014 and 2015.





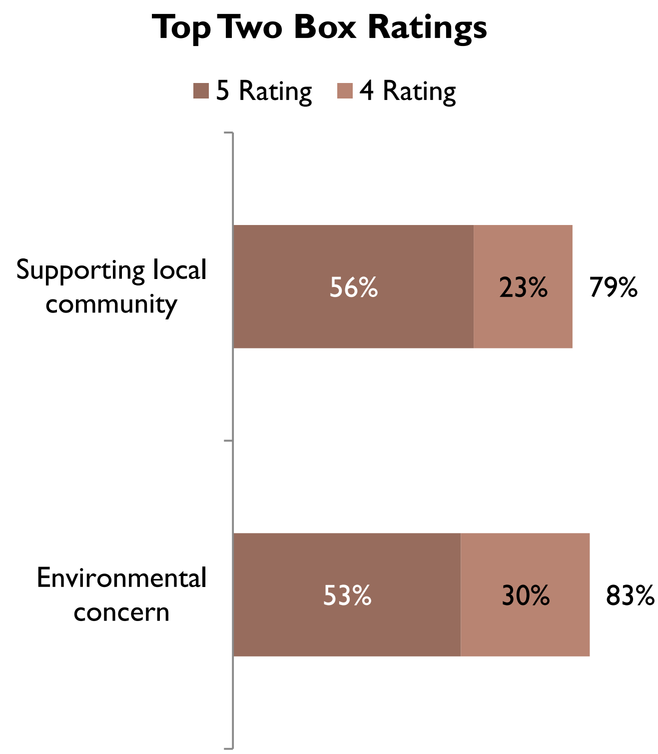
More than half indicate that it is valuable to their business to have an account representative from VEC giving a top rating of "4" (20%) or "5-extremely valuable" (36%). While the decrease in perceived value from the last couple studies is not statistically significant, this should be monitored in future studies. However, the mean rating remains significantly higher than all of the studies between 2012 and 2015.

