

4 WAYS to Prevent PR Pain for Energy Companies

Avoid the Mistakes Others Have Made



John Egan, President

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Communicating effectively with the public on controversial energy matters like “Smart Meters” and “Fracking” is really hard. We don’t know of any utility that has done everything right. And some utilities have made communications mistakes that were, in retrospect, pretty elementary. Want to avoid making those same mistakes? Here’s an article that just may help you!

What Gas Companies Can Learn From “Smart Meter” Missteps

John Egan

Thirty miles north of Denver, in an upscale suburban community, one possible future for the gas industry is taking shape. This future is marked by consumers’ distrust—of advanced energy technology and their energy company—as well as fear, anger, and activism. High hopes have given way to recrimination, litigation, and potential expropriation. As 2013 begins, what is taking place in this Denver suburb raises vexing national questions about whether, and under what circumstances, US consumers and businesses will be able to benefit from advanced energy technology.

This possible future is unfolding in Boulder, Colorado, a community with virtually no gas wells. In Boulder, the politically divisive advanced energy technology is not hydraulic fracturing but advanced digital electric meters, widely known as “smart” meters. And the energy company in the public’s crosshairs is not a gas producer but the Fortune 500 utility that serves Boulder, a city of about 100,000.

While hydraulic fracturing and advanced digital electric meters share no operational or technological similarities, they do share a common challenge: overcoming public skepticism, fear, or outright vocal opposition to advanced energy technologies. In this regard, each industry has learned some hard lessons about managing

perceptions. This article will explore some of these lessons so that gas companies do not make the same mistakes as some utilities did in communicating about advanced digital meters.

The electric utility serving Boulder is one of several across North America that is crossing swords with its customers over advanced digital meters. Though the details of each controversy are different, weak or inadequate communication by utilities is a common theme of troubled projects.

As the gas industry considers hydraulic fracturing in 2013, it has the opportunity to succeed where a handful of utilities, to date, have failed. Stakeholders, mainly residents located near a proposed drilling site, deserve honest, frequent, and consistent communications about hydraulic fracturing. Gas companies that do that are creating the foundation for a future that is less litigious and more prosperous. Gas companies that do not communicate honestly, frequently, and consistently about hydraulic fracturing risk a future characterized by distrust, recrimination, litigation, and possible expropriation.

Readers who work in the electricity business probably are familiar with what advanced digital meters are and why utilities want to deploy them across their service territories. The nearby box, “Digital Meter Primer,” provides a brief overview of the technology and one of the controversies dogging it.

Recall the comment by philosopher George Santayana: “Those who cannot remember the past are condemned to repeat it.” Gas producers seeking to extract hydrocarbons using hydraulic fracturing—in other words, virtually every gas company—can operate more successfully if they do not make the same mistakes some utilities made in their communicating about advanced electric meters.

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Digital Meter Primer

Advanced digital meters, widely called “smart” meters, are a foundational piece of the broader “Smart Grid,” which is a multibillion-dollar effort across the electric utility industry to upgrade the transmission and distribution network that delivers electricity to customers.

The term “smart meters” was coined several years ago to dramatize the dramatic increase in knowledge about electricity usage that could be captured by advanced digital meters installed at customers’ homes and businesses. These meters would help consumers become more educated about their electricity use, about which many know little. The meters also would create new knowledge for utilities about conditions in the electric distribution system that could lead to shorter power outages, lower costs, and better overall service.

But these new meters became controversial because the meters transmit their data over radio frequencies (RFs), which some customers believe create health risks. Radio frequencies are emitted by all electronic devices. The amount of RFs emitted by advanced meters is much less than what is emitted by common consumer goods such as wireless computer routers, microwave ovens, or cellular phones. There is a near-universal scientific consensus that RFs from advanced meters pose no danger to human health.

That has not stopped a small minority of highly vocal citizens from asserting there are, in fact, public health dangers associated with advanced meters. Despite the overwhelming scientific and technological evidence about the safety of these meters, mounting levels of public concern effectively compelled state utility regulators to hold hearings on the issue. These hearings serve as fodder for repeated rounds of news coverage.

