

OCA STATEMENT NO. 5

R-973954
Aug 8/20/97
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

APPLICATION OF PENNSYLVANIA :
POWER & LIGHT COMPANY FOR :
APPROVAL OF ITS RESTRUCTURING :
PLAN UNDER SECTION 2806 OF THE :
PUBLIC UTILITY CODE :

DOCKET NO. R-00973954

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DIRECT TESTIMONY

OF

BARBARA ALEXANDER

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PROTHONOTARY'S OFFICE

On Behalf of:

OFFICE OF CONSUMER ADVOCATE

JULY 1997

TESTIMONY OF BARBARA R. ALEXANDER
PP&L RESTRUCTURING CASE
DOCKET No. R-00973954

1 Q. PLEASE STATE YOUR NAME, ADDRESS AND PROFESSIONAL AFFILIATION.

2 A. My name is Barbara R. Alexander. I am a consultant on consumer protection and customer
3 service issues associated with utility regulation. My address is 15 Wedgewood Dr.,
4 Winthrop, ME 04364. I appear in this case as a consultant to the Office of Consumer
5 Advocate.

6 Q. PLEASE DESCRIBE YOUR BACKGROUND AND QUALIFICATIONS FOR YOUR
7 TESTIMONY IN THIS PROCEEDING.

8 A. I opened my consulting practice in Winthrop, Maine in March, 1996, after nearly ten years
9 as the Director of the Consumer Assistance Division of the Maine Public Utilities
10 Commission. While there, I testified as an expert witness on consumer protection, customer
11 service and low-income issues in rate cases and other investigations before the Commission.
12 In 1991, I led the staff team that negotiated and put in place Maine's first low-income bill
13 payment assistance programs modeled on a Percentage of Income Payment Plan approach.
14 In 1995-96, my testimony resulted in the inclusion of a Service Quality Index with penalties
15 for degradation of service quality from baseline performance levels for both the largest
16 electric and telephone utilities as part of their alternative rate plan.

17 Prior to my employment at the Maine PUC, I was Maine's Superintendent of the
18 Bureau of Consumer Credit Protection and served as an Assistant to Maine's first woman
19 Majority Leader in the House of Representatives, Rep. Elizabeth (Libby) Mitchell, now

1 Speaker of the Maine House.

2 I am a graduate of the University of Michigan (B.A. in Political Science, 1968) and
3 the University of Maine School of Law (J.D., 1976).

4 My current consulting practice is directed to consumer protection, customer service
5 and low-income issues associated with the move to competition in the telephone, electric and
6 gas industries. My clients include the Public Counsel in the State of Washington Office of
7 Attorney General, Pennsylvania Office of Consumer Advocate, New Jersey Division of
8 Ratepayer Advocate, Illinois Citizens Utility Board, Regulatory Assistance Project, and the
9 U.S. Department of Energy. Among my publications are: "Consumer Protection Proposals
10 in Retail Electric Competition: Model Legislation and Regulations" (Regulatory Assistance
11 Project: Gardiner, ME, October, 1996) and "How to Construct a Service Quality Index in
12 Performance Based Ratemaking, The Electricity Journal, April, 1996. The RAP publication
13 in particular is relevant to this proceeding. I identified, analyzed and proposed policies for
14 state consumer protection, consumer education, and universal service regulation to
15 accompany the move to retail electric competition. This publication has been the basis for
16 numerous workshops and training programs I have conducted on these issues for
17 Commissions and conferences on electric utility restructuring.

18 My resume is attached as Exh. BA-1.

19 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

20 A. The purpose of my testimony in this proceeding is two-fold. First, I will respond to PP&L's
21 proposed Consumer Choice Education Plan (CCEP) for electric restructuring as put forth by

1 Dawn G. Lennon. Second, I will summarize the many issues and policies that must be
2 incorporated in PP&L's compliance filing to comply with the policies and guidelines under
3 development by the Commission to implement the competition and consumer protection
4 directives of the Customer Choice Act. This latter set of issues responds to direct testimony
5 of Henry W. Baumann, Bernard J. Bujnowski, Robert M. Geneczko, as well as the tariffs
6 submitted by Oliver G. Kasper.

7 Q. PLEASE SUMMARIZE YOUR TESTIMONY WITH RESPECT TO PP&L'S
8 CONSUMER CHOICE EDUCATION PLAN AND YOUR RECOMMENDATIONS TO
9 IMPROVE THIS PLAN.

10 A. The PP&L Consumer Education Plan is not adequate. The proposal, standing by itself, is
11 unlikely to educate PP&L's residential customers about the significant changes that will occur
12 with the onset of electric competition or motivate customers to enter the market and choose
13 their generation supplier. The plan could be improved substantially if PP&L's education
14 efforts were coordinated with and undertaken as part of a statewide consumer education plan.
15 I describe the reasons for this approach and the type of plan that should be developed under
16 the auspices of the Commission in Part I of my testimony.

17 Q. PLEASE DESCRIBE YOUR OVERALL CONCLUSIONS AND RECOMMENDATIONS
18 WITH REGARD TO CONSUMER PROTECTION POLICIES AND PROGRAMS UNDER
19 DEVELOPMENT BY THE COMMISSION TO IMPLEMENT THE CUSTOMER
20 CHOICE ACT AND HOW THEY MUST BE INCORPORATED INTO THIS
21 PROCEEDING.

1 A. Part II of my testimony highlights the many aspects of PP&L's proposed policies and tariffs
2 that must be changed to conform to the Commission's orders to implement the Customer
3 Choice Act, including the phase-in of customer choice beginning in 1999. Specifically, I
4 recommend that the Commission specifically order PP&L to correct the following policies
5 and procedures and revise its tariffs and proposed procedures in the compliance phase of this
6 proceeding:

- 7 1. Consumer Information;
- 8 2. Consumer Education;
- 9 3. Application for service;
- 10 4. Credit Determinations;
- 11 5. Selecting a Supplier;
- 12 6. Deposits;
- 13 7. Metering; Meter Reading;
- 14 8. Billing;
- 15 9. Complaint Resolution;
- 16 10. Service Interruptions and Outages;
- 17 11. Requests to Discontinue Service;
- 18 12. Termination/Payment Agreements;
- 19 13. Provider of Last Resort;
- 20 14. Restoration/Reconnection of Service;
- 21 15. Code of Conduct; and
- 22 16. Phase-in of customer choice.
- 23

24 PART I: CONSUMER EDUCATION PLAN

25 Q PLEASE SUMMARIZE PP&L'S CONSUMER EDUCATION PLAN.

26 A PP&L has proposed a consumer education plan that has several "key principles" [Lennon
27 at 4]. These principles are primarily descriptions of what PP&L proposes to do. They
28 emphasize the Company's approach to provide facts to consumers about what electric
29 restructuring is, how to select a supplier, and to position PP&L as the chief source of the

1 customer's "consistent, reliable and trustworthy" information. The Company does
2 support the use of "partnerships with the PUC" and others to develop and implement
3 customer choice education. While there are some commendable aspects to the Company's
4 initial plan, there are also substantial problems. The following is a list of the major
5 deficiencies in the Company's filing:

6 • There is no suggestion in this list of principles that customers may need to be motivated to
7 participate in the competitive market, that is, that the move to electric choice may require
8 not only the transmittal of facts, but the development of a public education campaign on a
9 broader scale.

10 • PP&L has not conducted any customer research to determine what information its
11 customers already know and what they would like to know about electric competition.

12 • The Company's proposal does not have any time lines or interim goals and objectives to
13 determine whether the program is achieving its objectives.

14 • The plan fails to include any broad scale multi-media communication techniques.

15 • The Company promises evaluation, but fails to describe how and when this will occur.

16 • The Company's communications with its customers and its educational materials
17 emphasize the role of PP&L in the new market structure.

18 • Most importantly, the Company does not propose a budget for its CCEP.

19 Q HAS PP&L PROPOSED AND IMPLEMENTED A PLAN TO RESPOND TO ITS KEY
20 PRINCIPLES?

21 A. In part. PP&L has primarily emphasized its obligation to transmit factual information

1 about the provisions of the Customer Choice Act and the structure of the emerging new
2 industry. The centerpiece of the Company's CCEP is a Customer Choice Handbook,
3 "...which is designed to serve as a continuing reference for understanding and participating
4 in the opportunity to choose an electricity supplier." [at 5] The Handbook is a traditional
5 academic tool to transmit information and is a reflection of the classroom-oriented
6 educational program proposed by the Company. The program is not designed to motivate
7 consumers to change their traditional behavior. The Company has approached its
8 obligation very narrowly and has not devised a consumer education plan to stimulate
9 consumer interest and involvement in choosing an electricity supplier.

10 Furthermore, the Company's consumer education materials furthers the public's
11 identification of the services provided by PP&L, including the sale of electricity. This
12 latter development is almost inevitable given the multiple objectives of the Company, i.e.,
13 to provide both transmission and distribution services as well as the sale of generation
14 within the same corporate structure.

15 Q WHAT IS YOUR OPINION OF THE COMPANY'S RESEARCH PRIOR TO THE
16 ONSET OF ITS CONSUMER EDUCATION PLAN AND THE RELATIONSHIP
17 BETWEEN CUSTOMER NEEDS AND THE OBJECTIVES OF PP&L'S PLAN?

18 A. Any acceptable education plan must start with the question, "What are our goals and
19 objectives?" This is typically determined after an assessment of needs. PP&L has not yet
20 done customer surveys or conducted focus groups to determine what their customers
21 know about electric restructuring, what they want to know and how they want to learn

1 about customer choice. Nor has the Company researched this type of information that is
2 available from other states, such as Maine, New Hampshire and Wisconsin.

3 Q. WHAT HAS THE RESEARCH IN OTHER STATES TOLD US?

4 A. Other states, such as Wisconsin and Maine, have undertaken baseline data surveys. These
5 surveys indicate the lack of customer understanding of the coming competition for
6 generation and energy management services, the strong desire to maintain a reliable
7 electric system and an interest in competition if it would lower their bills. PP&L should
8 undertake its own research after an analysis of the research completed in other states so as
9 to improve its overall plan and its specific educational materials. Furthermore, PP&L
10 should research what other customers have learned and what they want to know based on
11 their participation in electric competition pilot programs in other states, i.e., New
12 Hampshire, and Massachusetts.

13 Q. DO THE SURVEY RESULTS IN OTHER STATES TELL US ANYTHING ABOUT
14 CUSTOMER INTEREST AND UNDERSTANDING OF ELECTRIC COMPETITION?

15 A. Surveys and focus group research of pilot program participants have also concluded that
16 customers want information and education about electric competition from neutral parties,
17 such as newspapers, television, and government organizations. Most importantly, these
18 customers want to learn how to become savvy shoppers for their electricity needs. They
19 want uniform price disclosures and other key environmental information presented by all
20 suppliers in a manner that will allow them to compare offers on an "apples to apples"
21 basis.

1 Customer interest and desire to see electric competition come to fruition is
2 strongly related to the form of the question. When customers in Maine were asked
3 whether they would be interested in customer choice if their bill was reduced by at least
4 10%, an overwhelming majority responded favorably. PP&L has not asked customers
5 about their interest in electric competition based on the possibility that their overall bill or
6 price per kWh might be less. Nor has PP&L discussed or asked questions about the
7 possibility of different energy management services that are likely to become available with
8 the onset of retail electric competition. Furthermore, PP&L's presentation of the
9 competition for generation of electricity does not mention renewable sources of electricity
10 or alternatives to fossil fuel and nuclear plants.

11 Customers who have participated in the New Hampshire and Massachusetts pilot
12 programs are in favor of customer choice and competition and gave strong views on their
13 preference for uniform price and environmental disclosures as part of the marketing and
14 billing information provided by all suppliers. They voiced this request because of their
15 desire for the means to compare choices and offers made by suppliers of retail generation
16 services.

17 Q DID CUSTOMERS IN THESE OTHER SURVEYS AND FOCUS GROUPS
18 INDICATE THEIR PREFERRED SOURCE OF INFORMATION ABOUT ELECTRIC
19 COMPETITION?

20 A Yes. Customers also voiced a clear preference for content-neutral educational information
21 and trusted government or Commission consumer education efforts more than

1 communications associated with the utility.

2 Q WHAT SHOULD HAPPEN AFTER A REASONABLE NEEDS ASSESSMENT?

3 A Once baseline customer information is obtained and analyzed based on demographic data,
4 specific goals and objectives should be identified for a Consumer Choice Education
5 Program. This in turn will lead to the development of specific themes, coordinated
6 delivery mechanisms and staged or phased information flows. These overall objectives,
7 themes and delivery mechanisms should be designed with the input of key stakeholders in
8 the service territory, such as customer groups, community action organizations,
9 representatives of low-income, elderly and non-English speaking populations, business
10 organizations, representatives of suppliers, local government and community leaders. A
11 proposed plan would then set forth the initial research, the needs as identified by the
12 community, the specific education initiatives, the delivery mechanisms, the timing of the
13 multi-year plan, a budget broken down by both time and project, and the evaluation
14 mechanisms.

15 Q DID PP&L PUT TOGETHER ITS CONSUMER EDUCATION PLAN AS YOU HAVE
16 SUGGESTED?

17 A No. The Company's plan is a top down plan. It was put together to teach customers
18 about the basics of electric restructuring, but it does not identify specific themes with
19 coordinated delivery mechanisms and it has not to date involved the local community in
20 either the development or implementation of the plan. In short, PP&L's plan falls short of
21 an acceptable program to prepare customers for electric competition.

1 Q PLEASE DESCRIBE HOW THE COMPANY'S CUSTOMER EDUCATION
2 MATERIALS FAIL TO PREPARE CUSTOMERS TO BE INFORMED SHOPPERS
3 FOR ELECTRICITY AND ELECTRICITY SERVICES.

4 A The Company's education materials produced to date rely on its Customer Choice
5 Handbook. There are no specific plans or themes developed for any other materials, such
6 as newspaper advertisements, radio spots or television advertisements. In the press
7 releases [OCA-VI-9, Attachment 5] and bill inserts [Enron-III-2, Attachment 1] prepared
8 to date, customers are informed that PP&L is the source of the best information about
9 electric competition and provided with information calculated to "reassure" customers that
10 competition will not hurt them. At no point are customers provided with any description
11 of the possible benefits. All of PP&L's materials to date inform customers about the
12 Company's requests for stranded costs, emphasize the future role of PP&L and downplay
13 any concern about possible rate increases.

14 While PP&L's education campaign often provides valuable and useful information,
15 it is too narrow in scope and fails to motivate customers to participate in the competitive
16 market. These materials do not get customers excited about or ready to shop for
17 electricity. In part, these defects may be due to the ongoing development of the materials
18 and the lack of specificity of any education plans or materials in the Company's filing
19 beyond the Handbook. In part, however, this problem may be due to the fact that PP&L
20 intends to remain a major player in the sale of generation services in the competitive
21 market and so has an understandable vested interest in how and who educates the

1 customers in their service territory about choosing a supplier for generation services.

2 Q. DO YOU HAVE SPECIFIC CRITICISMS OF THE COMPANY'S CUSTOMER
3 CHOICE HANDBOOK?

4 A Yes. The Handbook [DRAFT 4/10/97, OCA-VI-2] to date is a presentation of PP&L's
5 pilot program. This version will serve as a prototype for a more comprehensive version
6 that will be used for the transition to full customer choice. The Handbook takes a narrow
7 view of the coming world of electricity competition. "Other suppliers" are visually and
8 verbally presented as incidental to the major role played by PP&L in both the distribution
9 and generation aspects of the business. A major portion of the brochure seeks to educate
10 customers about stranded costs and how PP&L will collect them. At no point in this
11 material is the customer informed that generation suppliers may sell power from renewable
12 facilities or combine their sale of electricity with energy management services. Customers
13 are not assisted in choosing a supplier based on their own energy usage profile nor are
14 customers informed how to obtain their historical usage information from PP&L.

15 The "Consumer Protection Checklist" in the Handbook raises legitimate issues, but
16 emphasizes the risks without really assisting customers in spotting opportunities.

17 The "Shopper's Worksheet" provides useful questions for a customer to ask a
18 supplier, but fails to respond to the consistent results of customer surveys and focus
19 groups in other states that demonstrate that customers want information on fuel supply
20 and environmental characteristics to compare offers from electricity suppliers. While the
21 Worksheet does focus on price, which is the primary basis for comparison among

1 suppliers, it does not help customers focus on the impact of different supplier rates and
2 rate design on the monthly bill. In other words, customers should be assisted in their
3 comparison efforts to see the impact of the supplier's pricing and services on their monthly
4 bill (or with respect to customers with seasonal usage variation, such as with electric
5 heat), their annual bill. There is no suggestion in this Handbook that customers should
6 approach their comparison shopping only after educating themselves on their energy usage
7 profile.

8 On a more positive note, the Handbook correctly informs customers about their
9 ongoing relationship with PP&L as a distribution company, asks simple and forthright
10 questions and answers them correctly.

11 Q HAS PP&L INVOLVED THE LOCAL COMMUNITY IN THE DESIGN AND
12 IMPLEMENTATION OF ITS EDUCATION PROGRAM?

13 A There is no evidence that the Company has sought the involvement of local community
14 groups, representatives of vulnerable populations, or consumer organizations in the design
15 or implementation of its consumer education plan. The Company's speaker's bureau and
16 other printed materials take the position of a one-way dialogue. While the Company's
17 filing in this case suggests that such involvement may occur in the future, no community
18 groups have been identified by the Company as possible partners in its consumer education
19 efforts [OCA-VI-20, 25]. The promised Customer Choice Advisory Committee will not
20 start up until the third quarter of 1997. Ms. Lennon's proposal to have community and
21 social service agency leaders evaluate the Handbook via an evaluation form is not an

1 adequate means of community involvement [at 6]. Such an approach emphasizes the
2 community's lack of involvement in identifying local needs and their inability to impact the
3 plan itself. Furthermore, the form of involvement (mail back the evaluation form) is
4 unlikely to build a real dialogue. PP&L should have initiated the Customer Choice
5 Advisory Committee early on as a means of obtaining insight into local information needs
6 and methods of interaction and communication that will be successful.

7 Q WHY IS IT IMPORTANT TO INVOLVE GRASS ROOTS ORGANIZATIONS?

8 A Consumers learn best in an interactive environment where they can ask questions and
9 evaluate the motives and self-interest of the source of information. This statement is
10 confirmed daily in our classrooms where we have all experienced the excitement about
11 learning that occurs with interactive and proactive teaching styles. We know they are
12 more successful than lectures from a podium to empower students to learn independently
13 and retain their classroom knowledge. It does not take a marketing expert to realize that
14 most Americans are quite sophisticated at discounting marketing information and the
15 "hype" of most commercial advertising. Consumers want information from someone they
16 can trust. PP&L should find out, for example, the information sources that their
17 customers trust and work with those methods and delivery mechanisms to engage
18 customers in a two-way dialogue about the coming changes and customer opportunities
19 that will be possible in the new competitive market. In particular, PP&L should work with
20 community-based organizations to explore the possibilities for aggregation for low use
21 residential customers based on geographic and affinity characteristics, i.e., group

1 memberships.

2 While media advertising campaigns will be important to spread the word that
3 change is coming and to stimulate customer interest in finding out more information, local
4 community, civic and issue-oriented organizations should play a significant role as the next
5 stage of information delivery. So far, PP&L has failed to explore or identify partners in
6 the consumer education effort. For example, at no point has the Company identified the
7 special needs or communication vehicles that might work best for low-income, elderly or
8 non-English speaking customers.

9 Q IF YOU CRITICIZE THE COMPANY'S PLAN FOR THE FAILURE TO INCLUDE
10 GRASS ROOTS ORGANIZATIONS IN THE DEVELOPMENT OR
11 IMPLEMENTATION OF THE CCEP, WHY DO YOU ALSO FAULT THE
12 COMPANY FOR THE LACK OF MULTI-MEDIA COMMUNICATIONS?

13 A An adequate consumer education will have both multi-media (TV, radio, newspaper
14 advertisements) and community-based local efforts to reach consumers. The role of multi-
15 media educational messages is a powerful one. It is only through these tools that vast
16 numbers of consumers will be reached with a consistent message. The design of a
17 coordinated statewide campaign would present a phased presentation of the changes
18 coming to the provision of electric service, followed by a coordinated effort at the local
19 level that involves community-based organizations and direct mail pieces from a variety of
20 sources.

21 Q DO YOU HAVE ANY PARTICULAR CONCERNS ABOUT PP&L'S ABILITY TO

1 SEPARATE ITS EDUCATIONAL AND MARKETING EFFORTS?

2 A Yes, I do. The Company has proposed a three-pronged approach to communication with
3 its customers. Ms. Lennon proposes that a customer education program will be
4 implemented from her Customer Services Department. The purpose of these programs
5 will be to provide “fundamental knowledge and understanding” of customer choice [at 9].
6 PP&L will also provide “customer information” through the Corporate Communications
7 department and product and services promotion through the Delivery Services and
8 Economic Development Department [at 9]. Since the filing of this testimony, the
9 Company has announced the creation of a Retail Energy Supply Group [OCA-VI-9], but
10 has evidently not decided on the corporate name under which generation services will be
11 marketed [OCA-VI-5]. These actions suggest that PP&L will not form a separate affiliate
12 to market generation sales and services, but will establish a separate department of the
13 current utility to do so.

14 PP&L’s filing attempts to draw a distinction between customer education and
15 customer information:

16 The Company’s information program is different from its education program. The
17 information program is designed to communicate current information about
18 restructuring, activities in the competitive marketplace, and the benefits of PP&L
19 as an electricity supplier. The Company’s information program will, however,
20 reinforce the fundamental concepts and basic facts that are presented in the
21 education program--items that an informed consumer needs to understand to make
22 a good choice. It also will use terminology consistent with terms used in the
23 education program, being sure to follow plain language guidelines.
24 RP-P.17, page 2 of 2.

25 The Company’s communications with the local media and community leaders often

1 do not distinguish between the Company's educational efforts and its attempts to position
2 PP&L as a major player in the sale of generation services. In fact, the Company's efforts
3 to distinguish consumer education and information are misplaced. The customer
4 information program is clearly a significant part of its retail sales marketing campaign and
5 is an excellent example of the potential dangers in relying entirely on the local distribution
6 companies for the consumer education requirements of the Customer Choice Act.