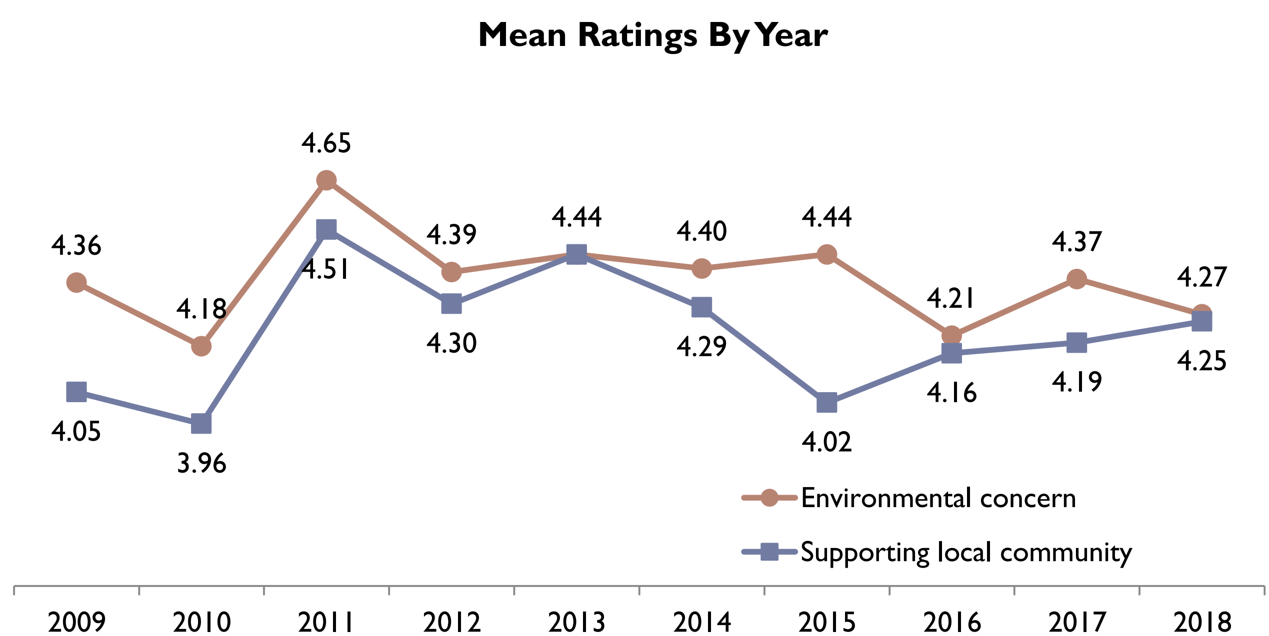


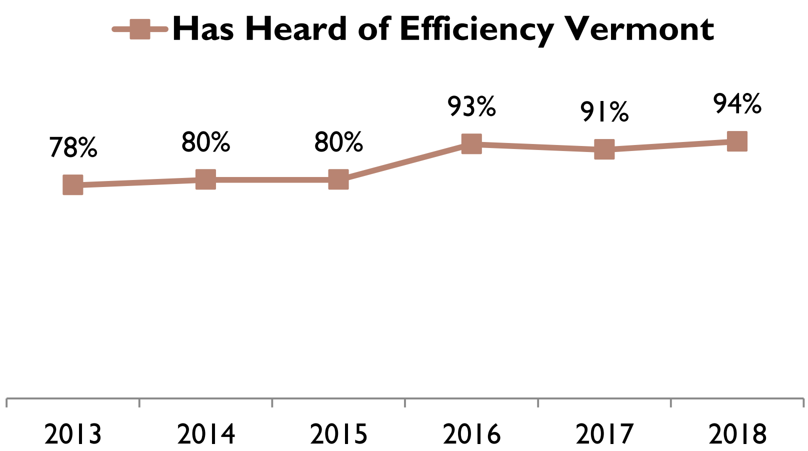
Social Responsibility

"Social Responsibility" is also a key driver of overall satisfaction. This is another area in which VEC is rated well.

Both of the attributes in this driver are evaluated well above 4.0 and are consistent with recent studies.