Based on what did not work for some utilities, we offer one caution and four recommendations to guide communications by gas companies on hydraulic fracturing:

- Caution—Institutions Not Trusted Today
- Winning the Name Game
- Advertising, Advertising, Advertising
- Conducting Face-to-Face Outreach
- Managing Perceptions Without Inviting Skepticism

CAUTION—INSTITUTIONS NOT TRUSTED TODAY

There is ample quantitative evidence that Americans do not trust their most important social, political, and economic institutions the way that they once did. Trust in a variety of institutions—including big business, Congress, public schools, organized religion, banks, and television news—fell to historic or near-historic lows in a June 2012 survey from Gallup.¹ Other polling organizations have documented similar declines in recent years.

No business can operate successfully or communicate effectively if it ignores the tenor of its times. Over the last 40 years, dishonest behavior and organizational failures have sapped the US public’s trust in one institution after another. Today, a significant segment of the public believes all business leaders are greedy, all athletes take steroids, and all politicians are dishonest.

As a society, we did not get to this level of cynicism and distrust overnight. It will take time to restore the public’s faith in the integrity in many of our nation’s most important institutions. Today’s distrustful environment makes it harder for businesses to operate today because they no longer enjoy the “benefit of the doubt” from the public. Here are some of the cultural realities facing business leaders today.

- Fear moves the public in a way that facts, science, or statistics do not.
- Perception is reality, and “facts” are negotiable.
- The news media is drawn to health and human-interest stories, particularly ones that are unusual.
- Institutions require a “social license to operate,” which is hard to win yet easy to lose—as some gas companies have learned.

Gas companies and electric utilities share a number of specific institutional similarities that make it hard to operate in today’s trust-starved climate.

- Both industries produce vital consumer goods, but generally speaking, neither is held in particularly high regard by the public.
- Both industries have operated for over a century, but neither is well understood by its customers or the broader public.

- Both industries are in the midst of multibillion-dollar build-outs, yet neither has succeeded in securing the necessary support of affected customers.
- Both industries are highly regulated, which means expansion plans can be delayed or terminated by new regulation, public resistance, or adverse news media coverage.

Each day, gas companies and employees take steps to restore their industry's reputation by working safely, protecting the environment, and operating as a good neighbor. Operational excellence is a slow but sure way to restore the public's confidence in any industry.

Over time, and assuming there are no more Exxon Valdezes or Deepwater Horizons, the gas industry can restore the public's trust.

WINNING THE NAME GAME

Gas companies need to find an alternative to the word "fracking." Originally devised as a value-free noun describing an industrial process, opponents today use it as a value-laden verb to assert what is being done to them, as in, "We're getting fracked." In business today, "fracking" is the new "f-bomb."

Gas companies need to find an alternative to the word "fracking."

When members of the general public conduct a Google search on "fracking," what they find is largely negative. Yes, the material one finds in a Google search contains factual inaccuracies as well as questionable assertions, but the overwhelming impression conveyed in a Google search is that "frack" equals "bad."

"Advanced" or "next generation" would work fine as a starting point.

Gas companies need to replace "fracking" with another word—"advanced" or "next generation" would work fine as a starting point. Names are important—both substantively and symbolically. In creating a new term, gas companies would be following the example of some utilities that understand that "smart meters" has become a toxic term. A few utilities have renamed their "smart meter" projects as "advanced," "digital," or "next generation." Renaming can be a lengthy

process, taking several years; thus, gas companies should start today to win the name game on hydraulic fracturing.

ADVERTISING, ADVERTISING, ADVERTISING

Advertising is an essential tactic in winning any communications campaign. If you are inclined to think of campaigns in military terms, advertising is your air support. If baseball metaphors are your thing, advertising is lights-out pitching.