7 For example, on January 31, 1997, Raymond F. Suhocki, Vice President,
8 Marketing and Economic Development (now Delivery Services and Economic
9 Development), PP&L, sent a letter to the Mid-Atlantic Independent Power Producers
10 (among others in its service territory) which emphasized the role of education ("Education
11 is a critical next step in customer choice and PP&L would be pleased to work with your
12 organization to help accomplish that. We have devoted ourselves to being a source of
13 quality, objective information on this complex topic."). However, this letter and other
14 communications from PP&L [OCA-VI-9, attachment 1] continually combine the
15 education and marketing roles of the Company. On February 10, 1997, the Company
16 informed "opinion leaders" about the PP&L-generated electricity options and stated, "We
17 hope that you will select us to provide your generation needs." The Company's fact sheet
18 seeks to "help you understand the new law" and presents key aspects of the Customer
19 Choice Act in an educational format. Again, the PP&L role in the new industry is
20 emphasized and the Company's intent to provide generation services and its prominent
21 role on community development is highlighted.

1 Q. DO YOUR CRITICISMS SUGGEST THAT THE COMMISSION SHOULD REJECT
2 PP&L'S CONSUMER EDUCATION PLAN?

3 A. Yes, in part. I recommend that the Commission find that the Company's filing is not yet
4 adequate and the Commission should require PP&L to file a more specific plan with a
5 detailed budget, at least for the 1998-99 time period that reflects the importance of this
6 obligation. In addition, the Commission should require PP&L to participate in a
7 Commission-led effort, to devise and assist in the funding of a statewide Consumer
8 Education Program that coordinates the development of a unified set of themes and
9 messages for all Pennsylvania consumers over the next three years. This effort should
10 then be supplemented by the individual efforts of electric distribution companies within
11 their own service territories.

12 Q. WHY SHOULD THE COMMISSION LEAD THE EFFORT TO DEVELOP A
13 STATEWIDE CONSUMER EDUCATION PROGRAM?

14 A. It is incumbent on the Public Utility Commission -- in coordination with industry and
15 consumer representatives -- to design, or supervise the design, of a consumer education
16 program that informs customers about the nature of these changes and encourages
17 customers to participate in the competitive market. The Electric Generation Customer
18 Choice and Competition Act contemplates a joint Commission and electric distribution
19 company (EDC) role:

20
21 Prior to the implementation of any restructuring plan under section 2806 (relating
22 to implementation, pilot program and performance-based rates), each electric
23 distribution company, in conjunction with the Commission, shall implement a
24 consumer education program informing customers of the changes in the electric

1 utility industry. The program shall provide consumers with information necessary
2 to help them make appropriate choices as to their electric service. The education
3 program shall be subject to approval by the Commission.
4

5 66 Pa. C. S. § 2807(D)(3)(emphasis added).

6 The Commission has recognized the importance and central nature of its role in the
7 May 8, 1997 Motion by Commissioner Brownell and the recent Preliminary Orders on the
8 Pilot Programs. While the Commission's Preliminary Order on the Pilot Programs
9 technically addresses only the consumer education issues associated with the pilots, that
10 effort for the pilots must be coordinated with the educational efforts aimed at the phase-in
11 of customer choice in 1999. The OCA believes the Commission understands this linkage
12 and that the Commission's Pilot order provides some guidance for its views and intent
13 regarding customer education in the Restructuring filings. The Pilot order reveals a
14 heightened desire for an ongoing leadership role for the Commission in customer
15 education. The Commission's stated intention to "serve as the objective content provider
16 of the core education curriculum" will require the development of an integrated statewide
17 program.

18 Q WHY SHOULDN'T THE DISTRIBUTION COMPANIES TAKE THE PRIMARY
19 ROLE IN DEVELOPING AND IMPLEMENTING A CUSTOMER EDUCATION
20 PROGRAM?

21 A Both distribution companies and competitive suppliers have important roles to play in
22 educating Pennsylvania consumers, but both entities will also be marketing their services
23 and products and communicating with customers for competitive purposes. The

1 Commission cannot rely solely on distribution companies to design and implement
2 separate consumer education programs for the following reasons:

- 3 a. Distribution companies will only implement education programs within their own
4 service territory, thus resulting in multiple education programs appearing in
5 statewide and regional media outlets. These multiple programs will probably cost
6 more in total than a single statewide campaign with economies of scale used to
7 develop public service announcements, radio spots and brochures. Furthermore,
8 they may be confusing to customers because each program will present different
9 media-based themes, words, and approaches. A more coordinated statewide
10 campaign will be more efficient in reaching all Pennsylvania households;
- 11 b. Because distribution companies or their affiliates will also market competitive
12 electricity products and services and stand to lose significant market share to
13 competitive providers, a completely neutral and unbiased education campaign by
14 distribution companies to encourage customers to participate in a competitive
15 market would be extremely difficult for even the most well-intentioned companies
16 to accomplish.
- 17 c. A reliance on separate distribution company education programs will require
18 increased supervision and oversight by the Commission to prevent the companies
19 from combining their educational and marketing functions.
- 20 d. Customers who have participated in pilot programs in other states want unbiased
21 and neutral education programs. Commissions in California, Massachusetts,

1 Vermont, Maine and New Hampshire have responded with orders that promise
2 significant Commission involvement in customer education in the next several
3 years.

4 Q WHAT ROLE SHOULD THE DISTRIBUTION COMPANY PLAY IN THE
5 IMPLEMENTATION OF CUSTOMER EDUCATION?

6 The role of the distribution company's own program will be to provide customers with the
7 utility-specific information such as the specific nature of the pilot programs in their service
8 territory, prices for distribution services, format of the distribution company bill, how to
9 select a supplier, and how and where to contact the utility for further information (get
10 copies of brochures, handbooks, etc.). Commission oversight will be necessary to ensure
11 separate marketing from education through the enforcement of the forthcoming Code of
12 Conduct and the orders that will flow from the Competitive Safeguards Working Group.

13 For example, PP&L will have a special role to play to ensure that the customers
14 affected by its proposal to close certain rate classifications to customers who seek to
15 return to basic supply service after entering the competitive market are properly educated
16 about the affects of this proposal. The Company should be required to submit a specific
17 plan to reach and inform these customers about these proposals. This obligation is
18 applicable as well to the Company's proposal for the residential optional fixed competitive
19 transition charge if it is permitted. All residential customers must be informed of this
20 optional rate, and assisted, upon request, in determining the impact of these options on
21 their monthly and annual bill amounts. The Company's educational plan does not mention

1 these important tasks.

2 Q WHAT OVERALL APPROACH SHOULD THE COMMISSION ADOPT TO
3 DEVELOP A STATEWIDE EDUCATION PLAN?

4 A. There must be a statewide core education program developed under the auspices of the
5 Commission which will be aimed to all customers statewide. This program must inform
6 customers generally about customer choice and encourage customers to participate in the
7 new market. It should make use of uniform themes and messages with coordinated
8 delivery and timing of the educational efforts of all parties. The program will build on the
9 ongoing pilot programs to educate customers about the meaning of the changes taking
10 place in the electric industry and prepare customers for choice beginning in 1999. This
11 statewide program should be developed by a professional (experienced in community and
12 public policy education as well as public relations techniques), with advice and input from
13 key stakeholders, including utilities, consumer representatives, marketers and educators.
14 It is possible this advisory body could be derived from or sponsored by the Consumer
15 Education Working Group.

16 The product of the advisory body should be a proposed plan that identifies the key
17 themes and messages that should unify the statewide campaign, the specific vehicles for
18 educating consumers, the roles that should be played by the major stakeholders in
19 delivering these messages and themes, and the proposed detailed budget necessary to
20 carry out the plan. The plan should highlight the potential for cost-effective education by
21 means of grass-roots community organizations, particularly for customers who may need

1 targeted efforts, such as low-income, elderly and non-English speaking customers.

2 The statewide plan should also include evaluation activities. The purpose of the
3 evaluation is to make sure that the message about customer choice is understood, and
4 determine where further educational efforts are needed (i.e., where customers are
5 confused or lack key information). The results of the evaluation of the pilot education
6 programs described in the Commission's Preliminary Order on Pilot Programs will be
7 valuable input to the ultimate implementation of the Consumer Education Plan.

8 Furthermore, the overall plan itself should include pre- and post- testing of key messages
9 and consumer education materials with representative customers to determine if the
10 program has been properly designed and targeted. Any evaluation of the education
11 programs should be conducted by a neutral party chosen by the Commission, perhaps with
12 the advice and input from the Working Group. Evaluation is an ongoing process and this
13 function will be an integral part of any Consumer Education Plan.

14 It is vital that the communications with customers be educational in nature and
15 non-biased in the presentation of changes and customer choice opportunities in the
16 restructured electric industry. These educational communications must be separate from
17 marketing and other communications by competitive businesses.

18 Public agencies have an obligation to educate customers how to be smart shoppers
19 for electricity by using the disclosure tools that the Commission has or will mandate on
20 price, and other characteristics of competitive electricity suppliers, that will appear on all
21 bills and contracts.

1 The statewide campaign should be developed for implementation as soon as
2 possible and should build upon the experiences and educational efforts associated with the
3 pilot programs. However, the overall purpose of the statewide effort should be aimed for
4 full retail competition beginning in 1999 for many customers. The educational campaign
5 should use a wide variety of tools and stakeholders to deliver the informational and
6 motivational messages to Pennsylvania consumers. The campaign should tailor the
7 delivery and format of these messages to the needs of a wide variety of Pennsylvania
8 consumers, but particular outreach efforts that rely on community and educational
9 organizations should be undertaken for the elderly, low-income, and other populations at
10 risk.

11 **Q. HOW SHOULD THE COMMISSION-LED STATEWIDE PLAN BE FUNDED?**

12 The statewide plan should be funded by a combination of resources from the Commission
13 itself, the distribution companies and other governmental, educational and non-profit
14 organizational funding. For the purposes of this proceeding, the Commission should
15 direct PP&L to allocate some portion of its consumer education budget to a statewide
16 program designed under the auspices of the Commission. The amount of funding cannot
17 be determined at this time because the nature and design of the overall plan is not yet
18 known. Furthermore, it is perfectly appropriate for the distribution companies to
19 contribute to their portion of the funding based on their size and revenues. In other
20 words, PP&L should not pay a disproportionate share.

21 **Q. HOW DO YOUR RECOMMENDATIONS COMPARE WITH CONSUMER**

1 EDUCATION EFFORTS BEING PLANNED IN OTHER STATES THAT ARE
2 MOVING TO RETAIL ELECTRIC COMPETITION?

3 A. Commissions in Vermont, California, Maine, New Hampshire and Massachusetts have
4 issued electric restructuring orders that call for significant public involvement in the
5 consumer education and outreach programs that will precede electric competition in their
6 states. Two states, California and Vermont have produced specific statewide consumer
7 education plans. These documents are attached to my testimony as Exh. BA-2 (Vermont)
8 and BA-3 (California). Both documents are examples of the type of approach and
9 program that I recommend be undertaken in Pennsylvania.

10 The California Commission has ordered that the three largest distribution utilities
11 contribute to a statewide Consumer Education Program that will be developed by an
12 advisory body under the direction of the PUC. The Electric Restructuring Education
13 Group submitted its proposed plan to the California PUC on June 2, 1997. The plan will
14 be presented to consumers in five phases over the next ten months because California is
15 moving to direct access for all customers on January 1, 1998. The plan integrates the
16 delivery of phased mass media messages, direct mail to each electric customer, multi-
17 ethnic and multi-lingual materials, and grass roots organization-sponsored outreach and
18 educational activities. The messages of the media effort and the direct mail and other
19 communication material will be coordinated and geared to educating customers how to
20 choose an electric supplier. The program will include research to determine the
21 effectiveness of ongoing communications and monitoring to make sure all customer

1 groups are being reached effectively. The budget for this program is recommended at
2 \$87.5 million, of which \$2 million is allocated to Commission outreach efforts. The
3 proposed California education budget represents .43% of the annual \$20 billion spent each
4 year on electricity in that state.

5 The Vermont Department of Public Service has published "A Consumer
6 Information and Education Plan" (February 18, 1997) as a recommendation for a
7 comprehensive education plan for electric restructuring in that state. The ultimate goal of
8 this education plan is to "empower Vermonters to make an informed choice about their
9 electricity provider" (at 8). A "core message" that will be communicated is, "[T]he more
10 you know about your electricity consumption and about restructuring, the better your
11 ability to make an informed choice" (at 8). The proposed budget for this effort is
12 \$600,000.

13 The goals and objectives of both the California and Vermont plans are designed to
14 motivate and stimulate customer involvement in electric competition. They differ
15 markedly from an approach which emphasizes these changes as facts with a new
16 vocabulary that must be learned about the new divisions of the electricity business.

17
18 PART II: CONSUMER PROTECTION POLICIES AND CUSTOMER-SUPPLIER-
19 DISTRIBUTION COMPANY INTERACTIONS

20 Q. WHAT IS THE PURPOSE OF PART II OF YOUR TESTIMONY?

21 A. Part II of my testimony identifies the consumer protection and service quality issues and

1 policies included in PP&L's filing that should be changed to either conform to stated
2 Commission policy, or, if the Commission has not yet acted in some area, changed to
3 respond to my recommendations. I will identify each issue separately and my
4 recommended resolution. I suggest that the Commission identify these issues in its final
5 order in this proceeding and require PP&L to incorporate these changes in its compliance
6 filing, internal procedures and tariffs. The Commission may also want to consider
7 requiring PP&L to supplement its filing to make proposals in several of these areas.

8 Q. WHAT IS THE COMPANY'S POSITION WITH REGARD TO THIS APPROACH?

9 A. The Company's witnesses Douglas A. Krall [Statement No. 10], Henry Baumann
10 [Statement No. 14], Bernard J. Bujnowski [Statement No. 15], Robert M. Geneczko
11 [Statement No. 13], and the tariffs submitted by Oliver G. Kasper [Statement No. 11,
12 Exh. OGK-2], address customer services (billing, credit, collection, metering), compliance
13 with Chapter 56, interactions with suppliers, the interaction between the Company's
14 distribution services and retail supply divisions, provision of Provider of Last Resort
15 service and changes required in the Company's current tariff to reflect the separate
16 functions of delivery and sale of electricity. Unlike PECO Energy, PP&L purports to have
17 redrafted its tariff to reflect these changes, but has not submitted either a proposed
18 contract form or tariff to govern its interactions with suppliers.

19 Q. IS THERE A NEED TO REVIEW ALL THESE ISSUES IN DETAIL NOW WHEN
20 THE COMMISSION COULD IMPLEMENT ITS GENERIC ORDERS IN THE FINAL
21 COMPLIANCE FILING PHASE OF THIS PROCEEDING?

1 A. There are two reasons why these issues should be reviewed in detail during the evidentiary
2 phase of this proceeding. First, the OCA is concerned that one or more of these issues
3 may be overlooked, particularly because the Commission has yet to issue final guidelines
4 in several key areas. Second, there are several key issues raised by PP&L's testimony that
5 must either be reversed by the Commission or further developed by the Company to
6 complete the procedures and policies to conform to a competitive market for the sale of
7 electricity. Therefore, my testimony will identify issues and request the Commission to
8 specify in its final order in this proceeding how PP&L should comply with these policies,
9 procedures and programs to assure a competitive retail market for electricity and the
10 continuation of the current level of customer protection.

11 Q. PLEASE DESCRIBE HOW YOUR TESTIMONY IS ORGANIZED.

12 A. My testimony is organized according to the list of customer-utility-supplier interactions
13 contained in the Commission's Tentative Order on Guidelines for Maintaining Customer
14 Services at the Same Level of Quality Pursuant to 66 Pa. C.S. §2807(D), and Assuring
15 Conformance with 52 Pa. Code Chapter 56 pursuant to 66 Pa. C.S. §2809 (E) and (F)
16 [Docket No. M-00960890F0011] issued on April 24, 1997. I will then discuss PP&L's
17 proposed Code of Conduct which will govern the relationship between the distribution
18 services and retail sales divisions of the Company. Following that issue, I discuss PP&L's
19 proposal for the phase-in of customer choice starting in 1999.

20 Q. PLEASE DISCUSS THE CUSTOMER INFORMATION ISSUES.

21 A. PP&L submitted two bill formats with its filing (RP-P 13, Attachment 1; RP-P14,

1 Attachment 1), showing a bill for both delivery and generation and a bill for delivery alone.
2 The format and presentation of the unbundled information required by the Customer
3 Choice Act will be important and should be carefully reviewed by the Commission prior to
4 PP&L's use of these various billing formats. PP&L's bills that contain generation
5 services, whether from PP&L directly or from suppliers who have contracted with PP&L
6 for billing services, should incorporate the following items:

7
8 1. A PP&L bill that contains generation services should separately identify this service in
9 a manner that allows the customer to easily distinguish between the distribution company's
10 bill and its services and the separate price for electricity and other services provided by
11 PP&L or an alternative supplier. The disclosures that indicate that the supplier is PP&L
12 should appear with the same format and degree of identification and presentation as that
13 for any other supplier who contracts with PP&L to bill on their behalf. The distribution
14 company bill should not be used by PP&L to reinforce its corporate identity, its retail sales
15 business or any other unregulated services offered by PP&L. In all cases, PP&L
16 generation charges should appear in the same manner and same format (i.e. separate page
17 or separate section, space and type face presentation, etc.) as the generation charges billed
18 for any other supplier by PP&L.

19
20 2. Each bill that contains generation services should contain a uniform method of
21 disclosing the price for the sale of electricity to the customer as recommended by the OCA

1 in its comments to the Commission on the Tentative Order Re: Request for Comments on
2 Chapter 28 Electric Generation Customer Choice and Competition Act-Proposed Interim
3 Customer Information Requirements for Electric Distribution Companies and Electricity
4 Suppliers (Docket No. M-00960890F0008). At a minimum, the price disclosure format
5 for residential customers should include a calculation of the customer's cents per kWh
6 price paid for usage that month (factoring in the fixed and variable charges). This
7 calculation should be disclosed for both the regulated distribution and transmission portion
8 of the bill and the customer's supply portion of the bill, whether provided by PP&L or any
9 other supplier. In addition, PP&L's bill should contain a customer's historical kWh usage
10 so that customers can reference this information when evaluating electricity price offers.
11 Neither of the bill formats provided by PP&L contain historical usage information or any
12 provision for the cents per kWh disclosure for either the distribution or commodity
13 portion of the bill.

14
15 3. The OCA has also recommended in its comments to the Commission that customer
16 bills contain a disclosure of the supplier's fuel mix, although it is possible that this
17 disclosure will not be given every month. The Company's reasons for opposing the
18 disclosure of its generation fuel mix [Environmentalists-2-72] are based on either a lack of
19 information concerning the nature of the disclosure or a misunderstanding of what must be
20 disclosed. The "integrated and instantaneous nature of the electric generation and delivery
21 system" does not inhibit the current settlements process between suppliers and the ISO or

1 between suppliers and the distribution company. To the extent that suppliers have
2 “shipped” electrons from generating units they own or control, the fuel mix disclosure
3 should match those shipments and settlements. To the extent there are technical aspects
4 of this disclosure that should be developed further, they are being addressed in a series of
5 regional forums and collaborative efforts sponsored by the National Council on
6 Competition and the Electric Industry.

7
8 4. The terms used on the customer’s bill should comply with the Commission’s plain
9 language requirements. This may require that the technical terms used by regulators,
10 utilities and even consumer advocates in their formal communications on these issues be
11 transformed into phrases or terms that are understandable without additional definitions
12 and glossaries. For example, there is no reason that the terms, “transmission, distribution
13 and generation services” have to appear on a customer bill if alternative terms such as
14 “Charges for long distance transportation of electricity”, “Charges for poles, wires and
15 local delivery of electricity”, “Charges for the transition to a competitive supply industry”
16 and “Charges for production and sale of electricity” are found to be more understandable
17 by consumers.

18 PP&L’s terms are confusing and should be rejected. For example, the distribution
19 portion of the bill uses the terms “Basic Service (T&D)”, “Delivery (T&D)” and
20 “Competitive Transition Charge”. Basic service is a fixed monthly charge. Delivery is a
21 flat cents per kWh charge and the CTC is a blocked rate over three blocks. These rates

1 are then totaled as "PP&L charges for electric service". It is not my purpose here to
2 comment on PP&L's proposed rate design, but rather to point out that these terms do not
3 assist the customer in understanding the delivery charges and function provided by PP&L
4 and the energy services or sale of electricity function provided by the supplier. Rather,
5 PP&L's terms emphasize the PP&L role in providing electric service, a term that suggests
6 the vertically-integrated monopoly function familiar to all customers. The term "Basic
7 Service" suggests a commodity function, as well. PP&L should use terms that reflect the
8 transmission and distribution function in its description of rates. The PP&L summary of
9 charges should also reflect these functions. In addition, PP&L's presentation of supplier
10 charges may or may not meet the needs of suppliers and their rate design. The use of the
11 term "Market Energy Charges" and "Market Capacity Charges" are not plain language
12 terms that should be used on a customer bill. PP&L's terms should more clearly
13 distinguish the distribution services provided by PP&L and the supply of electricity or
14 commodity services provided by any supplier. PP&L's use of the term "energy services"
15 to describe its services is not appropriate.

16 Q PLEASE DISCUSS CUSTOMER EDUCATION.

17 A This issue is dealt with in Part I of my testimony.

18 Q PLEASE DISCUSS APPLICATION FOR SERVICE.

19 A PP&L must establish communication protocols with suppliers to accommodate the
20 customers who will seek to apply for service by contacting both suppliers and distribution
21 companies. Customers should not have to make two phone calls to initiate services,

1 2. As part of that process, PP&L must also educate customers about their right to choose
2 a generation supplier, provide the customer with either a complete or randomly generated
3 list of licensed suppliers, and explain the default service option upon request. PP&L must
4 refrain from using this communication between a monopoly and its customers to market
5 competitive business products.

6
7 3. Certain practices should be prohibited by the Commission.

- 8 ● For example, PP&L should not offer to transfer customers to PP&L's retail
9 sales office without offering this same service to other suppliers (who
10 would of course pay a fee, including PP&L's sales division, for such "hot"
11 transferred calls);
- 12 ● PP&L should be prohibited from selling generation services to customers
13 with the same employees whose primary duty is to provide the customer
14 service function for the monopoly utility;
- 15 ● PP&L's utility customer service function should not share facilities or
16 employees with its competitive generation affiliate; and
- 17 ● PP&L's provision of services should be subject to audit and monitored to
18 assure that initiation of service is provided promptly and without undue
19 procedural delay for customers who choose PP&L as their generation
20 supplier or who choose another supplier. For example, it would not be fair
21 for PP&L to offer its own competitive generation services to customers

1 any sooner than provided for another supplier. PP&L should be required
2 to explore the use of prorated bills between two energy suppliers during
3 one billing cycle.