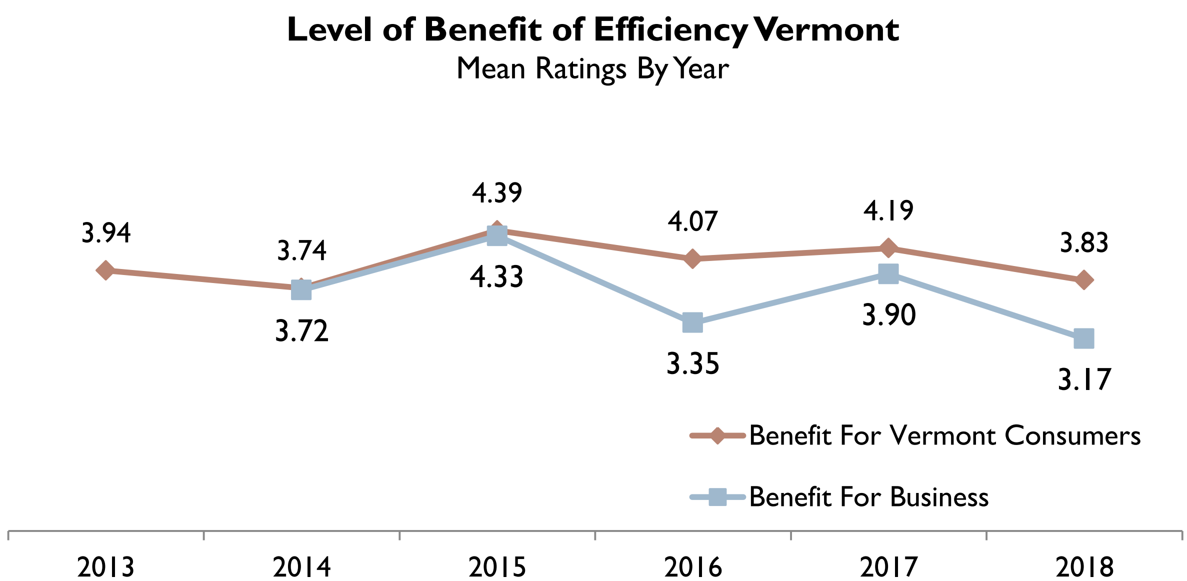


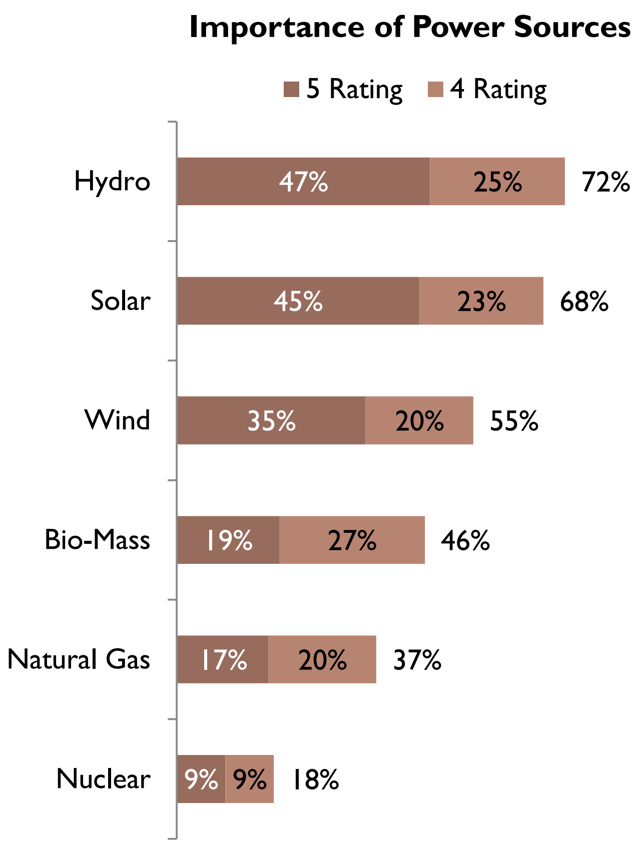




Almost all of the C&I customers have heard of the energy efficiency utility Efficiency Vermont. Awareness continues to be significantly higher than the 2013, 2014, and 2015 studies.

Among those aware of Efficiency Vermont, the perceived benefit for both Vermont consumers and for their own business has decreased significantly from the 2017 study.