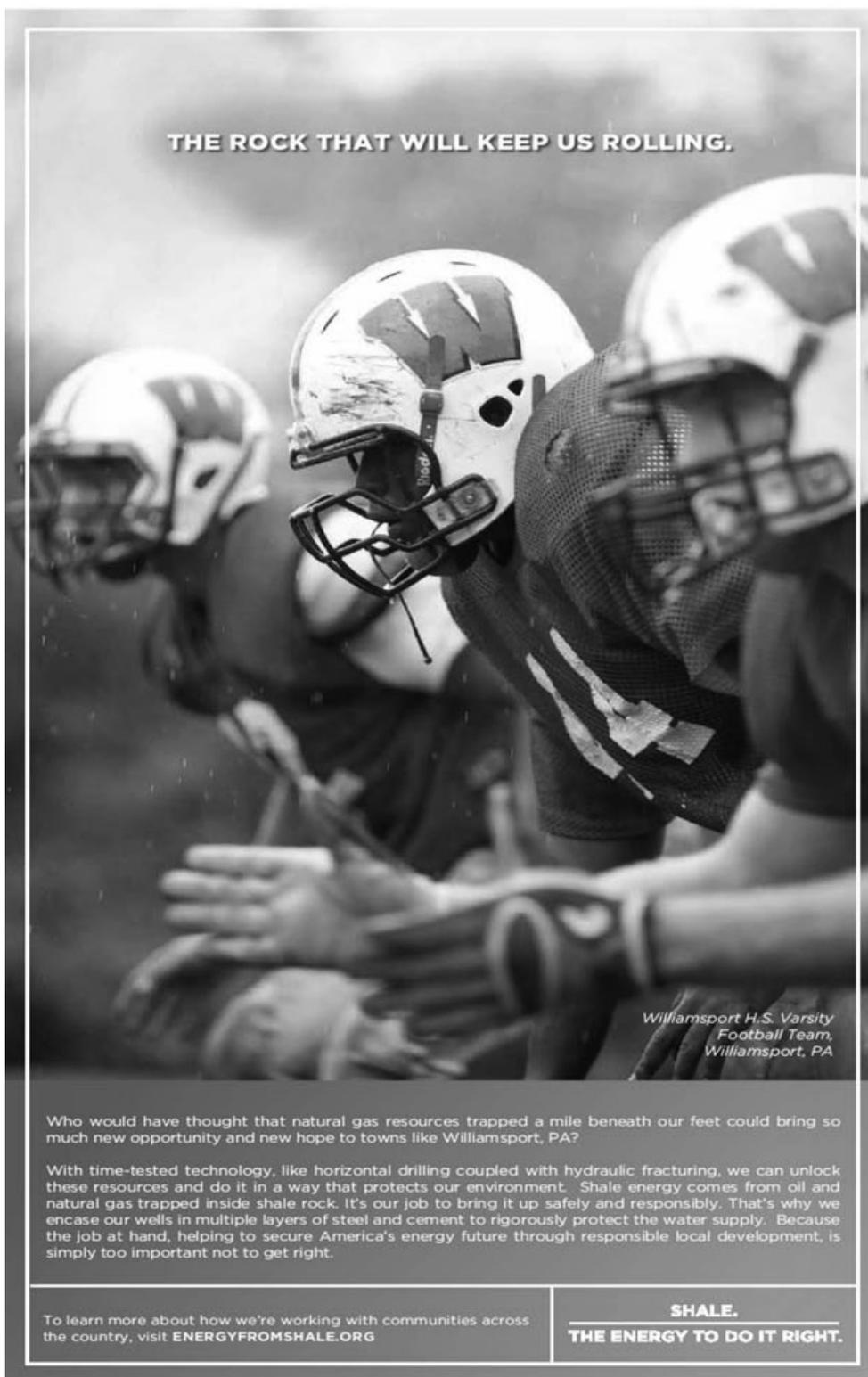
Although important, companies cannot win by relying only on advertising. The United States has unparalleled military might, but it has not won a war when it relies exclusively on air power. Ground troops are needed as well. The Tampa Bay Rays had Major League Baseball's best earned run average in 2012, but the team did not make the playoffs because it also had one of baseball's worst batting averages. It is great when you allow opponents to score only three runs per game—but you lose every game where you only score one run. Gas companies cannot win a strategic communications campaign if their only tactic is advertising.

That said, the American Petroleum Institute (API) has crafted some effective print, radio, and television advertising on hydraulic fracturing. With distinctive art, bright colors, and brief copy, these ads connect energy from shale formations to broader social concerns: jobs in Ohio or revitalizing communities in Pennsylvania. In fact, some of these print ads are more effective than many ads developed by electric utilities on advanced digital meters. **Exhibit 1**, from the API, effectively connects shale energy development with broader social concerns like community revitalization.

