



SCENARIO: SUSTAINABILITY FOR UTILITIES

NOTE ON CONFIDENTIALITY

Link's confidentiality policies for current and recent clients prohibit us from releasing client-specific information. The following Sustainability Scenario should thus be considered representative of services that could be provided to support a spectrum of client circumstances.

The Applications section at the end of this document addresses how Link's Sustainability practice can be applied to alternative scenarios.

PROLOGUE

Sustainability Initiatives link economic growth with effective environmental and resource management. Such initiatives can be designed to achieve short and/or long term performance improvements in areas as:

- ✍ Achieving product differentiation of an otherwise commoditized product (electricity) by linkage to positive environmental attributes
- ✍ Using waste minimization, process efficiency, or environmental enhancement campaigns to change/focus organizational culture
- ✍ Branding a new image (internally and externally) to improve public perceptions in general or to improve product demand
- ✍ Reducing hard costs through improving energy efficiency, waste reduction, etc.

Link has broad expertise in customizing and implementing Sustainability programs that achieve the desired outcomes, utilizing integrated planning, marketing, communications, and corporate development skills to influence the spectrum of stakeholders. Link's approach and capabilities go far beyond traditional marketing support, and cover human capital management, organizational development, process design, branding, and operations.

SCENARIO PRESENTATION

Utility X was an electric utility with generation, transmission, and distribution business segments. Their market was not growing and competition from independents and power marketers was increasing. Revenue could be maintained, or increased, only through differentiating its product (electricity) from its competitors. Utility X's advertising and public relations efforts already touted product attributes such as high availability, power quality, etc., and cost per megawatt-hour could not be further lowered. Their competitors advertised comparable claims, and consumers appeared to be making decisions based primarily on price.

The senior executives of Company X felt they needed a re-designed marketing approach. They wondered whether other product or company attributes, such as “green-ness”, could be applied to their product and whether it could increase demand or warrant higher prices. Company X engaged Link to determine whether a re-designed marketing approach, based somehow on the environment could enhance demand or pricing, and if so, how it should be implemented. They also noted they were working on a minimum budget.

The Process

Link began the assignment with a thorough analysis of the product lifecycle, from generation to marketing to delivery. The company’s business plan, marketing plan, sales strategies, advertising program, marketing/sales staff capabilities, and so forth were also assessed.

A few of the aspects considered included:

1. Production:
 - a. Product attributes - - Was any of the electrical production from renewable sources or green fuels? Did some plants have other environmental attributes such as particularly high efficiencies, elements of compliance with ISO 14001, or burn partial-green fuels (e.g. supplemented with chicken litter)? If so, to what extent?
 - b. Process attributes - - Was the corporate management or administration process particularly noteworthy with respect to efficiency, energy source, waste minimization, raw material usage, supplier qualifications, etc.?
2. Business (& Marketing) Plan:
 - a. Quality/content - - Was the plan sufficiently comprehensive to serve the needs of the company, and was it an active document that actually guided the operations of the company
 - b. Integration - - Were policies, and procedures, employee communications, public relations, corporate governance, and so forth all consistent with the Business Plan
3. Staff:
 - a. Awareness/culture - - Did the staff (employees and management at both plants and central facilities) have an identifiable culture and/or awareness that differentiated their product or image; for example, were they particularly focused on quality, awareness, waste, environmental stewardship, company pride/loyalty, productivity, etc.?
 - b. Skills/training - - Where did the staff rank in skill levels and were training programs evident and effective?
 - c. Employee Value - - Did the company value its employees and have commensurate compensation, benefits, habitability, or perks? Did the employees know how they were perceived by management and where they stood compared to industry standards?
4. PR & Advertising:
 - a. Process - - What was the PR and advertising process, and how effective was the process? Were the results effective?



- b. Messages - - What were the messages sent to the public and consumers?
- c. Media - - How were messages communicated? Mail, web, periodicals, media relations, TV, etc.?

Overall Conclusions:

Link identified a number of potential opportunities that could lead to marketing improvements. Specifically with respect to Sustainability, Link's overall conclusion was that a comprehensive Sustainability Initiative could have a significant positive effect on differentiating their product (electricity) as well as the company image in the marketplace, and thereby improving sales, minimizing the likelihood their consumers would switch to another provider, and/or allowing incremental price increases. In fact, the cost of implementing the Sustainability program and the subsequent marketing program could be partially offset in the short term by energy and waste-reduction cost savings.