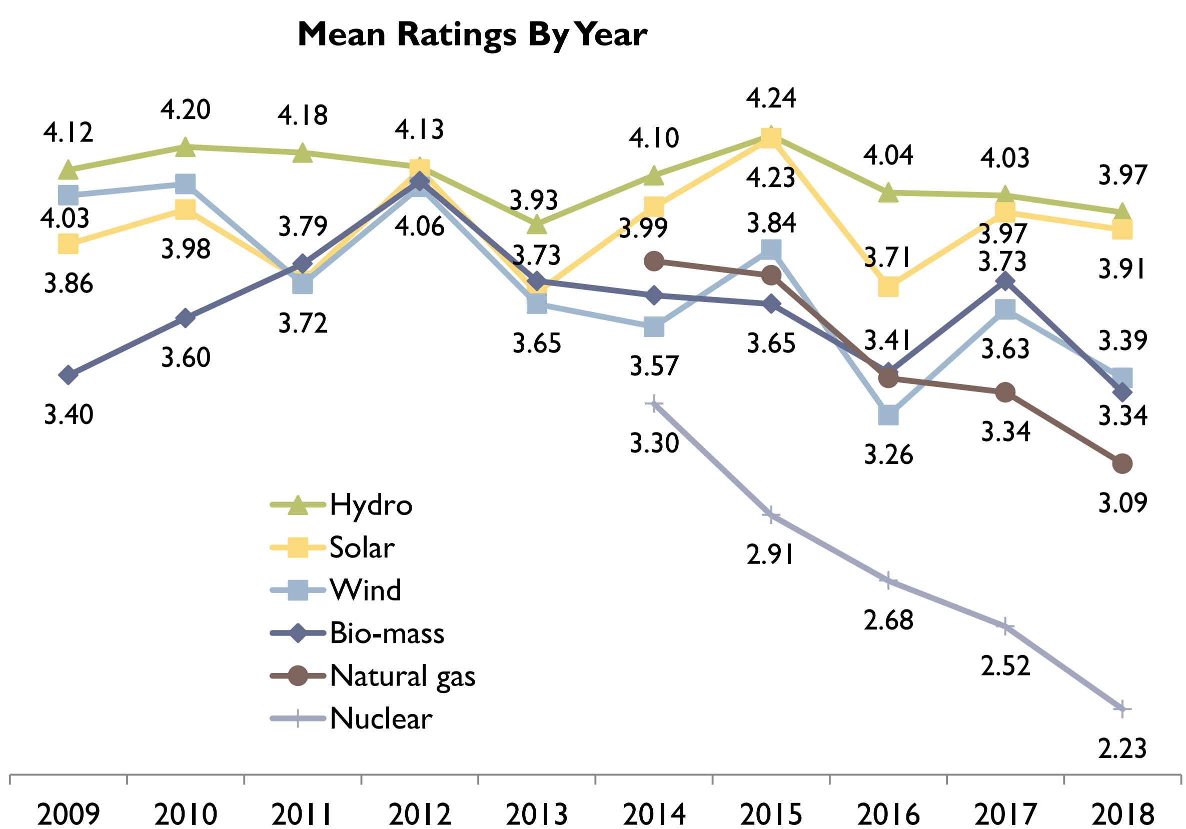




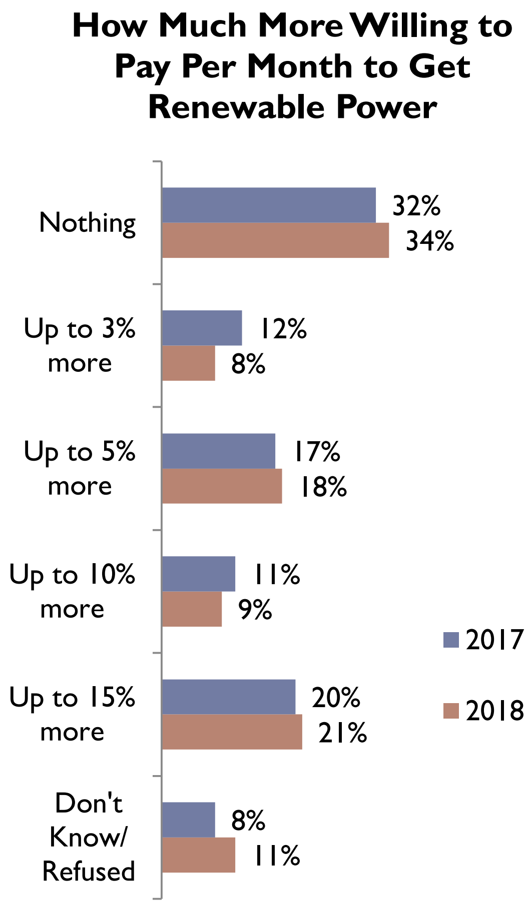
Two-thirds or more give high ratings for the importance of utilities providing power from hydro and solar. C&I members see nuclear as least important, with 18% giving a rating of "4" or "5".

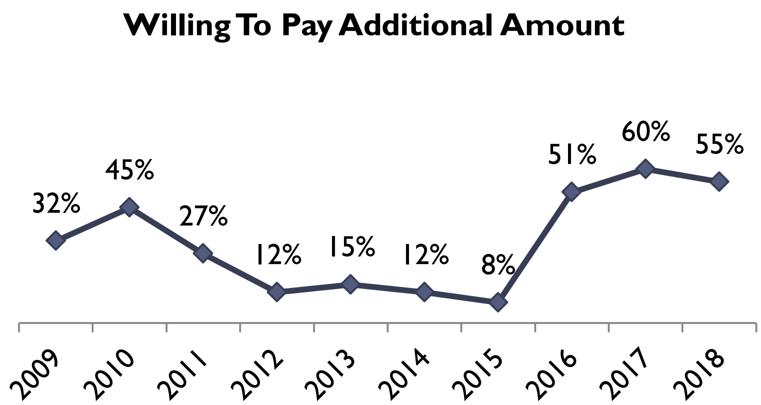
With the exception of hydro and solar power, the perceived importance of each of the tested power sources is significantly lower than in at least one previous study:

- Wind (2009, 2010, 2012, and 2015)
- Bio-mass (2011, 2012, 2013, and 2017)
- Natural gas (2014 and 2015)
- Nuclear (2014, 2015, and 2016)



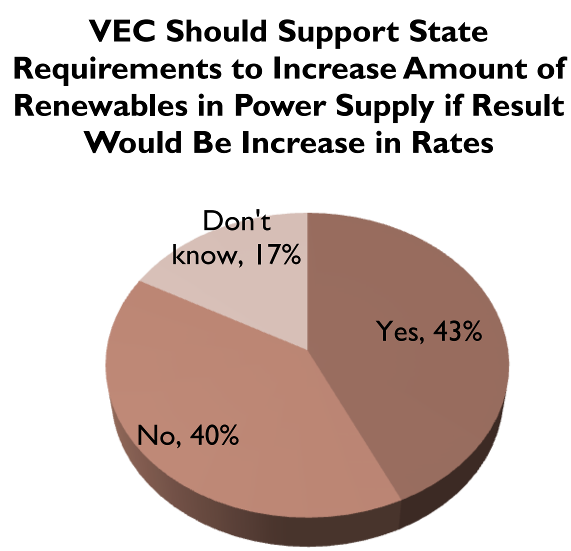
More than half say they would be willing to pay more on their monthly bills for renewable energy. The proportion of members who are unsure how much they would be willing to pay continues to be significantly lower than almost all of the studies before 2016. Additionally, the proportion of those who say they would not be willing to pay anything more is significantly lower than in 2009, 2013, and 2014.





Forty-three percent feel that VEC should support state requirements to increase the amount of renewables in the co-op's power supply if it would result in increased rates. Four in ten say that VEC should not support state requirements.

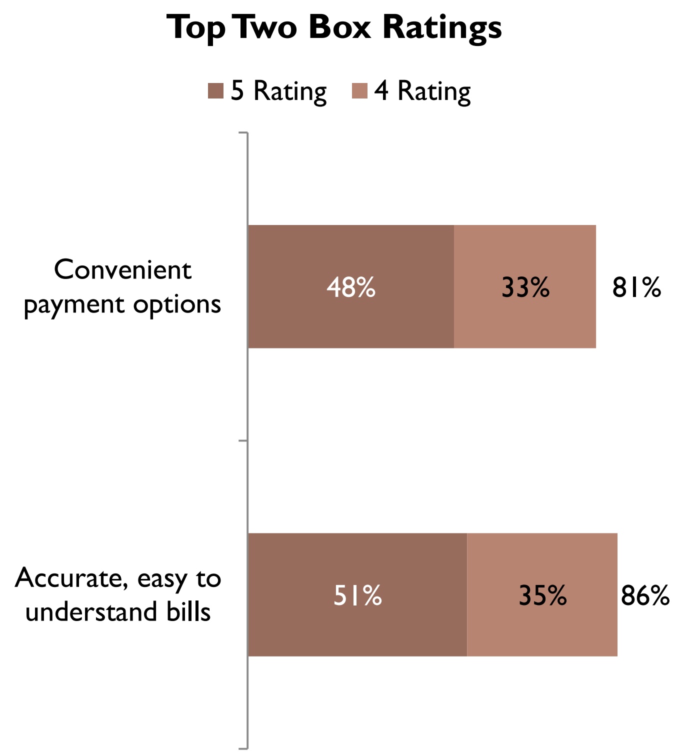
Nearly one-fifth (17%) are unsure if the co-op should support state requirements or not.