4 Q PLEASE DISCUSS THE ISSUES RELATING TO DETERMINATION OF CREDIT
5 BY RESIDENTIAL CUSTOMERS.

6 A Since PP&L and all other suppliers remain subject to the Chapter 56 rules regarding credit
7 determinations, there is no need to alter the Company's tariffs or practices in this regard
8 for application for either distribution or generation service to PP&L. However, PP&L's
9 procedures should include some recognition of the dual nature of the function provided by
10 the Company. Furthermore, it should be clarified whether a deposit is being requested due
11 to the prior nonpayment of regulated or unregulated charges. Of course, PP&L's tariffs
12 should make it clear that it will not evaluate a customer's credit worthiness based on the
13 customer's payment history with competitive suppliers for the distribution portion of the
14 future service.

15 Q HOW SHOULD PP&L'S PROCEDURES RESPOND TO THE CUSTOMER'S
16 ABILITY TO CHANGE THEIR SUPPLIER?

17 A To the extent PP&L's procedures should reflect standards that govern its relationship with
18 affiliates, I have addressed those issues in Application for Service, above. This issue
19 relates primarily to the Commission's proposed rules to prevent "slamming", the
20 unauthorized transfer of a customer from one supplier to another. The Commission must
21 balance the desire and demonstrated need to prevent fraud, but at the same time prevent

1 unfair competition that will occur when the rules create unnecessary procedural hurdles to
2 effectuate customer choice. No customer will have to switch or obtain authorization to
3 retain PP&L as their default supplier. Only customers who want to exercise customer
4 choice to change their supplier must follow additional procedures, thus benefitting the
5 incumbent. The OCA's Comments in the Commission proposed rulemaking will address
6 these substantive issues, but the Commission's final order in this proceeding should
7 require PP&L to comply with interim procedures until the final rule is promulgated. As a
8 preliminary matter, I propose that the Commission allow customers to inform the
9 distribution company directly of the identity of their preferred supplier, and, upon
10 exchanging customer-specific information such as the account number or social security
11 number where already in the possession of the utility to verify identity, allow such change
12 to occur without further written authorization. This will then allow the distribution
13 company to notify the supplier of this event, who in turn will then issue to the consumer
14 the required contract or agreement disclosures. Alternatively, a consumer should be able
15 to contact a supplier directly and order service in much the same way customers call their
16 utility today to obtain new service at an existing location. This approach will require that
17 the distribution company and the supplier maintain a record of the conversation on their
18 customer billing system, similar to the current system of maintaining records of oral
19 agreements for customer payment arrangements. The requirement that the customer
20 assent to a change of supplier in writing should be reserved for contacts initiated by
21 marketers, agents or suppliers.

1 PP&L's proposed procedures call for the Company to send the supplier's
2 notification information to the customer and for the customer to notify PP&L if there is
3 any inaccuracy. This procedure seems reasonable, but it is important to realize that it puts
4 the Company in the role of "gatekeeper", between the customer and the electricity
5 supplier. This role must not be abused in any way or used by PP&L to communicate with
6 the customer concerning PP&L's competitive services.

7 Q PLEASE DISCUSS THE IMPLEMENTATION OF THE DEPOSIT RULES ON
8 ELECTRIC COMPETITION.

9 A No further comment is necessary on this issue at this time because the Chapter 56 rules are
10 clearly applicable. However, PP&L's tariffs should clarify that the deposit amount for a
11 distribution portion of the bill will be based on estimated distribution services and that any
12 deposit requested for the commodity portion of the bill will be based on those estimated
13 charges.

14 Q PLEASE DISCUSS THE IMPLICATIONS OF ELECTRIC RESTRUCTURING FOR
15 PP&L'S METERING AND METER READING SERVICES.

16 A PP&L's proposed procedures and policies are not compatible with the options under
17 consideration by the Commission in its Request for Comments-Metering issued on April
18 24, 1997, Docket No. M-00960890 F0009. While PP&L acknowledges that a customer
19 can obtain an alternative meter pursuant to Section 2807(A) in the Customer Choice Act,
20 Mr. Bujnowski [at 3] states that PP&L would perform the upgrade, continue to own and
21 maintain the meter and bill the customer directly for the costs associated with obtaining,

1 installing or training PP&L to use and maintain the new meter. PP&L does not offer any
2 access by suppliers to the meters, either for upgrade, electronic meter reading, or the raw
3 data obtained from the meters. PP&L evidently also will not seek to unbundle any part of
4 their current metering costs even when a customer seeks the installation of a new meter.
5 The Company's approach is unnecessarily narrow, even at this initial stage of the
6 exploration of the concept of increased competition for meters and meter services. The
7 Commission should order PP&L to accomplish the following changes in this proceeding:

8
9 1. First, it is clear that with the development of competitive metering and billing services
10 in California by 1999, in Maine by 2002, and the recent initiation of a working group to
11 explore this issue in Massachusetts, that it would not be prudent to finalize a restructuring
12 plan that assumes the continuation of a complete monopoly for these services in the long
13 run. PP&L's short term policies should be compatible with the possibility of increased
14 competition in metering and metering services. At the very least, this suggests that the
15 Commission should inform PP&L in this proceeding that it undertakes investment in new
16 metering-related service options [Bujnowski at 3; Environmentalists-4-229] at the risk of
17 its stockholders and not its ratepayers, similar to the actions of the California Commission
18 in its recent Direct Access Decision that orders the distribution companies to unbundle
19 metering, billing and customer service functions.

20
21 2. Second, PP&L does support the development of open architecture standards for

1 meters. Open architecture standards should be developed by the stakeholders, including
2 the developers of new metering technology, and then approved by the Commission. After
3 the development of these standards and their approval by the Commission, PP&L should
4 not have the sole discretion to decide whether a meter meets the open architecture
5 standards. Rather, the standards should include a methodology for a certification of a
6 meter's compliance with the standards by a neutral party. PP&L's concerns about
7 maintaining the required level of customer service are legitimate, but these concerns can
8 be met with the development of performance standards for meters and meter services that
9 allow the development and installation of innovative and customer-driven meter
10 technologies.

11
12 3. PP&L's filing does not propose to unbundle any aspect of billing or metering services.
13 This result may be a function of the Company's position that these services should remain
14 with the distribution company. However, the Company should be prepared to unbundle
15 the current cost of some features associated with metering and provide a credit to any
16 customer who obtains an alternative meter or whose meter is electronically read by a
17 supplier. For example, it would not be efficient or economical if PP&L continued to
18 maintain the customer's existing meter even if a customer chose to have an alternative
19 meter installed.

20
21 4. PP&L's position is that only the distribution company should install, maintain and read

1 an approved meter. This would require that a customer who elects an advanced meter, an
2 option clearly allowed by the Customer Choice Act, would have to obtain and pay for the
3 meter by dealing with the distribution company. This approach will not stimulate the
4 development of advanced metering techniques or allow suppliers to link the provision of
5 electricity with other energy management services. Again, this position does not allow for
6 the development of metering competition when and if the Commission determines it is in
7 the interests of all customers to do so. PP&L should be prepared for installation and
8 billing for alternate meters by suppliers. Suppliers should be able to offer electronic meter
9 reading to customers, but the supplier should be required to provide the metering data to
10 PP&L as well. Meters that require physical reading could continue to be read by PP&L.
11 Suppliers should then bill the customer for the alternative meter and any electronic meter
12 reading service on an itemized, i.e., unbundled, basis. This option should only be pursued
13 when the Commission determines that it can occur without jeopardizing the safety and
14 reliability of the distribution system.

15
16 5. PP&L's filing does not discuss the use of load profiles for customers, primarily
17 residential and small commercial, who do not have meters that provide demand or hourly
18 information. However, it is likely that PP&L will use standard load profiles and that the
19 Commission will require their use for low use residential and small commercial customers.
20 Assuming PP&L agrees with the general approach that load profiles should be used to bill
21 customers with standard mechanical meters, these load profiles should be updated

1 frequently and approved by the Commission (or at the Staff level) for all customer classes
2 at each distribution company.

3
4 6. The Company proposes to allow customers to obtain their meter reading data, i.e.,
5 usage, if the customer requests the data in writing [Bujnowski at 4]. There is no reason to
6 require the customer to request this information in writing. Customers should be able to
7 obtain their historical usage history over the prior 12 months without charge by calling the
8 Company.

9 Q PLEASE DISCUSS BILLING AND PAYMENT OF BILLS.

10 A PP&L's filing does not conform to the Commission's Tentative Order on Maintaining
11 Service Quality (Docket No. M-00960890F0011, April 24, 1997) in this area. PP&L
12 should be required to describe how it would comply with the three billing options
13 suggested by the Commission: a unified bill issued by the distribution company; dual bills
14 from both distribution companies and suppliers; a unified bill issued by the supplier.
15 PP&L's current position is that it is not willing to permit other parties to bill its customers
16 [Bujnowski at 5] yet it offers to provide a billing service for suppliers. If the distribution
17 company is establishing a system to transfer data from the supplier to the distribution
18 company to enable the distribution company to bill and collect on behalf of the supplier, it
19 seems logical that this data transfer capability should not be one-way. It seems
20 particularly timely to direct PP&L to develop this option because the Company is in the
21 process of establishing a new "state-of-the-art information system" capable of performing

1 the billing and customer service functions required for direct access [Bujnowski at 5].

2 Furthermore, PP&L may be taking a more narrow view of the requirement of
3 Section 2807 of the Act than is warranted. Contrary to Mr. Bujnowski's statement,
4 customers should not have to "request billing by an alternate supplier" or "elect" a single
5 bill [At 6]. Customers certainly have the right to choose whether to receive one bill or
6 two bills, but this choice should not require the customer to make this specific declaration
7 to the distribution company or to require all suppliers to maintain a PP&L-issued billing
8 option. Customers will make this choice by virtue of the supplier they choose. Customers
9 who prefer to receive a unified bill will choose a supplier that offers that option. Others
10 will choose suppliers who bill directly. The distribution company should not require
11 customers to make any other declaration than their choice of supplier to elect between
12 these billing options.

13 PP&L does not address whether there may be limits on the types of supplier
14 charges it will be willing to include on a PP&L-issued bill and should specify if there are
15 any restrictions on the type of rate design that can be handled by either their current or
16 new billing system. There should be no restriction imposed by PP&L in this regard
17 because it would retard the development of the full range of customer choices that will
18 presumably be offered by retail electric competition. Pursuant to the mandate of the Act,
19 if the customer does have the option to choose a unified PP&L-issued bill, then PP&L
20 must develop the capability to bill according to the rate design or price structure offered
21 by the supplier. Of course, PP&L should be able to charge suppliers for this service based

1 on the complexity of their price structure. In addition, it is likely that suppliers will also
2 offer customers energy management services along with the sale of kWh and PP&L's
3 billing options must accommodate this approach as well. Furthermore, if this is not
4 possible, it is an even stronger reason for the Commission to mandate that the distribution
5 company offer the option of a unified supplier-issued bill. Again, the Company has
6 already stated that it is installing a new billing system and redesigning its bill format so that
7 these options should be required to be incorporated into the design of these new systems.

8 With regard to partial payments and allocation of payments, I suggest that
9 whatever option the Commission adopts in this regard should be accompanied by a
10 requirement that all distribution companies develop the capability for multiple-balance
11 billing. This will be necessary not only to implement the partial payments rule, but to
12 assure that customers are not threatened with disconnection for the failure to pay
13 unregulated charges, including those offered by the distribution company directly or
14 through its affiliates or any charges being billed on behalf of a supplier.

15 Q PLEASE DISCUSS ISSUES RAISED BY THE CUSTOMER CHOICE ACT'S
16 REQUIREMENTS CONCERNING COMPLAINT RESOLUTION.

17 A PP&L does not address how it will handle customer disputes concerning its own charges
18 and the charges for a supplier who bills through PP&L. Suppliers, of course, may or may
19 not want a complaint resolution service if they contract with PP&L to handle their billing.
20 PP&L's supplier tariff should unbundle the billing, collection and dispute resolution fees
21 associated with their billing option so as to offer the widest possible choice to suppliers

1 and their customers.

2 PP&L probably has no obligation to handle disputes relating to supplier charges
3 when the supplier has billed the customer directly. However, the question of who “owns”
4 the complaint when the customer calls to question their meter reading or their usage level
5 when both the distribution company and supplier charges will depend in part on the
6 resolution of the dispute must be clarified. Since the distribution company charges will
7 also depend on accurate meter readings and will be impacted by high usage disputes, I
8 recommend that the distribution company “own” these complaints since, at least in the
9 near term, the distribution company has access to and responsibility for the meter and can
10 more easily determine if the reading was accurate or impacted by unusual events based on
11 a review of the historical usage and customer energy use pattern.

12 PP&L has not proposed any specific procedures in this filing with regard to the
13 coordination and communications necessary to handle disputes in which both the
14 distribution company and supplier will have a stake. This includes procedures for
15 appropriate notice and opportunity to participate in the complaint investigation, referral
16 and exchange of data and other information. The Company should be required to do so
17 promptly.

18 Q HOW SHOULD SERVICE INTERRUPTIONS AND OUTAGES BE HANDLED?

19 A The OCA has already proposed to the Commission in its Tentative Order on Quality of
20 Service Benchmarks and Standards, Docket No. M-00960890F0007 (March 13, 1997)
21 that a Service Quality Index be constructed for each distribution company that establishes

1 baseline performance levels for representative reliability and customer service indicators
2 and then tracks the distribution company's performance over the term of the rate cap
3 which will operate as a multi-year rate plan. This approach will require a separate filing by
4 PP&L at the completion of the Commission's investigation of these issues and the
5 issuance of the Final Order. It has not been possible given the timing of this docket and
6 the volume of work required to implement customer choice in many other proceedings to
7 devise a proposed Service Quality Index specifically for PP&L as part of our testimony at
8 this time.

9 Q PLEASE DISCUSS REQUESTS TO DISCONTINUE SERVICE BY CUSTOMERS.

10 A PP&L's filing does not address the procedures that should be followed when a customer
11 requests that service be discontinued. The Company should be required to clarify its
12 procedures to distinguish between a customer who requests that distribution services be
13 discontinued at a certain location and a customer who seeks to cancel or terminate their
14 contract with a specific supplier (and presumably choose an alternate supplier or become a
15 PP&L customer for basic utility service). Furthermore, communication protocols with
16 suppliers must be established to accommodate customers who seek to discontinue their
17 distribution, as well as supplier services, by calling the supplier. All of these protocols
18 must also include steps to ensure the proper identification of the type of residential
19 account at issue so that the proper Chapter 56 procedures are followed for multi-family
20 and landlord-ratepayer accounts.

21 Q PLEASE DISCUSS TERMINATION AND PAYMENT AGREEMENTS.

1 A PP&L's procedures, as well as its understanding of the Commission's directives on this
2 subject, should be clarified in its tariff. The Commission adopted the OCA's
3 recommendation on this matter in its Final Order regarding Licensing Requirements for
4 Electric Generation Suppliers (Docket No. M-00960890F004, February 13, 1997) which
5 prohibits a distribution company from disconnecting a customer for the failure to pay
6 supplier charges and allows disconnection to occur only for the failure to pay regulated
7 distribution company charges or those associated with the supplier of last resort. The
8 Commission confirmed this approach in its Tentative Order on Maintaining Customer
9 Service Quality (April 24, 1997 at 13-14) and clarified that this policy applied as well to
10 the purchase of accounts receivables by a distribution company from a supplier. There is
11 no indication that PP&L disagrees with this policy, but its tariffs are not clear in this
12 regard and should be amended to be applicable to [in Rule 10, Exh. OGK-2] the
13 customer's failure to pay only distribution charges or energy charges billed by PP&L as a
14 provider of last resort.

15 Q PLEASE DISCUSS PP&L'S PROPOSALS WITH REGARD TO THE PROVIDER OF
16 LAST RESORT SERVICE.

17 A The Commission has not yet issued any policy guidance in this area. Nor has any party
18 sought to explore the option provided by the Act to choose an alternative supplier for this
19 service at this time.

20 The lack of specificity as to how PP&L will price this service is troubling. While
21 the operation of the various rate caps will control the price to some extent, it is not at all

1 clear how PP&L or the Commission will define and monitor the "prevailing market price"
2 to determine if PP&L's energy prices should be decreased from present unbundled levels.
3 Furthermore, PP&L's current price structure for most residential customers incorporates a
4 leveling out of the impact of seasonal price differentials or the impact of short term market
5 price fluctuations. More detail on the methodology to price this service should be
6 provided before the Commission approves any particular approach.

7 The Company has suggested that either an active and visible market price signal
8 will exist or that one alternative might be for PP&L to conduct a competitive solicitation
9 for energy and capacity for its Basic Utility Supply Service (BUSS) [Krall at 14]. The
10 suggestion of the use of a competitive solicitation is an excellent one. The recently
11 enacted Maine electric restructuring legislation [PL 1997, ch. 316, effective May 29,
12 1997] requires the distribution company to use this approach to provide standard offer
13 service. Both New Hampshire and Vermont have also endorsed this approach. The
14 Company has also suggested that the price charged to customers whose supplier fails to
15 deliver should, at least preliminarily, be based on spot market prices. There is no reason
16 to adopt a different pricing structure for this class of customers at this time.

17 Another potentially confusing and troubling issue is PP&L's stated intention to
18 move customers who do not qualify for participation in a given phase of direct access to
19 their Generation Supply Group [Enron-III-16]. This suggests that the division that will
20 provide competitive services in the open market will continue to be identified as the
21 supplier of electricity for customers who do not have access to the open market, albiet at

1 rates that are regulated via the rate cap required by the Customer Choice Act. The
2 Company's intent in this regard is not clear and may need further clarification.

3 PP&L also suggests that customers who return to BUSS after choosing another
4 supplier will be treated as "new" under the credit regulations and not eligible for services
5 under tariffs that have been closed to new applicants. Such customers will also be
6 required to enter into one year contracts to avoid "gaming" the system, subject to an
7 exception for residential customers who will have a six-month period to gain experience
8 with competition. If a residential customer returns within the six month grace period, the
9 customer will be treated as an existing customer. [Baumann at 7].

10 There are several concerns with the proposed PP&L approach. First, these
11 customers who move into and out of the competitive system may do so for a variety of
12 reasons. Some will simply not have had a positive experience, due to service quality or
13 price. Others will perhaps return to avoid a billing dispute or because they were unable to
14 pay their bill according to the terms of the supplier. PP&L will not know the reason. The
15 Customer Choice Act establishes a provider of last resort obligation on the distribution
16 company for all these reasons and PP&L must not hinder the customer's access to this
17 service with procedural or administrative difficulties. Second, the concern about "gaming"
18 can be avoided with the use of a market based price, although not a volatile spot price.
19 Third, it may be appropriate to charge a modest fee to those who change frequently,
20 perhaps more than twice in any 12-month period.

21 Finally, these "new" customers are not new to the distribution company and should

1 not be treated as such by PP&L. They were and will remain customers of PP&L for
2 distribution services. With regard to generation services, these customers are changing
3 their electric supplier from a competitive market provider back to a regulated service
4 provided by the electric distribution company. Therefore, these customers should not be
5 treated as "new".

6 Q ARE THERE OTHER SITUATIONS IN WHICH PP&L HAS PROPOSED TO TREAT
7 RETURNING CUSTOMERS AS "NEW" ?

8 A Yes. PP&L has proposed that residential customers on a special thermal storage heat rate
9 (Rate RTS) will lose their eligibility for this rate if they enter the competitive generation
10 market and then seek to return to the Basic Utility Supply Service. This approach is
11 unreasonable and may be inconsistent with the Commission's Order at Docket No. R-
12 00943271 (September 27, 1995) as well as the Customer Choice Act. In that case, the
13 Commission approved PP&L's proposal to close the rate to new customers. However,
14 the Commission also found that service to the existing RTS locations be provided at the
15 RTS rate throughout the life of the existing thermal storage unit and adopted the OCA
16 position that the rate differential not be cut off on a date certain as PP&L had proposed.
17 [ALJ Recommended Decision, July 28, 1995, at 235; Order at p. 216-220]. I understand
18 this to mean that even a new customer who purchased a home with an existing thermal
19 storage unit would qualify for the RTS rates. Thus, RTS customers who return to service
20 with PP&L at the existing thermal storage unit location must also be permitted to return to
21 service on the RTS rate for the length of the rate cap period. To not allow RTS

1 customers to return to the RTS rate during the rate cap period may constitute a violation
2 of the rate cap for these customers if the total charges to the customers upon return to the
3 regulated BUSS service are higher than the total charges to the customer as of the
4 effective date of the rate.

5 Furthermore, I have described in Part I of my testimony PP&L's special obligation
6 to communicate with and educate these customers concerning the implications of
7 customer choice for their energy use profile once the Commission has ruled on this
8 proposal.

9 Q WHAT ABOUT RESTORATION OR RECONNECTION OF SERVICE?

10 A Again, PP&L's policies must be changed to reflect the policy that the distribution
11 company may not condition restoration or reconnection of service to a customer based on
12 any unpaid charges owed to a supplier, except for the supplier of last resort service. In all
13 cases, PP&L's policies must conform to the requirements of Chapter 56 of the
14 Commission's rules.

15 Q PLEASE DISCUSS YOUR CONCERNS WITH THE COMPANY'S PROPOSED
16 CODE OF CONDUCT.

17 A In addition to the service quality and consumer protection polices discussed above, I want
18 to also address the issues associated with PP&L's proposed Code of Conduct and matters
19 pending before the Competitive Safeguards Working Group. Several of these procedures
20 and policies are closely intertwined with the Company's interactions with its customers as
21 I have already discussed above with regard to Customer Information and Application for

1 Service. Furthermore, the Commission's regulation of the utility's conduct of both the
2 distribution services and generation services will have a great deal to do with the
3 development of a fair and vigorous competitive market. Customers will not benefit from
4 this enormous transition from monopoly to competition if the rules of the road favor the
5 incumbent. If that is the result, all we have done is create an unregulated monopoly.

6 Q WHAT SPECIFIC RECOMMENDATIONS DO YOU HAVE WITH REGARD TO
7 PP&L'S PROPOSED CODE OF CONDUCT?

8 A I have reviewed PP&L's proposed Code of Conduct and compared it with the Code of
9 Conduct adopted by the Massachusetts Department of Public Utilities in its electric
10 competition order (Electric Industry Restructuring Plan: Model Rules and Legislative
11 proposal, DPU 96-100, December 30, 1996) and that recently adopted by California in its
12 Direct Access Decision adopted on May 6, 1997 (Decision 97-05-040). There are some
13 significant "holes" in PP&L's proposal that should be remedied.