These API ads work because they focus on things customer care about. The ads do not delve into technical or operational issues, which most people would not understand anyway. The ads seek to connect with readers' hearts, not their heads. And the ads recognize that gas produced from shale formations are only important to the broader public for the things that they enable—jobs, economic security, community revitalization, and a sense of pride.

The API declined to discuss whether or how market research was used to create the elements of the ad like art, headlines, and copy points. It is reasonable to assume that market research would guide such a

Exhibit 1. Effective Ad



THE ROCK THAT WILL KEEP US ROLLING.

*Williamsport H.S. Varsity
Football Team,
Williamsport, PA*

Who would have thought that natural gas resources trapped a mile beneath our feet could bring so much new opportunity and new hope to towns like Williamsport, PA?

With time-tested technology, like horizontal drilling coupled with hydraulic fracturing, we can unlock these resources and do it in a way that protects our environment. Shale energy comes from oil and natural gas trapped inside shale rock. It's our job to bring it up safely and responsibly. That's why we encase our wells in multiple layers of steel and cement to rigorously protect the water supply. Because the job at hand, helping to secure America's energy future through responsible local development, is simply too important not to get right.

To learn more about how we're working with communities across the country, visit ENERGYFROMSHALE.ORG

SHALE.
THE ENERGY TO DO IT RIGHT.

Reproduced courtesy American Petroleum Institute

large advertising campaign. The organization also declined to say whether or how the messages and art evolved as hydraulic fracturing emerged as a major concern in affected communities.

In communicating on advanced digital meters, electric utilities could learn from the API ads. All too often, utility ads on these meters were too copy-heavy, contained too much technical detail, or were not guided by market research. In some ads, there was the suggestion that these meters, by themselves, would lower customers' bills, creating (false) expectations that could not be met.

Gas companies should continue to run ads in their local media on the broad business and social benefits of shale energy. Without using the term "fracking," the copy should emphasize that US firms have used this advanced drilling technology for over 50 years. And the ads need to showcase the industry's commitment to "getting it right." In our qualitative judgment, the API print ads are well crafted and effective. They should continue to run in communities where hydraulic fracturing is taking place.

CONDUCTING FACE-TO-FACE OUTREACH

Consider this: Despite spending more than \$2 billion on advertising in the 2012 presidential race, both candidates acknowledged that their electoral fate rested on the effectiveness of their "face-to-face" campaigning.

Face-to-face campaigning does not measure how many times Obama or Romney showed their faces at campaign stops. Face-to-face campaigning (or marketing) means someone you know—a friend, neighbor, or member of your social network—connects with you personally in an effort to sway your opinion or secure your support. That means door knocks at your home, postings on Facebook, or personal conversations in various settings—after religious services, before parent-teacher meetings, or during social get-togethers.

Given today's digital communications technologies, it can be easy to overlook the importance of face-to-face conversations with friends, relatives, neighbors, and members of your social group. Those conversations *are* taking place—survey after survey has shown that people rely on the recommendations of friends and neighbors before buying new cars, trying new consumer products, or eating at an unfamiliar restaurant.

But with hydraulic fracturing, the stakes are much higher than cars, consumer products, or a dinner out. Some people think hydraulic fracturing poses health risks, damages the environment, and threatens property values.

Since fear and other emotions drive the conversation for some, gas companies need to conduct those conversations using a one-to-one communications campaign. Town hall forums can accomplish several things, including potentially winning over some skeptics. But to allay consumer fears, nothing works like a one-to-one conversation.

Some utilities have learned this truth. They have set up speaker's bureaus featuring employees that speak at public meetings held by local civic organizations (like the Kiwanis and Lions Clubs), business associations (like the Chamber of Commerce), schools, and community groups. Provided the representative is credible and makes a positive connection with the audience, skeptics can be won over.

But utilities and gas companies only have so many employees, and even the most comprehensive public outreach process will not succeed at connecting with people that do not attend Kiwanis Club meetings or Chamber of Commerce luncheons where a company representative speaks. Thus, a separate but parallel "ground game" is needed, feet on the street that is analogous to the "get out the vote" campaigns of political parties.