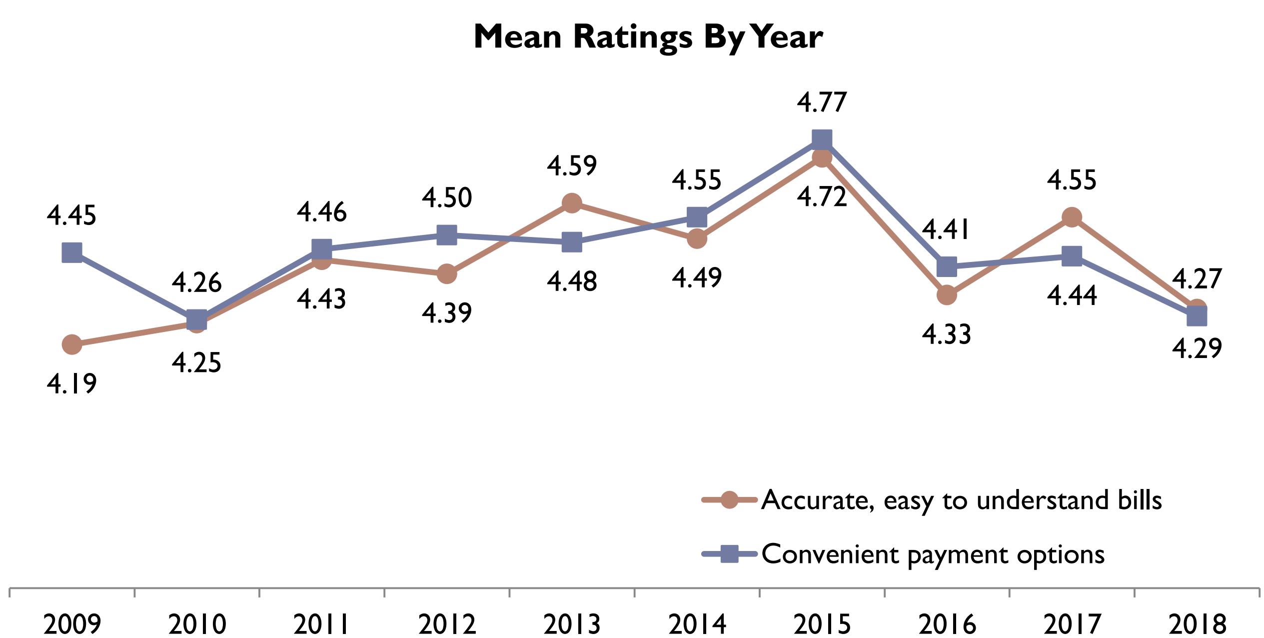


Payments and Bills

The final key driver of overall satisfaction is "Payments and Bills".

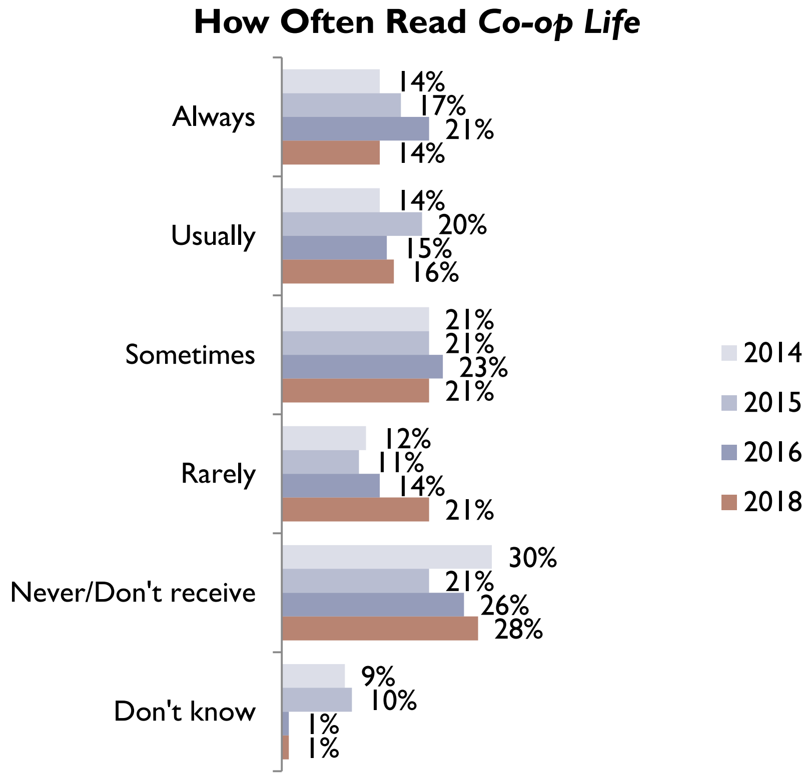
Although this is an area that receives mean ratings well above 4.0, *having convenient payment options* is evaluated significantly lower than in 2014 and 2015 and *providing accurate and easy to understand bills* is significantly lower than three of the last five studies.