14 Most importantly, PP&L proposes to conduct its distribution and generation/sales
15 business within the same corporate structure. This approach has the significant potential
16 for cross-subsidy and unfair trade practices which will mean that the Code of Conduct will
17 be crucial to the prevention of these dangers.

18 The following proposals are intended to supplement or clarify the proposed Code
19 of Conduct contained in Robert M. Genezko's testimony [Exh. RMG-3] as well as those
20 specific rules I suggested in my discussion of Application for Service.

1 1. There should be no shared employees, expenses or assets between the two divisions
2 other than costs billed back to corporate support functions, all of which should be priced
3 at market rates. PP&L's proposal that only those employees "directly involved in
4 marketing energy to customers" [Exh. RMG-3 at 1] will be restricted from any
5 responsibilities within the Delivery Group and vice versa is problematic. First, this
6 distinction is vague and allows PP&L too much discretion to decide who is "directly
7 involved". Second, it will difficult to monitor and enforce such a distinction.

8
9 2. The transactions between the divisions or between either division and the corporate
10 support function should be limited to the purchase of tariffed items generally available to
11 other similarly situated electric suppliers, with the exception of general and administrative
12 support services which should be strictly defined in PP&L's written policies and subject to
13 review by the Commission. The purpose of this review should be to ensure that prices
14 charged by P&L's support services to its competitive division fully compensate the
15 regulated portion of the company (and that paid for by ratepayers) for any services.

16
17 3. Each division should maintain its own books of accounts, have separate offices and
18 utilize separate personnel, separate computer systems and other equipment needed for the
19 conduct of its daily business.

20
21 4. Any transfer of employees between the two divisions should be tracked and reported

1 annually to the PUC.

2
3 5. The divisions should not conduct joint marketing. The delivery division should not
4 promote the competitive services offered by any portion of the company, including those
5 competitive services currently offered by PP&L, electronic thermostats, heat comfort
6 controls, carbon monoxide detectors and Power Watch service [Enron-I-1]. The delivery
7 services division should refrain from giving any appearance of speaking on behalf of the
8 competitive services division in any and all contacts or communications with customers or
9 potential customers.

10
11 6. The dispute resolution procedure to address complaints alleging violations of the Code
12 of Conduct should include, as a minimum, a procedure to designate a person to conduct
13 an investigation of the complaint and report the results of this investigation to the claimant
14 in writing within 30 days after the complaint is received, including a description of any
15 action taken in response to the complaint and the complainant's option to complain to the
16 PUC if not satisfied with the results of the investigation. PP&L should maintain a log of
17 all new, resolved and pending complaints alleging violations of the Code of Conduct
18 (which violation shall be liberally construed to refer to complaints about PP&L's actions
19 relating to any provision of the Code, whether or not the complainant actually identifies a
20 specific provision of the Code in the complaint). The log shall be subject to review by the
21 Commission.

1 Q PLEASE CONCLUDE YOUR LIST OF ISSUES IN PART II WITH A DISCUSSION
2 OF THE COMPANY'S PROPOSED PROCEDURES TO PHASE-IN CUSTOMER
3 CHOICE BEGINNING IN 1999.

4 A PP&L's filing describes how the Company proposes to implement the requirement of the
5 Customer Choice Act that a maximum of 33% of the peak load of each customer class
6 "shall have the opportunity for direct access" by January 1, 1999 (Section 2806(B)). The
7 Company's proposal is generally appropriate for residential customers. I only have a few
8 comments. First, the Company correctly proposes to publicize the enrollment procedures
9 to all its customers and accept enrollment on a first come-first serve basis. My only
10 suggestion is that the Company provide a prepaid postcard to all customers so that they
11 can easily respond by mail. Second, the Company should automatically enroll those
12 residential customers who are participating in the pilot program into Phase I to avoid the
13 need for those customers to communicate their desire to participate again.

14 Q DOES THIS COMPLETE YOUR TESTIMONY?

15 A Yes, it does.

16 42737

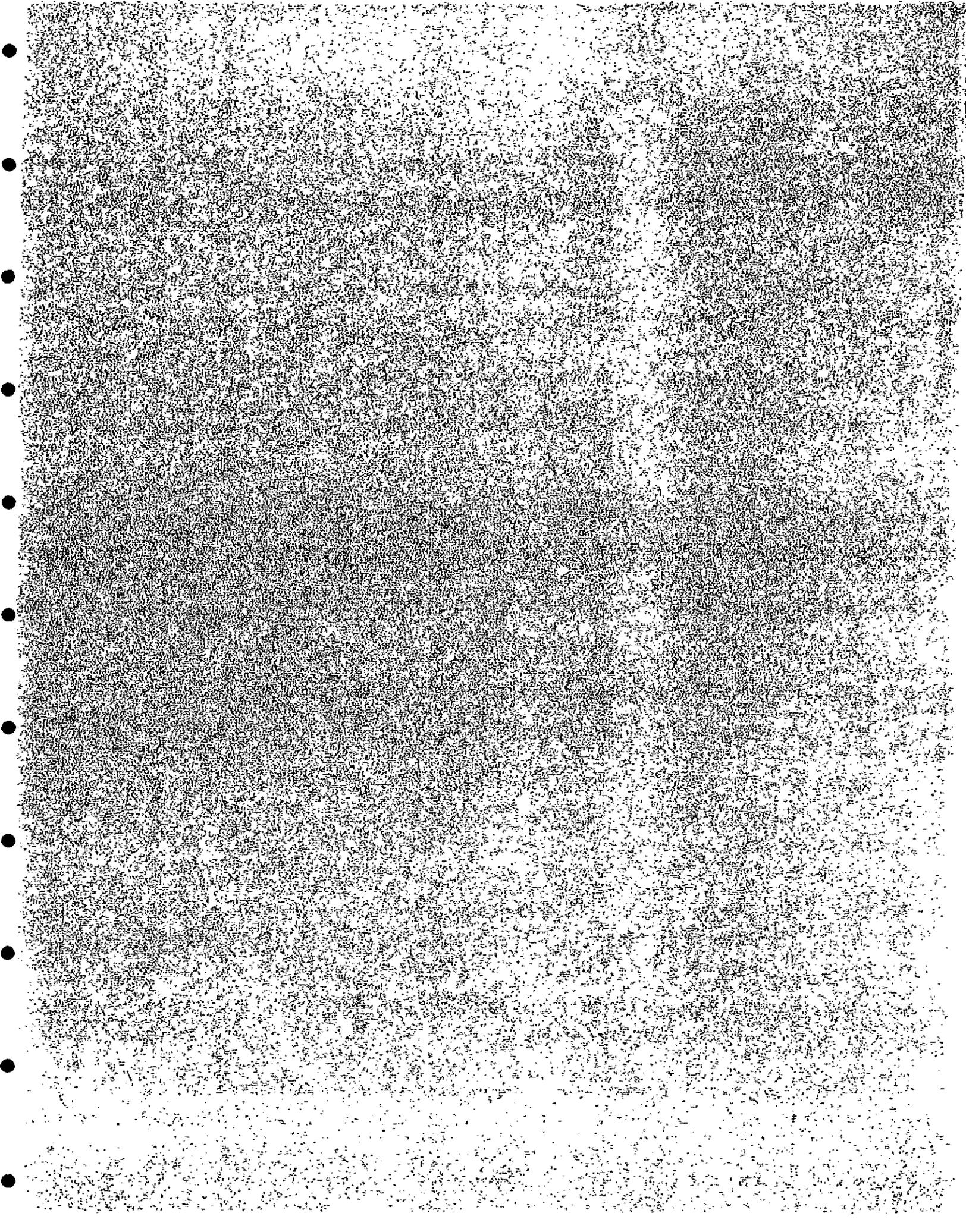


EXHIBIT BA-1

Barbara R. Alexander

Consumer Affairs Consultant

15 Wedgewood Dr.
Winthrop, ME 04364

207/395-4143: voice and FAX

e-mail: balexand@mint.net or baralex@aol.com

CLIENTS

National Consumer Law Center, Boston, MA
Public Counsel, Office of Attorney General, Seattle, WA
Telecommunications Workers Union, British Columbia, Canada
Vermont Department of Public Service, Montpelier, VT
Regulatory Assistance Project, Gardiner, ME
Maine Public Utilities Commission, Augusta, ME
William A. Spratley & Associates, Columbus, OH
Fisher, Sheehan & Colton, Belmont, MA
Citizens Utility Board, Chicago, IL
Office of Consumer Advocate, Pennsylvania

EMPLOYMENT

Director, Consumer Assistance Division
MAINE PUBLIC UTILITIES COMMISSION
1986 - 3/1996
AUGUSTA, MAINE

One of five division directors appointed by a three-member Commission. Part of Commission-wide management team. Direct supervision of 10 employees; oversight of consumer complaint function; appearance as an expert witness on consumer services, service quality and low income policy issues in both adjudicatory and rulemaking proceedings; member of Staff Advocate and Advisory teams on major rate cases. Chair, NARUC Staff Subcommittee on Consumer Affairs.

Superintendent
BUREAU OF CONSUMER CREDIT PROTECTION
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
1979-1983
AUGUSTA, MAINE

Director of an independent regulatory agency charged with the implementation of the Maine Consumer Credit Code and Truth in Lending Act; investigation and enforcement of consumer credit statutes and regulations; testimony before Maine Legislature and U.S. Congress; coordinator of national association of consumer credit regulators.

Assistant to Majority Leader
HON. ELIZABETH MITCHELL,
MAINE HOUSE OF REPRESENTATIVES
1983-1984
AUGUSTA, MAINE

EDUCATION

Juris Doctor
UNIVERSITY OF MAINE SCHOOL OF LAW
1973-76
PORTLAND, MAINE

Admitted to the Bar of the State of Maine, September, 1976.

B.A. (With Distinction) in Political Science
UNIVERSITY OF MICHIGAN
1964-68
ANN ARBOR, MICHIGAN

PRESENTATIONS

"Consumer Protection Programs in an Era of Regulatory Change", NARUC Advanced Regulatory Studies Program, Annapolis, MD, January, 1996

"Telephone Service Quality from a Consumer's Perspective", Subcommittee on Communications, NARUC Winter Meetings, Washington, D.C., February, 1996

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Universal Service and Consumer Protection Issues in Electric Restructuring, Texas Office of Public Counsel, October, 1996, Austin, TX

Putting the Puzzle Together: Consumer Protection Issues in Electric Restructuring, Pennsylvania PUC, March, 1997.

Consumer Protection issues in Electric Restructuring, NARUC Energy Resources and Environment Committee, March, 1997

Presentations on Consumer Protection and Universal Service Issues in Electric Restructuring to the Illinois Commerce Commission and the New Jersey Board of Public Utilities as part of Regulatory Assistance Project Workshops: March-April, 1997.

RECENT PUBLICATIONS AND TESTIMONY

How to Construct a Service Quality Index in Performance-Based Ratemaking, The Electricity Journal, April, 1996

The Consumer Protection Agenda in the Electric Restructuring Debate, William A. Spratley & Associates, May, 1996

Direct Testimony on behalf of the Telecommunications Workers Union, Telecom Public Notice 96-8, Price Cap Regulation and Related Issues, Canadian Radio-Television and Telecommunications Commission, September, 1996

Direct Testimony on behalf of Public Counsel Section, Office of Attorney General, Docket No. UE-960195, Application by Puget Sound Power and Light Co. And Washington Natural Gas Co. For Approval of Merger, Washington Utilities and Transportation Commission, September, 1996

Consumer Protection Proposals for Retail Electric Competition: Model Legislation and Regulations, Regulatory Assistance Project, Gardiner, ME, October, 1996

Direct Testimony on behalf of the Citizens Utility Board (IL), Docket 96-0178, Illinois Commerce Commission, CUB v. Illinois Bell Telephone Co., January 22, 1997

OTHER ACTIVITIES

- Board of Selectmen, Mt. Vernon, ME (1978-9)
- Board of Appeals, Hallowell, ME (1986-88)
- Program Committee, Samantha Smith Foundation (1993-94)
- Board of Directors, Maine Women's Lobby (1996-)
- Board of Directors, Coalition for Sensible Energy (1996-)
- Languages: Spanish; Russian (moderate)

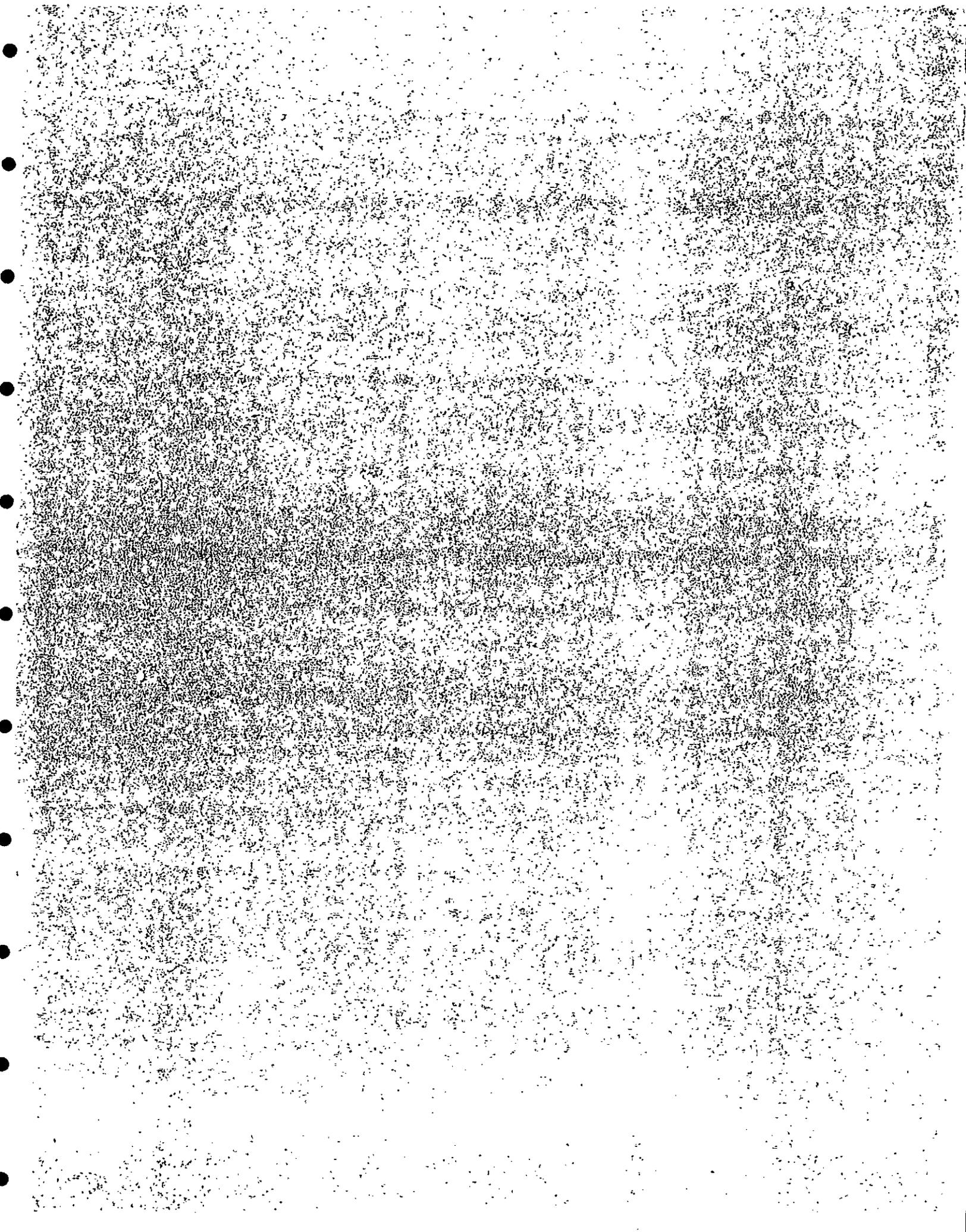


EXHIBIT BA-2

A Consumer Information and Education Plan

**Developed by the Vermont Department of Public Service for
Electric Utility Industry Restructuring**

**Submitted to the
Vermont Public Service Board**

February 18, 1997

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I Executive Summary

The Vermont Department of Public Service developed its Consumer Information and Education Plan at the request of the Public Service Board, assuming that the Vermont Legislature will pass a bill on electric utility restructuring in the 1997 legislative session.

To seek out suggestions for educating Vermonters on restructuring, we spoke with representatives of municipal and co-op utilities, investor-owned utilities and a range of consumer advocates, all of whom expressed an interest in participating in the consumer education process. According to representatives in seven other states, consumer education regarding restructuring in their states is in its infancy at best. The Department also commissioned Action Research to query Vermonters, discovering among other findings that approximately one-half of all respondents are aware of restructuring.

The communications objectives of the plan are to increase unaided and aided awareness of electric industry restructuring, and to assess changes in attitude among Vermonters toward restructuring with regard to choice, price, quality and the environment. The ultimate goal is to empower Vermonters to make an informed choice about their electricity provider.

The plan focuses its communications strategies on three target publics: residential electric customers, small commercial electric customers and influencers. One of the core messages to be communicated is "the more you know about your electricity consumption and about restructuring, the better your ability to make an informed choice."

The Department recommends a four-phased strategy — pre-legislation, post-legislation, pre-choice and post-choice — integrating consumer research, public outreach, public communication and continued monitoring.

Following the initial phase of public involvement and research, the theme and identity of the plan will be developed to work with all of the proposed elements. Recommended tactics to help the Department realize its communications objectives include research, public involvement, media relations, a public service advertising campaign, a partnership program with consumer and small business advocates as well as with utilities, as appropriate, and an information center housed at the Department.

A timeline is included to illustrate the progression of the activities. The Department expects that, if fully implemented, the cost of the Consumer Information and Education Plan will be approximately \$625,000.

II. Situation Analysis

A. Overview

This plan has been developed by the Department of Public Service, in collaboration with KSV Communicators, in response to the Public Service Board's Report and Order entitled "~~The~~ Power to Choose: A Plan to Provide Customer Choice of Electricity Suppliers," dated December 30, 1996.

The purpose of the plan is to articulate how the Department will help Vermonters adapt to and take full advantage of the opportunities offered in a restructured electric utility environment, and to do this in sufficient detail to establish for affected parties the intended scope and expectations of the information and education effort.

The plan has been developed with regard for both the Vermont Principles on Electric Industry Restructuring and the Department's proposed Consumer Bill of Rights, which are endorsed in the Board's report.

The Department sought the advice of numerous people and organizations in preparing this document. A list of individuals the Department spoke with or received written comment from is included in Appendix A, and a list of organizations invited to comment is included in Appendix B. The Department intends to continue to work with these individuals and others in the further refinement of the Consumer Information and Education Plan.

II. Situation Analysis (continued)

B. Assumptions

The Department has developed this plan from the point of view of what *should* be done to give Vermonters the best possible chance to take full advantage of the power to choose their electric service provider. Since there is some uncertainty as to if and when the Vermont Legislature will act on restructuring legislation, we have assumed for purposes of developing a timeline for this plan that the Legislature will pass legislation during the 1997 session so that restructuring will begin in January 1998, the timeline put forth by a number of parties. This timeframe calls into question the ability of the Department and others to fully implement necessary activities, and will require, if enacted, some prioritization and compromises to the consumer information and education effort.

While the Department assumes some form of restructuring to be inevitable, this plan has not been prepared to advocate for restructuring; rather, it is focused on helping Vermonters make informed decisions about their energy consumption and new choices available to them.

This plan also assumes that Vermonters need to know a lot more than they currently do in order to take advantage of the potential benefits to them of a restructured electric industry. This assumption is confirmed by quantitative research. (See VermonTrends Findings section, page 16.)

II. Situation Analysis (continued)

C. Findings

1. Municipal and Co-Op Utilities

Representatives of municipal and co-op utilities expressed concern that most Vermont consumers currently don't understand electric utility restructuring, and expressed uncertainty about what to tell their customers about the unknown implications of the pending legislation. Consequently, they are looking to the Department to provide leadership in the statewide education and awareness program on a "macro" level.

Individual municipal and co-op utilities, which feel they have developed a great deal of credibility with their customers as measured through surveys and other methods, believe they can help their customers understand restructuring on a "micro" level. They are very interested in participating in the consumer education and awareness process, in part by utilizing current communications vehicles such as newsletters and bill enclosures (for those utilities that send their bills in envelopes). They are concerned about the cost of consumer education prior to a statutory funding mechanism being in place.

Municipal and co-op utilities report that post-restructuring pricing levels are a major concern for their customers who are aware of the pending legislation. The utilities currently cannot answer a common customer question: "Will I save money on my electric bill?" When the analogy of the deregulation of the telecommunications industry is employed, customers tend to understand better what restructuring means; however, the analogy also elicits negative feelings about "long-distance telephone service telemarketers."

Municipal and co-op utilities have identified the introduction of an "unbundled bill" as an important consumer education tool. They are working on the design of such a bill, and look to the Department for assistance.

C. Findings (continued)

2. Investor-Owned Utilities

Investor-owned utility representatives indicated in interviews a willingness to collaborate with the Department in consumer information and education initiatives and have common interests with the Department. Because the IOUs serve the great majority of Vermont households, their participation is critical to success. They believe they have a level of rapport with their customers as well as established channels of communications (bill messages and statement enclosures) that will help facilitate broader understanding of the choices consumers face in a restructured electric industry environment.

They also perceive themselves to have common interests with the Department in educating consumers. The IOUs realize that an informed customer is a better consumer, and that the more knowledgeable customers are about restructuring, the fewer calls the IOUs will have to field in their customer service operations. The potential customer service costs are considerable and provide a strong incentive for the IOUs to collaborate with the Department, undertake their own education effort, or do both.

In the early phases of consumer education, there is a considerable degree of alignment of interests between the Department and the IOUs. At a later point on the restructuring continuum, just before and at the point at which consumers will have to choose which electric company to buy electricity from, the interests of the Department and the IOUs — particularly the Retailco units of the IOUs — diverge.

C. Findings (continued)

3. Consumer Advocates

In both one-on-one telephone interviews and a group meeting, we spoke with a number of consumer advocates who represent low-income, disabled, elderly, environmental and general consumer interests. We also invited a number of consumer organizations and associations to comment in writing.