Building and maintaining a community outreach program could be the subject of an entire article, but the top-line lessons are clear. Despite billions of dollars of advertising spending over a protracted period, victory or defeat in the presidential campaign came down to the work of committed individuals that knocked on doors, called neighbors, and talked up each candidate's credentials. Gas companies would do well to cultivate a robust community outreach effort and incorporate it into their communications campaign. That is what the industry's opponents are doing.

MANAGING PERCEPTIONS WITHOUT INVITING SKEPTICISM

Utilities and gas companies tend to be led by people with legal or technological training like engineering. Such leadership can lead to a belief that "the facts will speak for themselves."

That is rarely true. Facts are important, but perceptions are more important. Perceptions are the lens that lets certain facts in but keeps out other facts. Rather than relying solely on facts to win a public policy debate, utilities and gas companies need to manage the perceptions of customers and other stakeholders.

At a recent industry conference, I provided a checklist of how not to manage perceptions:

- Do not argue the science.
- Do not argue the statistics.
- Do not argue the facts.

After the speech, a state gas agency official told me that was exactly what his organization had been doing, with less-than-satisfying results. This happens a lot, particularly in industries ruled by the laws of physics and engineering. But the science of persuasion is different. For organizations seeking to manage stakeholder perceptions, there are only two truisms:

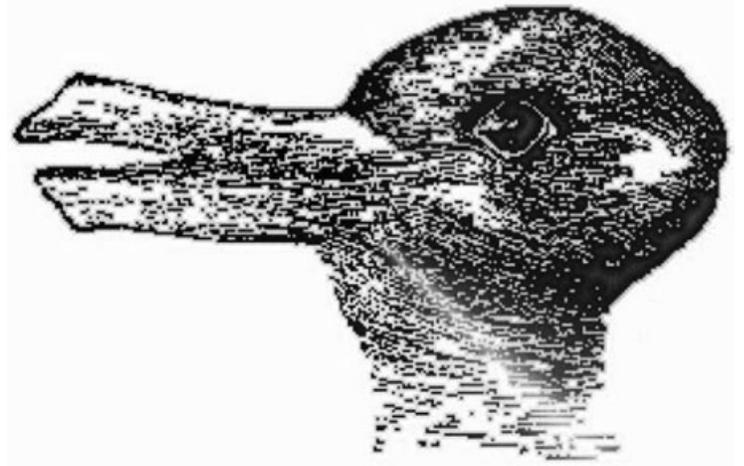
- If people like you, they will not care about the facts.
- If people do not like you, they will not care about facts.

Thus, managing perceptions comes down to getting people to like you. Consider the image nearby. Some will immediately see a duck that looks to the left. Others will see a rabbit facing the right.

Managing perceptions comes down to getting people to like you.

After a few moments, with a little guidance, most people will be able to recognize both images. The point is not that one is right and the other is wrong. Rather, it is that both could be true. Perceptions can be managed, even changed, provided you put enough credible evidence before the person you are trying to convince.

Managing perceptions requires some basis in reality to be successful. For example, if I tried to convince someone that this image contained a map of Africa or the face of Jesus, I probably would not be successful because there was no recognizable evidence of either in that image.



Managing perceptions is all about getting people to connect what they see or hear with what they know or think. By pointing out the features that make this image look like a duck, or a rabbit, people will be able to connect the dots. But trying to convince them that the image contains the face of Jesus or a map of Africa will fail because people cannot detect any evidence to support that perspective.

CONCLUSION

The technical and scientific expertise that launched today's shale revolution will not be sufficient to sustain that revolution now that some members of the public are asking hard questions. Today, engineers and communicators need to work together to manage the operational and public relations aspects of hydraulic fracturing. A spill is no longer an isolated industrial accident—it can instantly become a viral phenomenon thanks to cell-phone cameras and social media sites.

If gas companies make the same communications as some utilities did on the subject of advanced digital meters, they can expect their development activities to be delayed, perhaps terminated. By making comparatively small investments in communications and public relations today, gas producers can create a better tomorrow for themselves and their stakeholders.

NOTE

1. Jones, J. (2012, June 20). Confidence in US public schools at new low, confidence also at new lows for organized religion, banks, and TV news. *Gallup Politics*. Retrieved from <http://www.gallup.com/poll/155258/Confidence-Public-Schools-New-Low.aspx>.