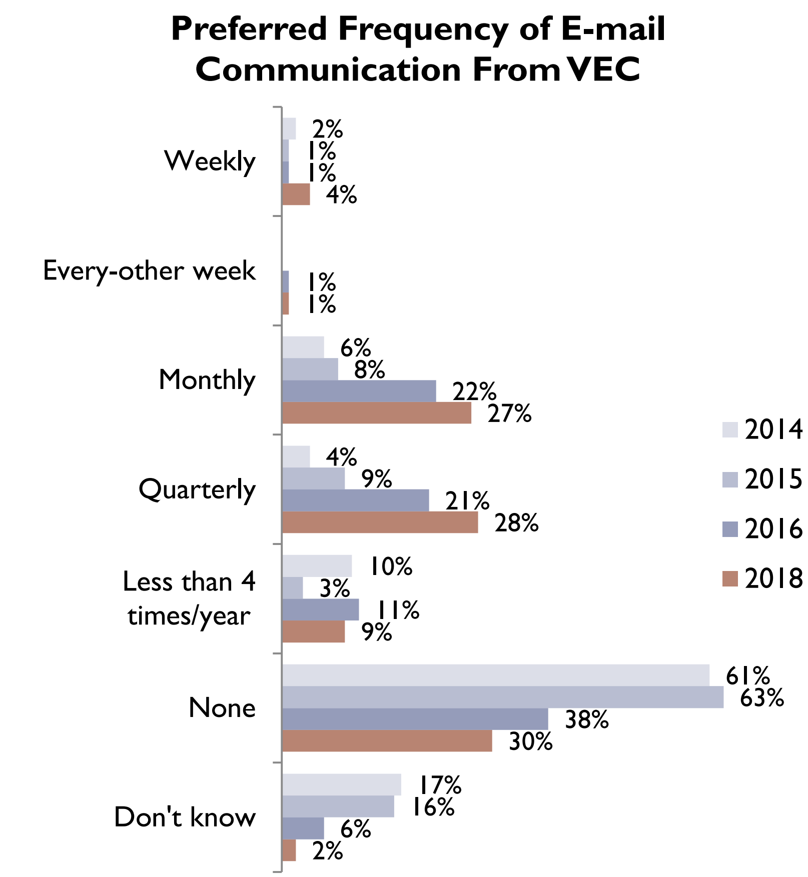
Communication

Three in ten say they always (14%) or usually (16%) read VEC's newsletter *Co-op Life*. Twenty-eight percent say they never read the newsletter or don't receive it, which continues to be significantly higher than in 2011.