Specific Findings/Recommendations:

The following are abbreviated summaries of the just a few of the recommendations made by Link.

1. Staff:
 - a. Develop and implement an awareness program to communicate to employees the extent by which the "sustainability" of their energy and processes exceeded those of their competition.
 - b. Update employee training on energy conservation at work, including focus at the corporate level on energy savings (improved lighting and HVAC management, better utilization of standby and shutdowns of computer systems and peripherals, etc.). Include information on energy-saving at home. Consider providing written information and/or other approaches to enable employees to communicate essentials to their families.
 - c. Initiate a company-wide recycling program to communicate to employees that the company is committed to Sustainability, not only because it's the right thing to do, but also because consumers and the public expect/appreciate it. The program should include computer and monitor recycling. (Link also recommended that the program be extended to families, and that one option to engender employee commitment would be to host plant-tours by local school-children where energy efficiency and waste reduction practices were pointed out. Visits to local waste landfills were also promoted.)
 - d. Develop a training program on waste management, reduction, recycling, and disposal.
2. Product green-ness enhancement: Although Company X's products did not meet "green" criteria established by such organizations as DOE's Sustainable Energy Development Authority or the Center for Research Solutions, there were aspects of green-ness and efficiency that could be identified to consumers and the public - - and that could be enhanced. Link recommended:
 - a. Researching the pros/cons of supplementing solid fuels at several power plants with locally available wastes, including waste coal, chicken litter, shredded tires, and dried bio-solids (e.g. acidified sewage sludge).
 - b. Expanding heat rate improvement programs.



- c. Considering “parasitic load” in a context beyond the traditional definition - - to include the energy consumption of the utility facilities external to the power plants.
- 3. General: To demonstrate innovative approaches to Sustainability, as well as company commitment, Link recommended:
 - a. A campus and facility-wide program to gradually replace wood signs, posts, benches, and gates with recycled-plastic equivalents.
 - b. Gradually converting to drought-resistant ground cover and shrubs, and water-efficient irrigation systems.
 - c. Eventually installing a parking lot rain “catch-basin” that provides for slow-release into local streams to mimic more natural flow rates.
 - d. Planting trees, using better forestry management techniques, or planting native grasses/plants on land owned by the utility (including beneath major transmission lines).
- 4. Marketing Plan: Link re-drafted the marketing plan to stress the Sustainability attributes of the company - - extending not only from the energy efficiency of the products, but including the company manufacturing processes, the company stewardship in all aspects of its operations, and the employee attitudes and commitment to Sustainability. A few of the specific marketing recommendations included:
 - a. Develop a long-term branding initiative to associate the company’s image and its products with Sustainability.
 - b. Include highly visible signage on company vehicles to communicate commitment to Sustainability.
 - c. Initiate a well-advertised vendor qualification program that allocates preference to suppliers who adopt Sustainability programs or meet comparable standards.
 - d. Evaluate the cost-effectiveness of taking steps toward ISO 14001 “compliance” (not necessarily “certification”)
 - e. Product Attributes: Identify and quantify the positive environmental attributes of the organization (such as discussed above) and apply them to the product. In other words, the product would be branded as coming from an organization that not only maximizes its utilization of renewable resources and greener fuels (while not investing unwisely in expensive renewable generation), but also pursues environmental sustainability (stewardship) at every venue (corporate energy, waste, recycling, property and land management, etc.)

APPLICATIONS

The above scenario was based on a generation + T&D electric utility. Yet Sustainability Programs can be equally effective in other electric utilities (cooperative, municipal, public power, IOU) with only one business line, independent producers, and transmission companies - - as well as gas, water, and communication utilities. The approach to developing, communicating, and marketing the Sustainability attributes in order to get maximum benefit is simply customized to the situation and the audience. Sustainability Initiatives can be adapted to enhance client and public perceptions of the stewardship and governance of the company and its services.



As Sustainability advocates, and with extensive experience in the energy and waste industries, Link understands those aspects of your business and how Sustainability Initiatives might be used to your advantage - - whether to directly reduce costs or to improve revenues through effective marketing campaigns.

If you are interested in discussing possible applications to your situation, please contact us.

www.linkri.com
770-919-7070