The consensus is that the consumers the advocates represent are, at best, marginally aware of the implications of restructuring. Many of the advocates feel that restructuring will be a good deal for large industrial customers at the expense of residential and small commercial customers. They want to educate their constituents about their rights in a restructured electric utility environment, but feel that the benefits have not yet been adequately outlined or proven. Given the evolving nature of the process, advocates would like to review and comment on the educational process on an ongoing basis.

Advocates suggest that communication regarding restructuring should not come solely from the utility companies. They feel consumers need a non-partisan voice they feel they can trust. Information should be accessible to the sensory impaired, and consistent terminology and messages — especially when dealing with billing and advertising issues — should be employed during the consumer education process. Educational materials should focus on a broader spectrum of issues than just rates and prices, public forums should be open and not veiled opportunities for “selling” restructuring, and consumer protections currently provided by the franchise system need to be preserved.

The consumer advocates agreed that a grassroots movement was essential to the success of the education process. Many expressed interest in creating partnerships to reach as many consumers as possible. Advocates mentioned television as an important high-profile medium to communicate information to a wide range of consumers.

C. Findings (continued)

4. Consumer Education in Other States

To learn about and benefit from the experiences of other states considering electric utility restructuring, we spoke with consumer education representatives from the following states: California, Connecticut, Massachusetts, New York, Pennsylvania, Rhode Island and Wisconsin. The timelines for implementing restructuring vary widely, from select residential choice among electric power providers by January 1, 1998, to full implementation of restructuring in some cases not until 2001 or 2002.

Two major themes emerged in our conversations. In general, consumers in these other states seem to be very confused about the changes and potential benefits to result from electric utility restructuring. In addition, everyone acknowledged that educating the general public — especially on such a complex issue — is a long and complicated process, and the primary messages need to be repeated over and over to have effect.

“Informed Energy Choices,” designed by the Public Service Commission in New York State, appears to have one of the most comprehensive education programs available. Targeting residential, commercial, industrial and non-English speaking constituencies, the program’s work plan employs speaking engagements, newsletters, bill inserts, exhibits at fairs and home shows, a web site and a toll-free hotline to help consumers better understand electric utility restructuring.

Massachusetts has set up an advisory task force that includes representatives from varied interests including: electric companies, consumer advocates, law firms and energy suppliers. Brochures and bill enclosures have been the primary communication methods, and the Commonwealth has promoted its two public forums via newspapers, radio and television public service advertisements. Officials are currently working on developing unbundled bills for customer review this summer.

Pennsylvania does not expect the transition to full electric utility deregulation to be complete until 2001, but they are actively handing out brochures, mailing newsletters, answering questions through an electronic bulletin board and toll-free telephone number, and surveying citizens on the most effective and trusted sources of educational information for the public.

4. **Consumer Education in Other States (continued)**

In Connecticut and Rhode Island, officials acknowledged the need for comprehensive education programs but are waiting on mandates from state legislatures before taking action.

Wisconsin is in its second year of the 4-5 year transition to full restructuring. Officials there have held numerous public hearings and meetings, and are currently making "public benefits" presentations regarding low-income, renewable source and conservation issues.

Finally, California state officials shared their experiences with a consumer education program for caller ID: most people want to speak to a live person instead of a recording; it's important to remain neutral on competitive issues; and watch out for "slamming" tactics sometimes employed by unscrupulous companies.

C. Findings (continued)

5. VermonTrends Findings

The Department commissioned Action Research to query Vermonters about electric utility restructuring during the research firm's most recent VermonTrends survey. Action Research interviewed 400 randomly selected Vermonters via telephone between January 30 and February 9, 1997. Key findings are listed below and a more detailed report is included in Appendix D.

- Approximately one-half of all respondents are aware of restructuring. Thirty-nine percent mentioned restructuring or deregulation on an unaided basis. When aided, another 18% stated that they had heard about restructuring.
- Over one-half of those surveyed (52%) state that restructuring would be a positive change. Fifteen percent think it would be negative.
- Most respondents felt that choice would be a result of restructuring, as would lower prices and comparable quality (to the current system).

II. Situation Analysis (continued)

D. Challenges and Opportunities

Electric utility restructuring is an extremely complex issue that only about half of Vermonters are aware of, and even fewer understand. This lack of awareness and understanding creates the fear, uncertainty and doubt sometimes found in the public debate about restructuring. It's also why the Public Service Board has ordered the Department to prepare this Consumer Information and Education Plan.

Bringing clarity and understanding to restructuring will not be easy. Some of the obstacles the Department will need to overcome include:

- *Lack of common understanding of why change, and why now —*

Economic models projecting Vermont's power costs to rise steeply in the coming years relative to market rates are not concepts that the average citizen typically contemplates. By the end of 1997, both GMP and CVPS are expecting to file for significant rate increases to deal with the rising costs. The opportunity to teach Vermonters about this situation and its corollary — power prices are anticipated to rise much less steeply in a restructured environment — is an educational challenge that will require the Department to take advantage of the help of all of the relevant stakeholders.

- *Skepticism about deregulation based on experiences with other industries, including telecommunications, airlines, banking —*

Skepticism creates resistance to new information. With electric utility restructuring, there is a great opportunity to avoid the mistakes other industries have made, while adopting and modifying the successful elements of those industries' efforts to the current campaign.

- *Misinformation and misperceptions —*

Given the potential for misinformation and misunderstanding, there is a need for straightforward education about restructuring. As an impartial source that works closely with both consumers and utilities, the Department is well suited to lead its many partners in this educational campaign.

D. Challenges and Opportunities (continued)

- *For residential and small commercial consumers to take full advantage of the potential benefits of restructuring, they need to be well informed —*

Without any educational outreach by the Department and others, larger customers probably would reap a disproportionate economic benefit from restructuring. There is a great opportunity for consumers to learn about and choose energy options unavailable in the fully regulated environment.

- *Limited consumer motivation to participate in electric utility restructuring —*

Consumers have not been motivated to understand and participate in electric utility restructuring because the potential benefits to small consumers and the process of restructuring have not been clearly articulated. Explaining that power prices are anticipated to rise much less steeply in a restructured environment, helping consumers make informed choices and demonstrating how to read and understand unbundled bills are all opportunities for the Department to educate Vermonters about the restructuring process.

- *Consumer inertia and fatigue —*

Perhaps the greatest challenge will be getting people's attention long enough to focus on restructuring. Consumers are bombarded with information; the restructuring message will be yet another among a sea of messages drowning consumers.

III. Communications Objectives

The objectives of the Consumer Information and Education Plan can be categorized in two ways; those that affect consumer awareness and attitude, and those that affect consumer behavior.

A. Awareness and Attitude Objectives

- Increase unaided awareness of electric industry restructuring among Vermonters to 75% by February 1998 from 39% (as measured by VermonTrends in February 1997).
- Increase combined unaided and aided awareness of electric industry restructuring among Vermonters to 90% by January 1998 from 58% (as measured by VermonTrends in February 1997).
- Assess changes in attitude among Vermonters toward restructuring across the dimensions of choice, price, quality and environment (as first measured by VermonTrends in February 1997).

B. Behavioral Objectives

- For those Vermonters who don't fully understand restructuring and the choice they have to make, empower them to learn more by:
 - reading about restructuring and choice
 - participating in a public forum
 - talking to each other about restructuring
 - calling the Department or visiting its website
 - calling their utility company
 - calling their advocate
- Persuade 75% of eligible Vermont households to make an informed choice about their electricity provider on or before January 1, 1998.

IV. Communications Strategy

A. Target Publics

1. Residential Electric Customers

There are approximately 272,500 residential electric customers in Vermont. This plan targets those people in households — both women and men — with responsibility for making energy decisions, as well as those who influence energy decisions.

The diversity among residential electric customers is enormous. There are wide variances in age, income and education. Those customers who are in any way disenfranchised, either by low income, limited education, disability or age, will receive special focus and attention by the Department.

2. Small Commercial Electric Customers

There are approximately 37,500 commercial electric customers in Vermont, ranging from larger businesses to small commercial users and from farms to offices to stores. Usually, among small commercial electric customers the energy decision maker is the owner of the enterprise.

Like residential customers, this is a widely diverse group.

Note: This plan does not cover industrial and large commercial customers because these customers have demonstrated greater knowledge and sophistication about restructuring than residential and small commercial electric customers. They are presumed to have the ability — or have access to information and other resources — to make informed choices about energy matters. Of course, nothing would preclude their access to generally available resources developed as part of this plan.

A. Target Publics (continued)

3. Influencers

Organizations that influence both residential and small commercial customers will play a vital educational role. Such organizations as the Vermont Low Income Advocacy Council, Vermont Legal Aid, Vermont Natural Resources Council, AARP, Community Action agencies, Area Agencies on Aging, the Vermont Center for Independent Living, chambers of commerce and trade associations, among many others, are influential among their constituents and have established channels of communication.

IV. Communications Strategy (continued)

B. Core Messages

Restructuring is an enormously complex subject. Successful communication and education requires that the many messages get distilled to the most essential.

1. Primary

- **The lines and poles that lead to your home or business will continue to be maintained by your current electric utility and will continue to be fully regulated by the Public Service Board.**
- **Electric industry restructuring will require you eventually to make a choice about which company provides electric power to you through these lines.**
- **The more you know about your energy consumption and about how electricity is provided and billed, the better able you will be to make good choices for your household and business.**

2. Secondary

- **Price is just one dimension of choice; there are others, such as the source (nuclear, renewable, fossil fuel), and therefore the environmental impact, of the electricity you buy.**
- **Your focus should be on your total bill, not just rates.**
- **Electricity represents only part of your total energy consumption.**
- **Energy efficiency remains an important way for you to control your energy use and costs.**
- **Restructuring will preserve — and may even enhance — the consumer protections currently available.**

IV. Communications Strategy (continued)

C. Positioning

(How do we want the communications source to be perceived in the minds of the target publics?)

The Department of Public Service is a trustworthy source of reliable, objective information about electric industry restructuring.

IV. Communications Strategy (continued)

D. Communication Effect

The desired communication effect of the Department's communication and education initiatives will vary depending upon the message, the point in time a particular message is communicated, and the knowledge of consumers. In general, the Department would like Vermonters to think:

I'm going to learn more about electric industry restructuring and how it affects me.

I know enough to make good choices about my energy consumption and my power supplier.

I will select an energy supplier based not just on rates, but on the quality of information they provide and their commitment to helping me lower my total energy bill.

IV. Communications Strategy (continued)

E. Strategy Statement

The Department recommends an integrated communications strategy that relies on a variety of channels communicating a range of messages multiple times during the restructuring transition period. The strategy also calls for a phased approach, as follows:

Phase I/“Understanding Restructuring” (Pre-Legislation — February through May 1997)

Phase II/“Getting Ready for Choice” (Post-Legislation — June through October 1997)

Phase III/“Making a Good Choice” (Pre-Choice — November and December 1997)

Phase IV/“Continuing to Make Good Choices” (Post-Choice — January 1998 and Beyond)

Note: As stated previously, should the Vermont Legislature defer action on restructuring, the dates above would change.

The Department will design materials with the needs of the sensory impaired in mind. Also, materials will be available in alternate formats. The Department will produce brochures and posters in large type, and television public service advertising spots will be closed captioned. The Department will ensure that its toll-free hotline is TTY-equipped. In addition, the Department will develop some materials with attention to low literacy levels. Where possible, the Department will use pictures and diagrams to illustrate concepts.

The Department will make outreach efforts to consumers for whom English is not the native language, including French Canadians and people of Southeast Asian descent.

V. Communications Tactics

A. Phase I/"Understanding Restructuring" (Pre-Legislation)

In the first phase of the Consumer Information and Education Plan, scheduled to run from February through May of 1997, our primary focus will be on planning and development. In addition, we will proceed with limited implementation of some of our tactical programs.

1. Consumer Information and Education Plan Refinement

The Department's first priority is to distribute this document widely across the state. We will seek review by the utilities, consumer advocates, the Public Service Board and other interested parties. In addition to requesting their feedback, we will also ask for their suggestions on how — as individuals and/or organizations — they can become active participants in the consumer information and education process. The Department expects to incorporate this feedback into the plan by April 1, 1997.

2. Consumer Research

a. Focus Groups

The Department will conduct a series of three focus groups to talk to electric power consumers across the state, seeking a better, deeper understanding of their concerns about restructuring and their needs for information.

The focus groups will meet in different regions of the state and will include residential and small business customers.

b. Quantitative Study

The focus groups will provide valuable direction for a more quantitative survey of Vermonters' opinions on restructuring.

b. Quantitative Study (continued)

The Department will conduct an in-depth quantitative survey (10-15 minute questionnaire) of 400-500 residential and small business consumers. The findings will help inform and shape the ongoing consumer information and education process, as well as serve as a benchmark. Finding out how people receive information — and what sources they turn to — will be an important aspect of the study.

c. Qualitative Survey

To provide a continual measure of changes in awareness and attitude toward restructuring, the Department will continue to participate in a qualitative survey of Vermonters. The same questions will be posed and the results will be compared to the first survey (fielded in February 1997) as well as to subsequent surveys.

3. Develop Theme and Identity

Developing a consistent theme and identity for the restructuring information and education initiative is essential. The theme and identity are the wellspring from which all subsequent materials will flow. A unified look and feel to the campaign will increase recognition levels and tie together the many diverse elements of the program.

In defining the theme of the campaign, we will establish its name, a logo, and a graphic look for all materials to be developed. The consistency of the campaign will allow a consumer to connect, for example, a television commercial with a bill enclosure she received in the mail, leveraging the effectiveness of both.

The Department recommends identifying a spokesperson to represent the campaign to the citizens of Vermont. The spokesperson should be a Vermonter, female, trustworthy and forthright. Women tend to control the family household budget, including paying the utility bills. Former New York consumer advocate and reporter Betty Furness is the type of personality we would like to emulate for the information and education plan in Vermont.

4. Public Involvement Program

a. Public Forums

The Department will sponsor six public meetings around the state during the course of two months, as well as organize a statewide session through Vermont Interactive Television's 12-site system. Information about restructuring will be presented to residential and small business consumers by a rotating group of interested parties.

Presenters might include the commissioner of the Department of Public Service, Public Service Board chairman or staff of the Department and Board; a representative from one of the utilities serving the county in which the public forum is held; a community leader, recruited from the legislative or business sector; and a consumer advocate.

All of the meetings will be videotaped and broadcast via local public access television whenever possible.

b. "Tell the Commissioner"

The Department's Internet website (to be discussed in more detail later in the plan) is an ideal location for consumer feedback on restructuring.

"Tell the Commissioner" will be an opportunity for anyone with computer/Internet access to share their views via e-mail with the commissioner of the Department. The click of one button will allow the user to go from the website into an e-mail message format that can be sent directly to the Department. The sender will receive an immediate automatic reply, such as "thanks for your comments," and will be asked whether they would like to be on the Department's mailing list.

For those who do not have computer/Internet access, a toll-free telephone hotline will be set up (to be discussed in more detail later in the plan) for them to register their thoughts.

5. Media Relations and Publicity

a. Public Involvement Program Support

To increase participation levels in the public involvement program, the Department will help prepare for and publicize the events. Using press releases and calendar-section listings, we will alert the public to the six public meetings. In addition, we will contact local community leaders and advocacy groups to both attend the forums and to help get the word out to others who may be interested in attending.

We will also publicize the Department's "Tell the Commissioner" function at the website, encouraging residents to contact the Department with any questions or concerns.

b. Briefing Session for Reporters

Electric utility restructuring is a complex subject that will have an impact on citizens across the state. To report on the issue accurately, reporters and editors need to understand the basic issues so that they can share them with their readers, listeners and viewers. This will not be a press conference on the status of restructuring; rather, it will be an opportunity for reporters based primarily at community oriented publications to learn more about what is expected to be one of the dominant news issues in Vermont for the next few years.

c. Electricity News Bureau

An "electricity news bureau" function will be developed to serve as the clearinghouse for all information exchanges between the Department and the media regarding restructuring. Media calls will be referred to the bureau, and all press releases and other Department information regarding restructuring will be disseminated by the bureau.

The news bureau will have its own letterhead, consistent with the theme and identity of the overall effort.

c. **Electricity News Bureau (continued)**

The bureau will be responsible for generating a monthly column, illustrated with graphics as appropriate, that will be syndicated to community newspapers across the state. Authored by the campaign spokesperson, topics for the column will be basic subjects for average residential consumers that will build knowledge over time.

6. **Collateral Materials**

a. **"Restructuring and You" Brochure (including *Consumer Bill of Rights*)**

One of the Department's first priorities is to develop a simple, informational brochure that describes the expected changes if the restructuring of the electric utility industry is approved by the Legislature. The information provided will be basic and non-partisan, not advocating restructuring but beginning to prepare Vermonters for the potential changes. The *Consumer Bill of Rights* will be an important part of this and other documents produced by the Department.

This brochure and the others to follow will be distributed at public forums, in response to consumer requests, and through consumer and small business advocacy groups.

b. **Frequently Asked Questions**

What is a kilowatt hour? Who's responsible for maintaining the utility poles and lines that bring electricity into my home? How do I know where the electricity I purchase comes from?

These and other frequently asked questions, or FAQs, will be addressed in a small pamphlet, similar in design to the "Restructuring and You" brochure, and can be distributed with it as well as with the brochure described below.

6. Collateral Materials (continued)

c. "Understanding Your Home's Energy Consumption" Brochure

This informative brochure will provide Vermont's residential consumers with a simple guide to home energy consumption, including tips on how to increase potential savings. Included with the brochure will be a glossary defining some of the terms common in the electric industry but foreign to the average person.

d. "Understanding Your Small Business' Energy Consumption" Brochure

The Department also will develop a similar brochure on energy consumption for small business consumers, including tips on how to maximize their energy efficiency options.

7. Partnership Program/Development

a. Utilities

The Department recognizes that the utilities in Vermont have well-established relationships and lines of communication with their customers. The Department wants to leverage those relationships by having the utilities act as an additional set of eyes and ears, sharing ideas on how best to communicate restructuring issues with their customers.

As a part of the Partnership Program, the Department will work with utility representatives — much in the same way it will do with consumers at public forums — to dig into the most pressing issues and pave the way for the potential of restructuring.

The Partnership Program will also be a forum to discuss logistical issues, such as how and when the utilities will send out required standard "bill enclosures" to their customers. The Department will provide the utilities with material for their newsletters and leaflets, as well as technical assistance for workshops and training sessions.

7. Partnership Program/Development (continued)

b. Consumer and Small Business Advocacy Groups, and Community Organizations

The Department recognizes that for some Vermonters, consumer advocacy groups and existing community structures are a trustworthy source of information and help. Electricity is such a crucial resource today that Vermont must ensure that every resident of the state has the opportunity to get information and assistance.

With that goal in mind, the Department will seek out consumer advocacy groups and community organizations to act as partners in disseminating information to their constituents. Consumer advocacy groups will be particularly central to the effort, working with the Department to determine the most effective ways to educate consumers about restructuring. The Department will be a technical resource for these groups, providing education tools, training for advocates, speakers and other types of support.

Groups will be segmented by mission (some are member organizations, some loose affiliations with specific objectives) to ensure that the entire spectrum of consumers requiring education is covered. The process of educating consumers about restructuring will be made much easier with the grassroots support and partnership of consumer advocacy and community organizations.

8. "Power to Choose" Information Center/Development

The "Power to Choose" Information Center will be developed during Phase I of the Consumer Information and Education Plan. The center will be headquartered at the Department and overseen by the Department's Director of Consumer Affairs and Public Information. (The Department is currently recruiting for this position.)

8. **"Power to Choose" Information Center/Development
(continued)**

A toll-free number for Vermont's residential and small business consumers to call will be the first service of the center. The phones will be answered by skilled consumer affairs staff knowledgeable about restructuring. The toll-free number will be an integral part of all materials developed — brochures, bill inserts, ads, press materials, biographies, etc. — to direct inquiries back to the Department's hotline and to provide a tool to measure the campaign's effectiveness.

Also, an increased presence on the Department's website — featuring all of the collateral materials — will represent another service. The Department's "Tell the Commissioner" function will be operated by the information center as well.

One caveat: "Power to Choose" is a working title, and the final name for the Department's information center will likely depend upon what is selected as the theme and identity for the campaign.

9. **Standardized Documents**

a. **Unbundled Bill**

In the first phase of the plan, a standard "unbundled bill" will be developed to be introduced to Vermont consumers in Phase III. The Department will work with utilities and the Public Service Board to develop this key consumer information document. (See Appendix E for proposed approach.)

b. **Disclosure of Generation Source**

A standardized statement for power suppliers to disclose their generation sources also will be developed. The Department will work in collaboration with interested parties and the Public Service Board to develop this key consumer information document. (See Appendix F for proposed approach.)

B. Phase II/"Getting Ready for Choice" (Post-Legislation)

The first phase of the Consumer Information and Education Plan focused on planning and development. Phase II, "Getting Ready for Choice," will feature the implementation of many of the educational concepts and materials developed during the first phase.

1. Plan and Timeline Reassessment

At the conclusion of the 1997 legislative session, the Department will reassess its Consumer Information and Education Plan in light of action taken by the Vermont Legislature. The Department will determine its next steps at this time based on the current status of electric utility restructuring legislation.

The Department will then issue an update for legislators, utilities, consumer advocates and other interested parties on progress to date and on plans for proceeding with consumer information and education. The update will serve to "close the loop" of the information-gathering process so far, as well as to map out future plans and timelines.

The update is particularly important to "influencers," one of our three target publics. Collectively they are organizations that influence both the awareness and attitude of residential and small commercial customers, and therefore play a vital role in educating their constituencies.

2. Consumer Feedback

a. Consumer Advisory Panel

To ensure that the Department's messages and communications methods are reaching their intended audiences, we will establish an ongoing consumer advisory panel, with participants recruited from focus groups conducted in Phase I, that meets at regularly scheduled intervals to act as a consumer sounding board. The panel will evaluate concepts and materials in their developmental stages.

a. **Consumer Advisory Panel (continued)**

For example, the Department will test ideas and copy for collateral materials before production to make sure the messages and presentation are effective. Concepts for the "Power to Choose" Information Center, as well as the Electricity News Bureau, also will be tested here first. In addition, the consumer advisory panel will be asked to help the Department work through the "challenges and opportunities" outlined in the situation analysis of this consumer information and education plan. Also, the panel will be asked to review the proposed standard unbundled bill formats and generation disclosure documents.

b. **Qualitative Survey**

This is the third in a series of qualitative surveys that ask Vermont residents about their awareness of, and attitude about, restructuring. The same questions will be asked and the results will be compared to the first two qualitative surveys, as well as to subsequent surveys.