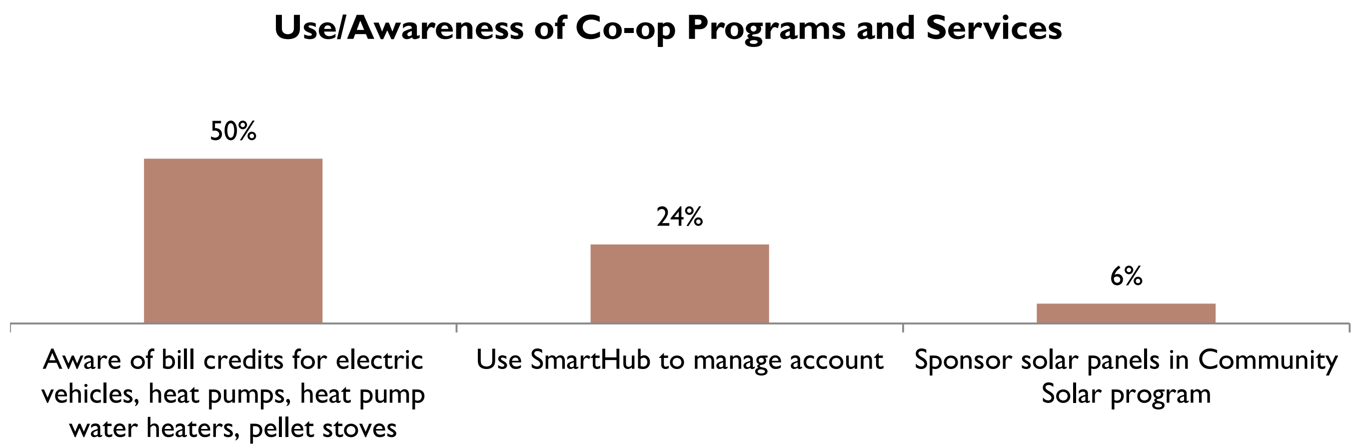
A majority of C&I members prefer email communication from VEC on a quarterly (28%) or monthly (27%) basis.

Three in ten say they would prefer not to receive email from VEC. This remains significantly lower than 2014 and 2015.



Co-op Programs/Services

Half of the members indicate they are aware of VEC bill credits for electric vehicles, heat pumps, heat pump water heaters, and/or pellet stoves; one-quarter say they use SmartHub to manage their company's VEC account; and 6% sponsor solar panels in VEC's Co-op Community Solar program.



The top reasons given for not using SmartHub are that the member does not know about it or they are not interested.

Similarly, 25% of those who do not sponsor solar panels in VEC's Co-op Community Solar program say they do not know about it. Nineteen percent indicate they are not convinced that participating in the community solar program is a good value for their business.

Commercial Member Characteristics

Just over one-quarter of the C&I members are in agriculture and 14% are a service industry. Fifty-two percent have been served by Vermont Electric Cooperative for 20 years or more.

Commercial and industrial members in 2018 are slightly more likely to have been served by VEC for 20 years or more and less likely to be in other service industries compared to the 2017 study. Seventy-five respondents answered the question pertaining to their organization's annual revenue, with 27% reporting annual income over one million dollars.

	2018	2017	2016	2015	2014	2013
Agriculture	27%	26%	22%	28%	14%	18%
Other Service Industry	14%	22%	7%	25%	16%	10%
Wholesale/Retail	10%	12%	28%	16%	28%	34%
Not For Profit	13%	12%	3%	5%	12%	10%
Manufacturing	7%	5%	5%	3%	4%	0%
Real Estate	7%	4%	7%	3%	7%	11%
Other	22%	17%	24%	14%	19%	21%
Served 5 Years or Less	16%	10%	19%	12%	10%	14%
Served 6 to 19 Years	32%	40%	38%	21%	38%	39%
Served 20 Years or More	52%	50%	43%	66%	53%	48%

Verbatim Comments

At the conclusion of the survey, C&I members were given the opportunity to share any comments, concerns, or questions they had. Forty-one percent of the respondents offered input.

Among those who commented, the following table provides a breakdown of the subjects mentioned and the number of comments that were positive, negative, or neutral. A full listing of comments can be found in Appendix B.

Subject/Topic	Total # Comments	Positive	Negative	Neutral
Overall Satisfaction	13	13	0	0
Operations/Engineering	10	6	2	2
Rates/Fees	8	0	8	0
Energy Efficiency/Energy Audits	6	1	1	4
Newsletter/Information	4	3	0	1
Management/Board	3	0	2	1
Member Services/Communications	2	2	0	0
Additional Services	2	0	0	2
Renewable Energy	2			