The Department will add a few questions to this survey to determine the level of new knowledge regarding restructuring for consumers, and to measure anticipated competency to function in a free-market power supply system.

3. **Public Service Advertising Campaign**

The public service advertising campaign will be developed with four media in mind: television, print (community publications), transit (for Chittenden County) and radio. The three core messages we developed will be represented in the campaign: the lines and poles will continue to be maintained by your current electric utility and regulated by the Public Service Board; electric industry restructuring will require you to make a choice; and the more you know about energy consumption, sources and billing, the better your ability to make an informed choice.

The commercials will be high impact and creative using the spokeswoman in the central role, with an emphasis on straight talk. Production values will be high but the commercials will not be slick.

3. Public Service Advertising Campaign (continued)

a. Television

Initially, the Department will produce one 30-second commercial to air for four weeks in June 1997. The target gross rating points, or GRPs, will be 250 per week. (GRPs are a measure of the percentage of the population who see the commercial — 250 GRPs signifies approximately 70 percent of the population viewing the commercial at least three times per week.) In regions where network television doesn't penetrate, we will supplement the network affiliate television campaign by placing the spots on cable television and public access stations. For both network affiliate and cable, the Department will negotiate public service rates.

b. Community Publications

The print component of the public service advertising campaign will serve as a corollary to the television ads, reinforcing the broadcast messages. Community publications tend to be very closely read by local residents, so we have targeted 40 weekly newspapers across the state to run 44-inch ads for two weeks during the month of June while the television spots are airing.

c. Transit

Vermont is a rural state in which transit advertising is frequently not an available option. However, in Chittenden County it is a very efficient communications medium that can serve to reinforce messages seen on television or in print. We will contract for four large poster signs, approximately 30" x 108", to be displayed on four Chittenden County Transit Authority buses for one year.

3. Public Service Advertising Campaign (continued)

d. Radio

The concept for the radio portion of the campaign will be a little different from the television, print and transit ads. The core messages will still be the focus of these simple and educational spots, but we will have a male voice join our female spokesperson to create a dialogue about restructuring. In a Question & Answer format, we will create six 60-second spots to be aired for 20 weeks (50 GRPs per week) from July through September. The summer traditionally is a good time to advertise on radio stations, as listenership increases.

4. Partnership Program/Implementation

a. Utilities

The primary focus of the Partnership Program with utilities during the second phase will be implementing a concentrated, uniform customer communications program, focused on four bill inserts during the summer and fall. The bill inserts will concentrate on the following topics:

- July — after legislation has been enacted, inform consumers of the changes to come
- August — prepare consumers to be smart power buyers
- September — introduce the new standardized unbundled bill
- October — disclosing existing utility generation sources in a standard format

The Department will offer training support to utility customer service representatives upon request. In addition, the Department will collaborate on the placement of standard brochures and information sheets at utility offices and payment agents.

As in Phase I of the plan, the Partnership Program will be a resource for participants to discuss logistical issues and to share experiences so that the most comprehensive and useful information is provided to customers. We will encourage our utility partners to distribute the Department's educational materials at county fairs, trade shows and other public gathering places.

4. Partnership Program/Implementation (continued)

b. Consumer and Small Business Advocacy Groups, and Community Organizations

The Department will establish a mini-grant program to encourage advocacy groups to educate their constituents about electric utility restructuring. Small grants of a thousand dollars each will be awarded for the best ideas on how to educate consumers about restructuring. Using the Department's printed materials and brochures, the concepts will then be implemented on a grassroots level by the group which made the initial proposal and shared with other consumer groups.

In addition, the Department will continue to work with its partners, both consumer and small business advocacy groups, to ensure that all Vermonters are prepared to make informed choices about power sources. General brochures and leaflets on specific topics will be made available, both in printed form and electronically so that they can be incorporated into the partners' own materials (e.g., newsletters). As with the utilities, we will encourage our consumer advocate partners to distribute the Department's educational materials at their offices, when they're "on the road" and at public gathering places.

"Train-the-trainers" sessions will be offered so that advocates and small business representatives can support their constituents in making good choices. The sessions will provide the necessary technical assistance so that advocates, such as Community Action workers, can provide small group or one-on-one consumer training.

c. Speakers Bureau

The Department will organize and make available a list of speakers to address the issue of electric utility restructuring. Potential speakers will include Department representatives, utility representatives, consumer advocates and small business leaders. Select speakers may be videotaped for broadcast on public and community access television stations.

c. **Speakers Bureau (continued)**

The Speakers Bureau will be publicized by the Electricity News Bureau, which will also distribute a brochure on the program that includes the list of available speakers. Civic, community and service organizations will be contacted about their interest in hosting speakers. The Speakers Bureau also will be publicized on the Department's website.

5. **Collateral Materials**

a. **Restructuring Newsletter**

The restructuring newsletter will be directed to key influencers such as town officials, legislators, community leaders, consumer advocates and small business advocates, Partnership Program participants and other interested parties.

The newsletter will be distributed widely, and recipients will be encouraged to share the information in it with as many people as possible. It will have the same look and feel as other materials created for the plan. The Department will create three issues of the newsletter, once every other month from July through November.

5. Collateral Materials (continued)

b. Information Sheets

The Department will develop a series of information sheets that describe specific energy topics and public benefits. Potential topics include:

- *It's Not Just Rates — The Importance of Evaluating Your Total Bill To Make a Good Choice*
- *The Energy Affordability Program for Low-Income Consumers*
- *"Green Power" — What Is It?*
- *Energy Efficiency Services — Where Can I Get Them?*
- *Consumer Co-ops*
- *How To Protect Yourself From a Flood of Power Supply Offers*
- *Environmental Impacts of Power Choices*
- *Consumer Protections*
- *The Consumer Bill of Rights*
- *State Certification of Power Sellers*
- *What To Expect From Your Disco*
- *What To Expect From Your Retailco*
- *What If I Don't Make a Choice — The "Basic Service Offer"*
- *The "Transition Service Offer"*

6. "Power to Choose" Information Center/Implementation

a. Call Center

The "Power to Choose" Information Center will be up and running by June 1, 1997, ready to respond to inquiries generated by the public service advertising campaign and other outreach efforts. The toll-free number's phones will be answered by skilled consumer affairs staff knowledgeable about the electric utility industry. The call center also will handle inquiries received via mail and will act as a clearinghouse for literature requested by consumers.

6. **"Power to Choose" Information Center/Implementation
(continued)**

b. **Interactive Media**

The information center staff will be responsible for managing the Department's interactive media capabilities. This includes the "Tell the Commissioner" function mentioned as part of the Public Involvement Program.

7. **Media Relations and Publicity**

The key media relations and publicity event during this phase will be a press conference to announce the public information campaign, preview the ads, introduce the campaign's spokeswoman and launch the "Power to Choose" Information Center.

The Electricity News Bureau will continue to field media inquiries, suggest stories to the media, provide story research assistance when applicable and disseminate the monthly column for community based newspapers. The bureau will arrange for Department of Public Service representatives and Public Service Board members to participate in in-studio and telephone interviews with radio station talk show hosts and news reporters across the state. In addition, the bureau will be responsible for writing and distributing press releases on key issues, including restructuring legislation, environmental disclosure and unbundled billing.

8. **Standardized Documents**

a. **Power Offers**

A plan for a standardized presentation of power offers to assist Vermont consumers when they are comparing power options will be developed for use in Phase III of the plan. The Department will work with interested parties and the Public Service Board to develop this important consumer information tool. (See Appendix G for proposed approach.)

C. Phase III/"Making a Good Choice" (Pre-Choice)

The third phase of the four phase plan is short — just two months — but critically important. The period covered encompasses the decision making process, immediately before choice becomes a reality.

1. Consumer Feedback

a. Consumer Advisory Panel

To continue to ensure that the Department's messages and communications methods are reaching their intended audiences, the consumer advisory panel will meet once during Phase III. The group will act as a sounding board for the concepts developed to educate Vermonters about restructuring.

The panel will evaluate the second wave of public service advertisements, review new collateral materials as they are developed and contribute to improved understanding of the Vermont consumer's perspective about the ongoing process of restructuring.

b. Qualitative Survey

This is the fourth in a series of qualitative surveys that ask Vermont residents about their awareness of, and attitude about, restructuring. We'll be checking back in with Vermonters to see how aware they are of restructuring and if they have positive or negative feelings about the process to date.

2. Public Service Advertising Campaign

A second television commercial will be aired in November 1997 to alert consumers to how they can make a good choice about their electricity provider and inform them of where they can go for assistance.

The messages will be direct. Phrases such as "it's time to make your choice . . .," "you'll soon be getting a choice form in the mail . . .," "here's what it looks like, and this is what to look for . . ." and "got questions — call this toll-free number . . ." will be presented by the same spokeswoman, who will continue to be the host of the informational campaign.

2. Public Service Advertising Campaign (continued)

Television, community newspapers and transit advertising will be the media used to distribute the information. Radio will not be used in the second wave of the public service advertising campaign because its purpose will have been served — connecting the first and second rounds of television and print commercials with detailed information about restructuring.

a. Television

The thirty second television commercial will air in November, with 250 GRPs for each of four weeks. In regions where network television doesn't penetrate, we will supplement the network affiliate television campaign by placing the commercial on cable television.

b. Community Publications

Community publications tend to be very closely read by local residents, so we again have targeted 40 weekly newspapers across the state to run 44-inch ads for two weeks during the month of November while the television spots are airing. This will serve to reinforce the broadcast messages and broaden their reach.

c. Transit

We will refresh transit advertising in Chittenden County with new, call-to-action messages.

3. Collateral Materials

a. Posters

Large, visually striking posters are an effective way to reinforce other forms of communication. Posters will be placed in a variety of settings where consumers are likely to gather, including: post offices, community centers, businesses and offices of all Partnership Program participants, utility payments centers and general/convenience stores.

The posters will be a call-to-action — it's time for you to make a choice now.

3. **Collateral Materials (continued)**

b. **How-To Worksheets**

Making a choice about a power supplier will be a new experience for consumers. To help ensure that the transition is smooth, the Department will create simple, how-to worksheets to guide consumers through the process. These worksheets will enable consumers to assess their energy situation, compare generation sources, weigh costs versus benefits and make a determination of the best overall choice for them. Worksheets will be widely available through consumer advocates, utility outlets and the Department.

4. **Partnership Program**

As in the first two phases of the plan, the Department will continue to support its partners with whatever materials are needed to educate their constituencies, including the brochures, posters and how-to worksheets mentioned above.

a. **Utilities**

The Department will work with its utility company partners in explaining what consumers need to do to make a choice. November and December bill inserts will familiarize consumers with the choice form and the standardized presentation of power offering documents.

b. **Consumer and Small Business Advocacy Groups, and Community Organizations**

The primary focus of the consumer and small business advocacy groups in the third phase of the plan will be supporting consumers in comparing offers and making a choice.

C. Phase III/“Making a Good Choice” (continued)

5. “Power to Choose” Information Center

The “Power to Choose” Information Center will continue to respond to inquiries generated by the public service advertising campaign and other outreach efforts. And, the call center will now be prepared to walk consumers through the choice process.

The information center staff will be responsible for managing the Department’s interactive media capabilities, and the news bureau (publicity and media relations) function will operate out of the information center as well.

If necessary, the Department will begin issuing “consumer alerts” from the information center as it becomes aware of any infringements on consumers’ rights.

D. Phase IV/“Continuing to Make Good Choices” (Post-Choice)

The final phase of the four phase plan provides strategies and tactics for ensuring that consumers understand and take full advantage of the restructured electric utility industry. For purposes of this plan, Phase IV extends for one year after the first opportunity to choose. However, Phase IV is envisioned to be an ongoing function of the Department. Particular emphasis will be placed initially on reaching consumers who did not actively participate in the first round of choice, having relied instead on the choice default or the transition service offer.

1. Consumer Feedback

a. Consumer Advisory Panel

As with the previous phases, the consumer advisory panel will continue to ensure that the Department’s messages and communications methods are reaching their intended audiences. The group will meet early in Phase IV and will act as a sounding board for the concepts developed for continued outreach.

b. Qualitative Surveys

These are the fifth and sixth in the series of qualitative surveys that ask Vermont residents about their awareness of, and attitude about, restructuring. As we move into the “post-choice” period, we’ll see how aware Vermonters are of restructuring and if they have positive or negative feelings about the process.

D. Phase IV/"Continuing to Make Good Choices" (continued)

2. Partnership Program

a. Utilities, Consumer and Small Business Advocacy Groups, and Community Organizations

The primary focus of the consumer and small business advocacy groups in the final phase of the plan will be to make sure consumers feel they have made sound choices and understand the mechanisms to seek guidance if necessary. In particular, emphasis will be placed on finding effective ways to educate those consumers who relied on choice default or the transition service about the choices available to them. The Department will work with utility companies to disseminate information, and will meet with consumer and small business advocacy groups on an as needed basis to address concerns and to provide continued support.

3. "Power to Choose" Information Center

The "Power to Choose" Information Center will continue to respond to public inquiries, with particular emphasis on consumers who have yet to actively choose their power source. It also will issue consumer alerts and be responsible for managing the Department's interactive media capabilities. The publicity and media relations news bureau will continue to operate out of the information center.

a. Utility Performance Reports

The Public Service Board requires Retailcos to report on their performance and other issues. The Department will collate and evaluate these filings, conduct its own research and make the relevant information about power suppliers available to consumers in report form.

These publicly available reports will serve as "report cards" on power suppliers. The Department will focus on consumer protection issues as well as environmental assessment and comparisons, collecting information over time about any violations. If necessary, the Department will issue "consumer alerts" to warn consumers of unfair practices.

D. Phase IV/"Continuing to Make Good Choices" (continued)

4. School Program

The restructured electric utility industry is expected to be complex and dynamic, requiring ongoing education. Vermont's children will be residential electricity consumers and small business owners before too long, so they need to understand how to best work within the system. Besides, one of the best ways to educate adults is to provide their children with information that is brought home when the school day is done.

The Department will sponsor development of an electric energy curriculum to be used in junior high and high school science classes across the state. The focus of the endeavor will be to teach students about the environmental impact of electric power and various sources of environmentally friendly power generation. The educational package will include a teacher's guide, posters explaining the intersection of the environment and power sources, worksheets for the students to determine what power sources they might choose and a video of the campaign spokesperson explaining how students can be environmentally responsible consumers within the newly restructured electric power industry.

This program will be coordinated with the current Department of Public Service-sponsored Vermont Energy Education Program (VEEP).

VI. Project Timeline.

See Appendix C.

VII. Estimated Costs

The following estimated costs are based on information available at the time of preparation of this plan. These costs also assume certain specifications, which may or may not represent the final specifications. Specifications subject to change include quantities of printed materials, sizes of printed materials, printing processes (e.g. press type, number of colors), and talent required for broadcast productions.

The estimated budget is divided into four phases to conform to the structure of the Consumer Information and Education Plan.

<u>ACTIVITY</u>	<u>ESTIMATED COST</u>
Phase I/"Understanding Restructuring"	
Refine Consumer Information and Education Plan	Internal/ Project Management
Consumer Research	
Focus Groups (3 groups)	\$10,500
Quantitative Study (N=400-500)	\$10,000
Qualitative Survey (11 questions)	\$2,200
Develop Theme and Identity	\$8,000
Public Involvement Program	
Public Forums (Q=7)	\$7,000
"Tell the Commissioner"	Internal
Media Relations and Publicity (3 months)	\$9,000
Collateral Materials (Q=50,000 each)	
"Restructuring and You" Brochure	\$10,000
Frequently Asked Questions Brochure	\$10,000

VII. Estimated Costs/Phase I (continued)

"Understanding Your Home's Energy Consumption" Brochure	\$10,000
"Understanding Your Small Business' Energy Consumption" Brochure	\$8,000
Partnership Program/Development	Internal/ Project Management
"Power to Choose" Information Center/ Development	\$5,000/ Project Management
Standardized Documents	Internal/ Project Management
Project Management (Phase I)	\$15,000
Phase I Subtotal	\$104,700

VII. Estimated Costs (continued)

Phase II/"Getting Ready for Choice"

Reassess Plan and Timeline	Internal/ Project Management
Consumer Feedback	
Consumer Advisory Panel (2 meetings)	\$5,000
Qualitative Survey (16 questions)	\$3,200
Public Service Advertising Campaign (June)	
Television/Media	\$30,000
Television/Production	\$10,000
Community Publications/Media	\$18,000
Community Publications/Production	\$5,000
Transit/Media	\$4,500
Transit/Production	\$2,500
Radio/Media	\$60,000
Radio/Production	\$15,000

VII. Estimated Costs/Phase II (continued)

Partnership Program/Implementation

Utilities

July Bill Enclosure (Q=500,000)	\$30,000
August Bill Enclosure (Q=500,000)	\$30,000
September Bill Enclosure (Q=500,000)	\$30,000
October Bill Enclosure (Q=500,000)	\$30,000

Consumer and Small Business Advocacy Group Training	Internal/ Project Management
--	---------------------------------

Mini-Grant Program	\$25,000
--------------------	----------

Speakers Bureau	Internal/ Project Management
-----------------	---------------------------------

Collateral Materials

Restructuring Newsletter	\$15,000
--------------------------	----------

**"Power to Choose" Information Center/
Implementation**

Call Center	\$15,000
-------------	----------

Interactive Media	Internal
-------------------	----------

Information Sheets	Internal
--------------------	----------

Media Relations and Publicity (5 months)	\$15,000
--	----------

Project Management (Phase II)	\$25,000
-------------------------------	----------

Phase II Subtotal	\$368,200
--------------------------	------------------

VII. Estimated Costs (continued)

Phase III/"Making a Good Choice"

Consumer Feedback

Consumer Advisory Panel (1 meeting) \$2,500

Qualitative Survey (16 questions) \$3,200

**Public Service Advertising Campaign
(November Flight)**

Television/Media \$40,000

Television/Production \$10,000

Community Publications/Media \$18,000

Community Publications/Production \$5,000

Transit/Production \$1,000

Collateral Materials

Poster (Q=3,000) \$8,000

How-To Worksheets (Q=50,000) \$10,000

Partnership Program

Utilities

November Bill Enclosure \$30,000

December Bill Enclosure \$30,000

Consumer and Small Business Advocacy Groups Internal/
Project Management

"Power to Choose" Information Center \$10,000

Project Management (Phase III) \$10,000

Phase III Subtotal \$177,700

VII. Estimated Costs (continued)

Phase IV/"Continuing to Make Good Choices"

Consumer Feedback

Consumer Advisory Panel \$2,500

**Qualitative Surveys \$6,400
(16 questions x 2)**

Partnership Program

**Consumer and Small Business Internal/
Advocacy Groups Project Management**

"Power to Choose" Information Center \$60,000

School Program TBD

Project Management (Phase IV) \$15,000

Phase IV Subtotal \$83,900

Project Total \$629,800

VIII. Appendices:

Appendix A: List of People Interviewed (or Providing Written Comment)

Arnold, Bob, Barton Village, Inc.
Bellavance, Joyce, Hardwick Electric Department
Burke, Gregory, Vermont Association of Planning and Development Agencies
Campbell, Jane, Vermont Businesses for Social Responsibility
Carter, Jenny, Vermont Public Interest Research Group
Cerniglia, Ron, State of New York Public Services Commission
Collins, Jack, Ludlow Electric Light Department
Cunningham, Grace, State of Pennsylvania Department of Public Utilities
Davidson, Linda, Commonwealth of Massachusetts Department of Public Utilities
Deinstein, Diane, State of California Public Utility Commission
Farr, Sandy, Hardwick Electric Department
Feldman, Judy, Morrisville Water and Light Department
Frasier, John, State of Pennsylvania Department of Public Utilities
Gagnon, Ron, Barton Village, Inc.
Gibbons, James, Vermont Public Power Supply Authority
Gil de Rubio, Ed, Northfield Electric Department
Hadd, Lois, American Association of Retired Persons
Hurcomb, Thomas, Central Vermont Public Service Corp.
Jackson, Pat, Lyndonville Electric Department
Kelpinski, Don, Small Business Administration
Korda, Nancy, State of Wisconsin Public Utility Commission
Lague, George, Swanton Village Electric Department
Lass, Jonathan, Citizens Utilities
Lyons, Beryl, State of Connecticut Public Utility Control
Machia, Bernard, Stowe Electric Department
Manosh, Wendy, Stowe Electric Department
Marans, Ann Marie, Vermont Center for Independent Living
Mason, Ken, Lyndonville Electric Department
McCullough, Jack, Vermont Legal Aid
McNeely, Larry, State of California Public Utility Commission
Mills, Susan, Lyndonville Electric Department
Necrason, Adam, Coalition of Vermont Elders
O'Reilly, Sally, Burlington Electric Department
Patt, Avram, Washington Electric Cooperative
Perkins, William, Hardwick Electric Department
Piper, William B., Esq., Primmer & Piper
Porter, William, Green Mountain Power Corp.
Rutledge, Steve, State of California Public Utility Commission
Sachs, Beth, Vermont Energy Investment Corporation
Schachter, Deborah, Governor's Office, State of New Hampshire
Schnure, Dorothy, Green Mountain Power Corp.

**Appendix A: List of People Interviewed (or Providing Written Comment)
(continued)**

Searles, Tim, Champlain Valley Office of Economic Opportunity
Southgate, Adrian, Esq., State of Rhode Island Public Utility Commission
Taylor, Stephen, Vermont Superintendents Association/School Energy
Management Plan
Tillotson, Ellen, Stowe Electric Department
Underhill, Chuck, Vermont Public Power Supply Authority
Wadds, Robert, Stowe Electric Department
Weston, Rick, Vermont Public Service Board
Yessne, Dinah, Vermont Low Income Advocacy Council
York, Maggie, Vermont Center for Independent Living
Zider, Robert, Vermont Manufacturing Extension Center

Appendix B: List of Organizations Invited to Comment

Includes those listed in Appendix A plus:

**Rural Development Agency, USDA
Rural Vermont
Solar Works
Vermont Agency of Commerce and Community Development
Vermont Agency of Human Services
Vermont Apartment Owners Association
Vermont Association of Hospitals and Health Systems
Vermont Association of Realtors
Vermont Business Roundtable
Vermont Captive Insurance Association
Vermont Chamber of Commerce
Vermont Electric Consumers Coalition
Vermont Farm Bureau
Vermont League of Cities and Towns
Vermont Lodging & Restaurant Association
Vermont Manufacturing Extension Center
Vermont Milk Producers, Inc.
Vermont Retail Association
Vermont School Board Association
Vermont State Colleges**

Activity Name	Start Date	Finish Date	1997												1998											
			M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D		
PHASE I/UNDERSTANDING RESTRUCTURING	3/1/97	5/31/97	█																							
PHASE II/GETTING READY TO CHOOSE	6/1/97	10/31/97				█																				
PHASE III/MAKING A GOOD CHOICE	11/1/97	12/31/97								█																
PHASE IV/CONTINUING TO MAKE GOOD CHOICES	1/1/98	12/31/98																								
Refine Plan	3/1/97	3/31/97	▾																							
Reassess Plan	6/1/97	6/30/97				▾																				
Focus Groups (3)	3/1/97	3/31/97	▾																							
Quantitative Study of 400 Vermonters	4/1/97	4/30/97		▾																						
Consumer Advisory Panel Meetings	6/1/97	12/31/98				▨																				
Quarterly Survey	4/15/97			◆																						
Quarterly Survey	7/15/97						◆																			
Quarterly Survey	10/15/97									◆																
Quarterly Survey	2/15/98																			◆						
Quarterly Survey	6/15/98																				◆					
Develop Theme & Identity	4/1/97	4/30/97		▾																						
Public Forums (7)	4/1/97	5/31/97		▨																						
"Tell the Commissioner"	4/1/97	12/31/98		▨																						
Media Briefing Session	4/15/97			◆																						
			M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D		

Activity Name	Start Date	Finish Date	1997												1998																			
			M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D										
Progress Update	5/21/97				◆																													
Electricity News Bureau	4/1/97	12/31/98	▨																															
Press Conference	5/28/97				◆																													
"Power to Choose" Information Center/Development	4/1/97	5/31/97	▨																															
"Power to Choose" Information Center/Implementation	6/1/97	12/31/98				▨																												
"Power to Choose" Utility Performance Reporting	1/1/98	12/31/98																			▨													
"Restructuring and You" Brochure	4/1/97	4/30/97	▨																															
FAQs Brochure	4/1/97	4/30/97	▨																															
"Understanding Your Home's Energy Consumption" Brochure	5/1/97	5/30/97		▨																														
"Understanding Your Small Business' Energy Consumption" Brochure	5/1/97	5/30/97		▨																														
Standardized Documents (unbundling and disclosure of generation sources)	4/1/97	6/30/97	▨																															
Standardized Documents (power offers)	8/1/97	9/30/97					▨																											
Restructuring Newsletter (July)	7/1/97	7/31/97				▨																												
Restructuring Newsletter (September)	9/1/97	9/30/97						▨																										
Restructuring Newsletter (November)	11/1/97	11/30/97								▨																								
			M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D										

Activity Name	Start Date	Finish Date	1997												1998											
			M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D		
Information Sheets	6/1/97	9/30/97				▨	▨	▨	▨	▨	▨															
Poster	10/1/97	10/30/97								▨	▨															
How-To Worksheets	10/1/97	10/30/97								▨	▨															
Partnership Program	3/1/97	12/31/98	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨			
Train-the-Trainers Program	6/1/97	10/31/97				▨	▨	▨	▨	▨																
Grant Program	6/1/97	3/31/98				▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨			
Speakers Bureau	6/1/97	3/31/98				▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨			
Utility Bill Insert (July)	7/15/97						◆																			
Utility Bill Insert (August)	8/15/97							◆																		
Utility Bill Insert (September)	9/15/97								◆																	
Utility Bill Insert (October)	10/15/97									◆																
Utility Bill Insert (November)	11/15/97										◆															
Utility Bill Insert (December)	12/15/97											◆														
Television (June)	6/1/97	6/30/97				▨	▨																			
Television (November)	11/1/97	11/30/97									▨	▨														
Community Publications (June)	6/1/97	6/30/97				▨	▨																			
Community Publications (November)	11/1/97	11/30/97									▨	▨														
Transit	6/1/97	3/31/98				▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨	▨			
Radio	7/1/97	9/30/97				▨	▨	▨																		
			M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D		



ACTION RESEARCH

3 Baldwin Ave.

S. Burlington, VT 05403

802-862-4370

800-545-7168

Fax: 802-862-2349

e-mail: info@actionr.com

**VermontTrends -- Wave 7
Electric Industry Study**

Prepared for:
**Vermont Department of Public Service
KSV Communicators**

Prepared by:
Action Research

February 17, 1997

Executive Summary

- On behalf of KSV Communicators and the Vermont Department of Public Service, Action Research asked eleven questions on its quarterly tracking survey VermonTrends™ pertaining to electric industry restructuring. VermonTrends is a statewide survey of 400 Vermont residents. The survey was conducted from January 30 to February 9, 1997.
- Approximately one-half of all respondents are aware of restructuring, although one-half know little beyond the term. Thirty-nine percent stated restructuring or deregulation on an unaided basis. When aided, another 18% stated that they had heard about it.
- Over one-half of those surveyed (52%) state that restructuring will be a positive change. Fifteen percent thought it would be negative.
- Most respondents felt that choice would be a result of restructuring, as well as lower prices and comparable quality (to the current system).

Overview

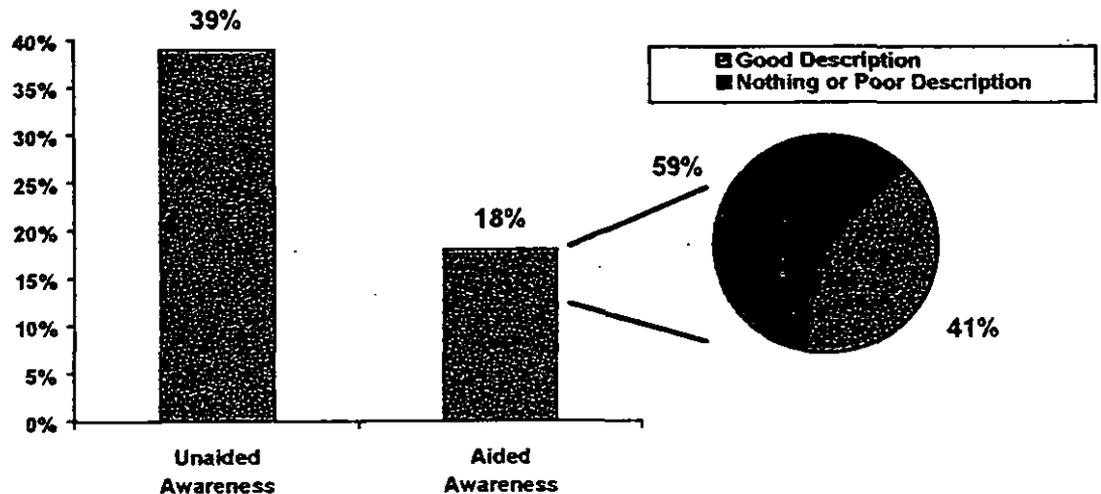
On behalf of KSV Communicators and the Vermont Department of Public Service, Action Research asked eleven questions on its quarterly tracking survey *VermontTrends™* pertaining to electric industry restructuring. *VermontTrends* is a statewide survey of 400 Vermont residents. The survey was conducted from January 30 to February 9, 1997. The margin of error for the study is plus or minus five percent at the 95% confidence level.

Awareness of Electric Utility Restructuring

Unaided Awareness

Slightly more than one-third (39%) of all surveyed respondents are able to state some aspect of electric utility industry restructuring, deregulation, or re-regulation. There was a wide range of knowledge on the issue. Approximately one-half of this group stated that they knew very little or nothing beyond just restructuring or deregulation. The remaining half gave answers ranging from "choice," "monopolies," "competition," and "saving money."

Figure 1 - Awareness of Restructuring
(percent)



Aided Awareness

An additional 18%, when prompted, state that they have heard or seen recent stories on deregulation. Less than half of this group (41%) were able to give descriptions which may suggest actual knowledge of the situation. Many responses included "competition," "choice," "New Hampshire pilot," or "lower prices." The other half knew very little or nothing about the issue or gave answers such "restructuring Hydro-Quebec deal," "deal with AT&T," or "merging." This may suggest that there is confusion or lack of understanding.

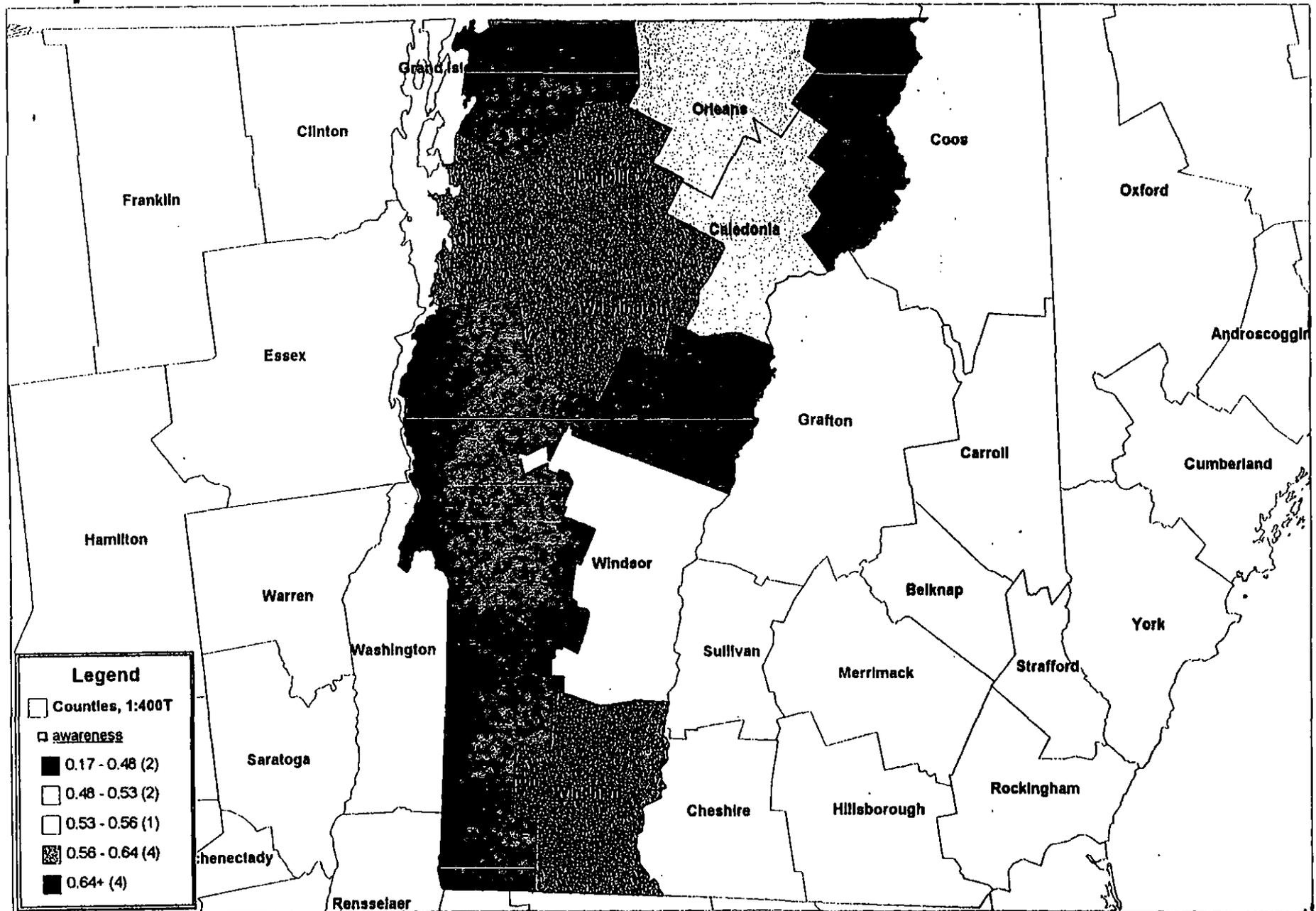
Total Awareness

In summary, it would appear that more than one-half (57%) of those surveyed are aware of electric industry restructuring. In reality, true awareness is more likely to be lower than one-half of the population. In both aided and unaided subgroups, approximately one-half or less are truly aware of restructuring beyond just the name.

Although not statistically significant, awareness of electric utility restructuring is appears highest in Franklin, Essex, Orange, and Rutland counties and lowest in Addison and Bennington counties. Map 1 shows the varying levels of awareness throughout the state.

Map 1 - Awareness of Restructuring

Action Research



Legend

□ Counties, 1:400T

□ awareness

- 0.17 - 0.48 (2)
- 0.48 - 0.53 (2)
- 0.53 - 0.56 (1)
- ▨ 0.56 - 0.64 (4)
- 0.64+ (4)

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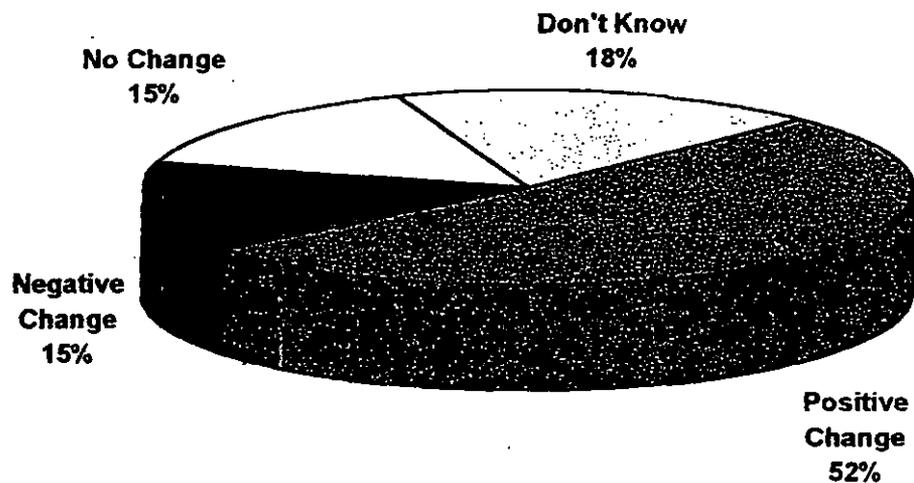
02/17/97

Percent of County Aware (Aided or Unaided)

Electric Utility Restructuring as a Positive or Negative Change

Although other studies may suggest that Vermont residents are overwhelmingly in favor of electric industry restructuring, our findings suggest that slightly over one-half (52%) of the population may feel the change is positive. Less than one-in-five (15%) feel that the change would be negative. An additional 15% feel that there would be no change. The remaining 18% are unsure. There is no significant difference on restructuring being a positive change among those who are aware and those who have just been informed through the survey question.

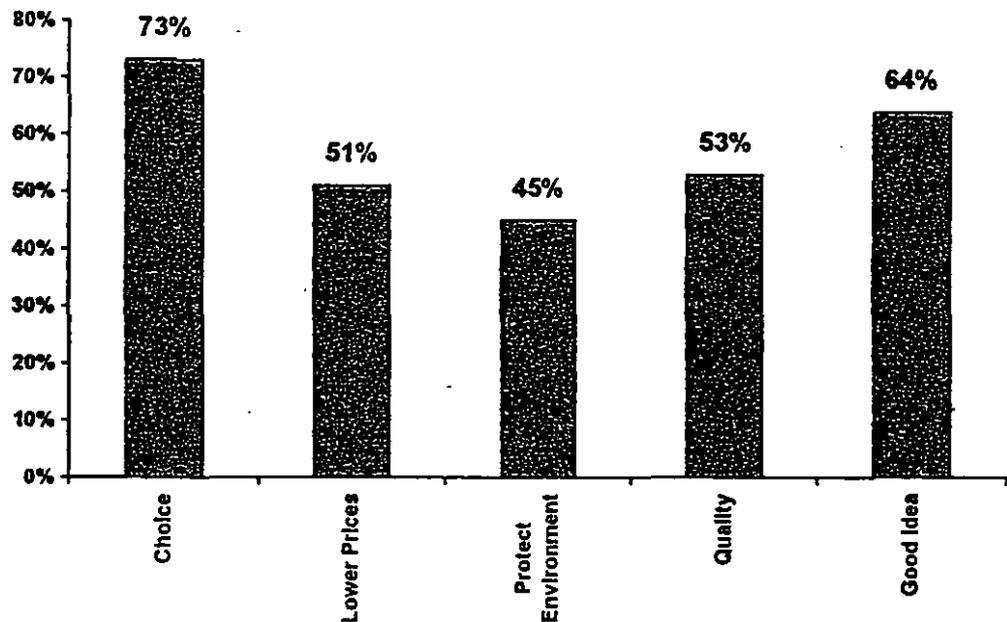
Figure 2 - Restructuring as a Positive or Negative Change
(percent)



Outcomes of a Restructured Electric Utility Industry

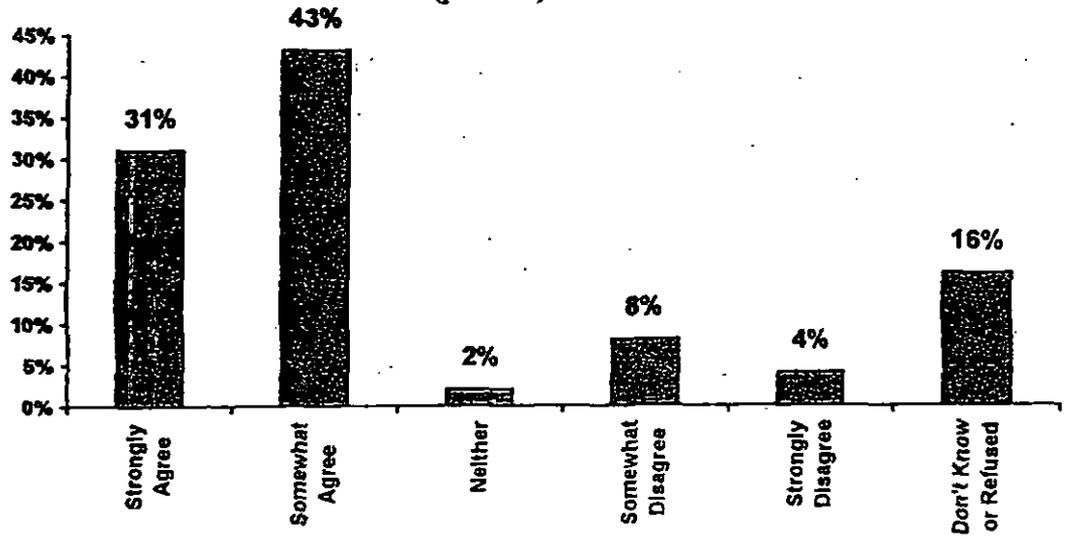
Most survey respondents feel that the most likely outcome of a restructured electric utility industry will be that consumers will have a choice (73%). However, there exists a divergence on whether lower prices are correlated with choice. Approximately one-half believe that prices could be lowered and quality will be comparable. There is less belief (45%) that the restructured system would adequately protect the environment.

Figure 3 - Expected Outcomes of a Restructured Electric Utility Industry (percent that strongly or somewhat agree to the attribute)



Interestingly, while 52% of surveyed respondents feel that electric utility industry restructuring is positive, after being presented with a number of attributes, 64% feel that restructuring is a good idea for Vermont. This may presume that after educating the respondent on the issue or outcome, more will be receptive to restructuring. Figures 4 through 8 the individual distributions to the outcome attribute battery.

**Figure 4 - Agreement that Consumers Will Have More Choices
(percent)**



**Figure 5- Agreement that Consumers Will Have Lower Prices
(percent)**

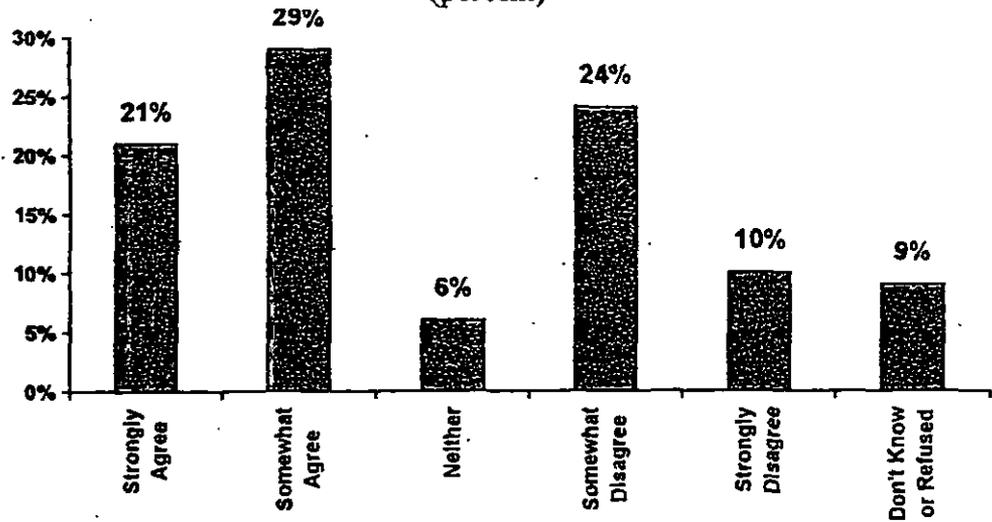


Figure 6 - Agreement that a Restructured System Will Adequately Protect Environment (percent)

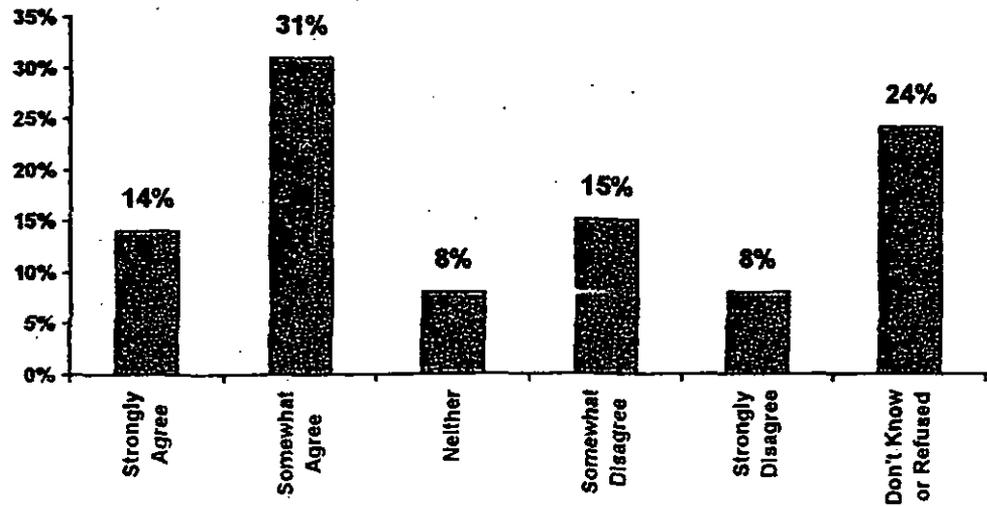


Figure 7 - Agreement that Consumers Will Have Same Quality of Service (percent)

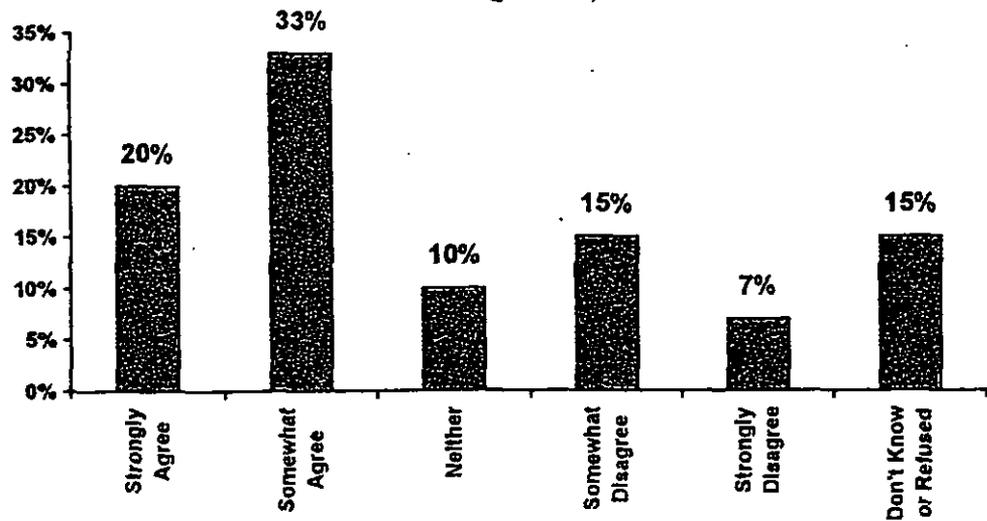
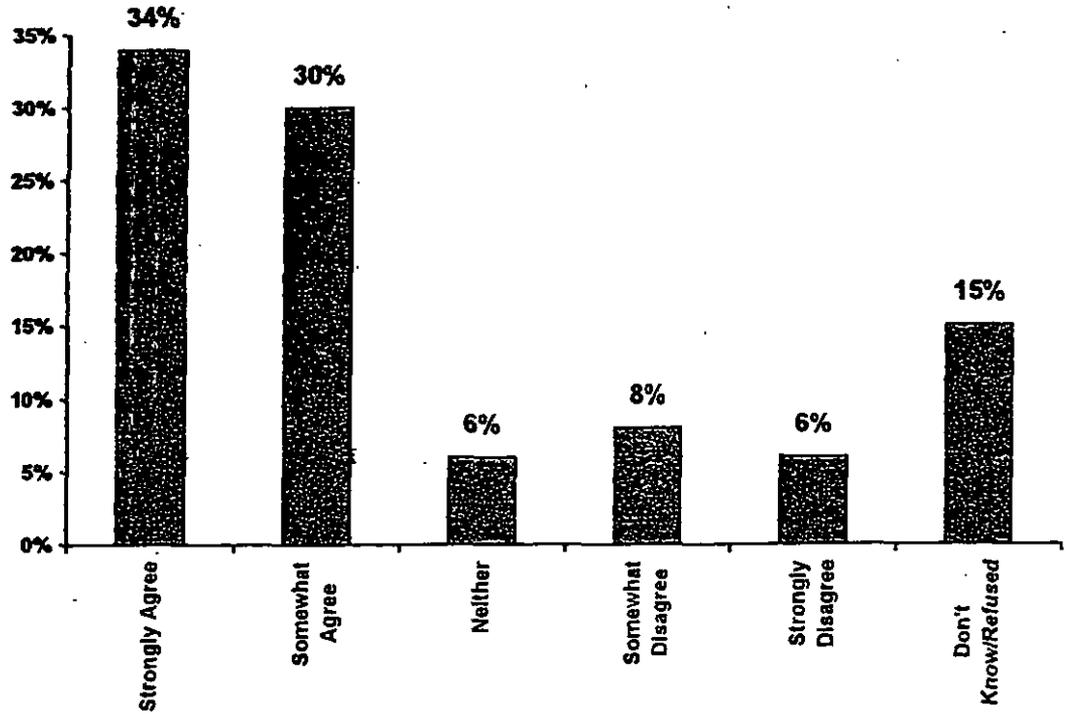


Figure 8 - Agreement that Electric Utility Restructuring is a Good Idea for Vermont (percent)



APPENDIX E

Development of the Unbundled Bill

An important theme throughout this filing is the need to adequately prepare consumers for the start of retail competition. One of the most immediate changes that will confront consumers is the format and content of the customer bill from their electric utility. Under an open market, many customers will change the arrangement for their service and could receive bills from different billing agents, reflecting different combinations of charges and different rates than are captured in today's bills. The Board and other decision makers are rightly concerned that without sufficient opportunity to familiarize customers with the essential elements of the new bill formats in advance of restructuring, the new bill could potentially cause unnecessary confusion.

To that end, the suggestion has been raised that current bills from electric utilities be modified prior to the onset of competition as a preliminary educational strategy. By adopting a breakdown on bills today that will mirror the elements that are likely to appear under competition, it is expected that consumers will have the chance to get comfortable with the appearance of the bill and better understand its contents before the market -- and several elements that will appear on the bill -- are set into motion.

The Department agrees that consumers will benefit from early introduction of unbundled bills. Unbundling the bill prior to the start of competition can accomplish a number of objectives. First, it can serve to educate consumers about what components underlie their current bill. Most consumers have never heard the terms π generation, transmission, distribution or retail service. Getting the customer base to make that translation from aggregated terms such as "Amount of Electricity" and "Cost of Electricity" will do a lot to move them forward in their understanding of restructuring. In a sense unbundling bills prior to the start of competition provides a "freeze frame" snapshot of the future state of the electric industry, when some of the components will be dynamic. Giving consumers that snapshot in advance can serve dual roles as consumer education and prior notice.

Second, early unbundling serves as a vehicle for showing customers which segments of their current service will be subject to competition under restructuring, prior to any change. Unbundled lines on a bill could be identified as currently under regulation, and then changed as the rules are relaxed. This illustration will be helpful in reassuring consumers that only portions of the industry will be affected.

Third, unbundled bills can be developed to include "place holders" for charges that will be new under restructuring, such as the system benefits charge and the stranded cost recovery charge. Prior to the start of competition, these fields could be shaded or noted with an entry of \$.00, in order to become familiar to consumers.

How to Advance the Unbundling of Customer Bills

The Department supports implementing unbundled bills well in advance of the start of

competition, for the reasons stated above. It will be best, however, to assure that this important step occurs in sync with other elements of the Consumer Information and Education Plan (CIEP). There are a number of preliminary steps that are desirable to familiarize consumers with the goals and general time frame of restructuring, as well as their responsibilities with respect to it. Once those steps are accomplished, The Department and the utilities will want to expeditiously move forward with the advance introduction of unbundled bills. By delivering a foundation set of information about restructuring, consumers will have been provided a context in which the unbundled bill fits logically and in sequence. Considering the extent of information that consumers will need to absorb during this year, staging of consumer education is vital in order to build knowledge without causing information overload.

If consumers receive unbundled bills, even if in parallel to their traditional bill, for a few months prior to the start of retail competition, they should have enough opportunity to grasp the differences and be ready for the time when the bill reflects a dynamic market transaction.

Further, by tying the unbundling of customer bills into the overall scheme of consumer education, the Department hopes to have in place the skilled customer service representatives in the *Power to Choose Information Center* who can field calls from customers. Putting unbundled bills in front of customers must be done only when adequate coverage for customer support is available. The customer service representatives in the Information Center will augment the efforts of the individual utilities and represent important additional capacity to those resources.

The Timeline for Unbundled Bills

The new Director of Consumer Affairs and Public Information will have the responsibility within the Department for representing it in the implementation of unbundled bills. The strategy for implementing unbundled bills is luckily one of relatively more straightforward tasks in the restructuring game plan. A number of utilities and the Department have agreed to work together to finalize a common format to which the unbundled bills will conform. They expect to meet during the months of April and May to produce a final format. Their format will serve as the basis of a bill insert scheduled for September, 1997. The CIEP also provides for tie-in public service messages, and informative segments to the Department's web site about customer bills. By the time of the bill insert, utilities will have made the necessary preparations to provide unbundled bills for the remainder of the period until restructuring officially begins. The utilities will also have taken steps to train their customer service representatives to answer questions they may receive.

The Elements of an Unbundled Bill

Consumers will need to know what to expect when the retail portion of the market becomes competitive. Accordingly, the format of the unbundled bill that customers receive during the pre-transition period should contain the following information:

- ◆ separation of existing kWh and, likely, kW charges into generation, transmission and distribution, with reference to short definitions elsewhere on or with the bill

- ◆ separate detail lines for gross revenue surcharges or other taxes
- ◆ separate (and perhaps inactive before the transition) charges related to restructuring
- ◆ any additional elements of service package (e.g. equipment charges)
- ◆ explanation for which segments are subject to regulation
- ◆ effective rates per kWh and, possibly, kW for the purpose of enabling comparison with alternative fuels or other electric providers
- ◆ consumption data
- ◆ comparisons of consumption with prior year, average class customer, or other informative comparisons
- ◆ full contact information on each supplier (Disco, RetailCo, and Genco, if applicable)
- ◆ contact information to obtain fuller detailed explanation of bill elements and charge structures

Once consumers master an unbundled structure for their bills, they will be better prepared to be active participants in the new competitive market.

APPENDIX F

Development of Standard Generation Source Disclosure

The Vermont Public Service Board ("PSB," "Board"), in its December 30, 1996, *Report and Order* in Docket 5854 ("the Order"), found that an information disclosure requirement should be a part of Retailco certification. Specifically, electric generation suppliers are to be required to provide certain information about the sources of electricity sold in Vermont such as the fuel mix and air emissions. There is considerable work to be done toward putting such a system in place.

The Public Service Department ("DPS," "Department") believes that the detailed work of designing a disclosure system should proceed simultaneously on two tracks. First, a process should be initiated by and within Vermont to design a disclosure system and implementation plan to ensure that there is workable system in place in time for the start of electricity retail choice in Vermont. We outline a process and schedule for this, below.

Secondly, while we show below that a Vermont-specific tracking and disclosure process is feasible and practical, the Department also recognizes the importance of coordination with other states on this topic, and the useful role that the New England Independent System Operator could play in implementing the disclosure system. The ISO, or other entity responsible for the settlement of financial accounts for a regional bulk power market, is in a unique position to perform the tracking function for disclosure. The calculations can be done by the ISO in something close to real time, with little incremental effort or cost, while maintaining an appropriate level of confidentiality. The Department recommends that a process be initiated in parallel with the Vermont-specific process, involving communication with individuals from the New England Power Pool and from other New England states, in order to explore opportunities for a single, regional system for disclosure (or at least the tracking portion of a disclosure system) that would ideally be implemented by the ISO.

This two track approach is appropriate in order to: (1) attempt to put in place a regionally consistent system, and (2) ensure that a system is in place when needed as part of retail choice for Vermonters.

A Vermont Process

Development of a disclosure system for Vermont should start with, but not belabor, the setting of objectives. The Department identified eight design objectives in Attachment I to its November 20 comments in this case. Specifically, we should aim for a disclosure system that is: (1) effective, (2) accurate, (3) comprehensive, (4) flexible, (5) simple, (6) expandable, (7) inclusive, and (8) credible. We expect that the goals, at this level of abstraction, are not controversial.

On the other hand, there are likely to be many divergent views on the details of how disclosure should be done. The specific design decisions to be made can be grouped into the following seven categories:

1. Coverage
 - fuel mix
 - renewable resources
 - air emissions
 - environmental and health impacts
 - level of detail
 - value judgments or "just facts"
2. Communications
 - format and definitions
 - review issues
 - bills, promotional literature, other
3. Institutional
 - role for government, industry, other
 - voluntary or mandatory¹
4. Timing
 - when required
 - frequency of reporting
 - prospective or retrospective reporting
 - time frame for calculations
5. Related Activities
 - treatment of energy efficiency
 - treatment of offsets or tradeable credits
6. Treatment of transactions within a Retailco's mix
 - company or product
 - wholesale first, internal first, or mix
 - treatment of external purchases and sales
7. Enforcement
 - true-ups
 - auditing
 - enforcement

Essentially, this is a list of the issues that must be addressed in developing a system for environmental disclosure. The Department has some initial views on these issues, described in Attachment 1 to its November 20 Comments. Specifically, we stated that it is important for the system to "make a difference" and expressed a preference for disclosure to be on a company or

¹The Board and Department have both proposed mandatory disclosure of specific items, and the current drafts of legislation being considered by the Vermont Senate do so, as well. There may, however, be additional types of disclosure or claims that may be voluntary, but should still be subject to standards as to format, definitions, or other factors.

supplier basis rather than a product-specific basis.² The November 20 document touched upon issues of what information would be useful to consumers, and how that information might best be communicated. Finally, we presented a “wholesale transactions first” approach as the simplest, most straightforward method of tracking responsibility given the complex web of transactions in the electricity market. The Department would be interested in hearing from other parties about these views, and about their specific concerns and ideas for disclosure.

We propose that an initial workshop be held in the second half of March on this topic, and that parties file specific plans for disclosure, addressing the list of issues, above, by May 15, at the latest. It will likely be useful to conduct a series of meetings during this period, to exchange information and ideas. The goal should be to have a working system in place in Vermont by October, 1997, as called for in the Department’s *Consumer Information and Education Plan* (VDPS, 1997)

A Regional Process

New entities are being created and existing entities are being modified to support evolving electric power markets. The types of new entities include regional transmission groups, power exchanges, and independent system operators. The details, and the roles of the various entities, are currently being negotiated. It seems inevitable, however, that some entity, or combination of entities, will be responsible for the “settlement process” -- making sure that all generation is accounted for and billed accordingly. Here, for simplicity, we will refer to the entity with this responsibility as the ISO. We do not mean to imply a judgment as to how the various functions should best be organized. Rather, the point is that some entity must be responsible for the settlement process, and that it would likely be beneficial and efficient if that entity were also to support tracking for environmental disclosure.

Involvement of the ISO in environmental disclosure makes sense for many reasons:

1. The ISO must, in order to fulfill its other functions, have detailed information on generation and transactions in real time.
2. The ISO must have procedures in place to handle competitively sensitive information appropriately.
3. The ISO must be set up to be independent and auditable.
4. The ISO must have appropriate technical expertise.

Masiello and Willis (1996) summarize the software development requirements for implementation of ISO functions, concluding that “the ISO’s task will be an order of magnitude greater than that faced by existing utility control center operators” and that new software

² The Massachusetts Department of Public Utilities called for a supplier approach to disclosure in its December restructuring order (MDPU, 1996).

integrating the capability to "track several thousand transactions daily" with "advanced power systems analysis technologies" will be needed to ensure economical and secure operation of the system. The most challenging requirements will not be needed for the disclosure requirements envisioned by Vermont, at least not in all their complexity. However, having created an entity with the independent governance, audit procedures, engineering and software capabilities, and data flow necessary to manage the wholesale power market efficiently and reliably, why not call upon that same entity to carry out the environmental disclosure tracking function?

The ISO's systems and organization for tracking power transactions could be required to include a capability for keeping track of the original generating source, and identifying the environmental attributes of electricity at the point of retail sale. This should be built into the institutional mission of the ISO and built into the ISO's computational capabilities. The technical specifications for procurement of the ISO's computer equipment and particularly the software should allow for environmental tracking -- even as the details of how the tracking system will work are developed. It could be much more expensive to retrofit the environmental tracking system into the software after a system without the capability has been developed, installed, tested and paid for.

It is clear that other New England states are interested in environmental disclosure for electricity. The Massachusetts Department of Public Utilities made disclosure a key element in its restructuring plan (1996). A January 27, 1997, letter to the New Hampshire Public Utilities Commission from the Conservation Law Foundation, Green Mountain Energy Partners, ENRON, and Granite State Energy identified some issues in implementing environmental disclosure and recommend that Commission establish a proceeding specifically to address these issues. A recent project for the New England Governors' Conference involved a series of meetings in the six states and the development of nine specific recommendations, including a statement that "The New England states should develop and implement, as judged appropriate, a regional protocol for tracking electricity transactions to allow for verification of environmental claims" (Tellus Institute, 1997).

The Department recommends that a dialogue be conducted on a regional basis, in which the technical and policy issues of ISO implementation of tracking generation responsibility can be explored. New England meetings should begin with the New England Conference of Public Utility Commissioners and the Power Planning Committee of the New England Governors' Conference, Inc., so that all state utility regulatory commissions and energy offices can participate in the development of goals for disclosure. The specifics of implementation should be developed with the involvement of relevant participants. For example, the New England Power Pool should be involved in working out the technical aspects supporting disclosure -- software development, information collection and dissemination to suppliers and government agencies, protocols for tracking transactions. Retail electricity suppliers and distribution companies should participate with consumer representatives in developing bills that convey the environmental information concisely and in a format that is readily understandable. There would be substantial benefits in having the tracking system implemented at a regional level, and in having consumers in different states presented with similar disclosure labels.

Conclusion

In implementing an environmental disclosure system, it is important to keep in mind its limitations. Environmental disclosure will involve a set of policies intended to enable consumers to include environmental considerations in their electricity purchasing decisions. It is not public policy in the sense of setting societal goals. It does not internalize environmental externalities. It does not help much toward promoting a sustainable energy system, or one that functions at the lowest economic and environmental cost. Rather, it treats environmental protection itself as a commodity to be marketed to consumers.

In the Department's view, environmental disclosure is important mainly as a consumer information issue and to assist in monitoring the effects of restructuring. Environmental disclosure is also vital to support the implementation of various portfolio standards. Strong provisions for disclosure should be included as part of a restructuring plan. It should also be recognized that the other policies advanced by the Board -- a renewable resource portfolio standard, an emissions portfolio standard, a statewide energy efficiency utility, and support for regional and national environmental protections -- are crucial elements of restructuring that address environmental protection directly.

Environmental disclosure should be designed to supplement -- and not undermine -- these environmental policies. For example, the tracking system for transactions developed for environmental disclosure would ideally be the same as the tracking system used for an emissions portfolio standard. Also, any mandatory system for disclosure should be designed to work well with various voluntary marketing oriented environmental activities -- such as the certification of specific "green power" offerings that meet certain criteria.

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APPENDIX G

Development of a Plan for Standardized Presentation of Power Offers

Rules of Disclosure of Terms and Conditions of Customer Offers from Retail Service Providers in Restructured Market

The PSB has requested comment on the format and content of offers made by retail service providers -- Retailco's -- who solicit business from customers. The Board is naturally concerned that the transition to competitive provision of electric service involves numerous new relationships and transactions, many of which could be potential sources of confusion for customers who are accustomed to one provider, one call to secure service, one rate for electricity. In the new market, consumers possibly will face multiple offers differing in scope, contract term and rate. Some standardization of the terms and conditions of each offer is advisable to provide at least a common frame for retail offers from which consumers can compare offers and make their selection.

Desired Outcomes

The adoption by the PSB of a requirement that retail providers conform to a standard set of terms and conditions would have a positive impact not only during the transition period from monopoly to competitive market but after the market is fully functioning as well. There are three positive effects that common terms and conditions would promote. First, all providers would receive the same degree of notice as to the threshold of conduct for their marketing interactions with potential customers. By requiring all retail providers to meet the same disclosure requirements, they are also provided with an external standard by which to assess if one of their competitors is under-performing. Most likely, Retailco's will watch closely the offers of their competitors. It would certainly be to the Retailco's advantage to adhere to such standards and to self-monitor as much as possible. It would be good not only for their own interests but for good community relations as well. Clear guidelines are needed if self-monitoring is to be a successful adjunct to Board review.

Second, common terms and conditions serve to restrain some of the cloud cover that competitive marketing can create. (Given the vast confusion among competitive interexchange carrier offerings for more than ten years after the telecommunications market was opened to competition, it is easy to conceive of similar problems in the electric industry.) Of necessity, there will be many pieces of the puzzle in flux at the outset of competition. With changes in the mechanics of the market -- creating separate subsidiaries, establishing an independent system operator, opening the retail market to competitive entry -- some confusion is inevitable. For at least the transition period, the Board will want to smooth the process by controlling as many factors as possible that could cause unproductive confusion or otherwise confound the development of healthy markets. At some point in the future, once the mechanics of the market are operating smoothly, the Board may want to consider if the common terms and conditions requirements could be relaxed.

Standard terms and conditions would promote a third outcome: support of consumer choice. Requiring retail offers to present information in standardized formats will assist consumers to make straightforward comparisons across offers. For instance, the Board should not assume that consumers will know the correct calculations to make in order to transpose offers into common denominators. Nor should consumers be expected to master totally ad hoc marketing terminology that might be invented by a Retailco. While the Department has an extensive plan underway to educate consumers on the restructuring enterprise including communications to guide informed choices, those efforts are predicated on an assumption that extensive computations will not be required. Retail providers should present their offers in a clear and straightforward manner -- one that reveals the inherent value in the bid in such a way as consumers can directly compare it with others.

Requiring common terms and conditions should not be construed in any way as an attempt to impede the creative construction of novel or bundled offers. Indeed one of the ultimate goals of restructuring is to promote multiple product and service packaging. A bundled offer from a retail provider, however, should be attractive because it delivers convenience, captures efficiencies of complementary products or presents a discount off the unbundled price. It will be to the providers advantage to identify clearly the benefits that bundling provide. Potential customers should still be able to understand what the offer contains, in the same format as unbundled offers. The desired outcome is the same for unbundled and bundled offers alike: namely, that consumers be able to judge similar elements of offers on an equal basis.

What Terms and Conditions to Include

Discussion of the steps needed to produce the final set of terms and conditions are discussed below. It may be useful, however, to preview for the Board the kinds of terms and conditions that will be presented by the Department as candidates for inclusion in the final requirements.

Some of the proposed terms and conditions deal with the physical presentation of offers from Retailco's. We would expect offers to be in writing, in legible print of a reasonable size and in plain language. Large print copies should be available. The text of the offer should be easily comprehended by a typical consumer. While other modes of marketing will no doubt be employed, the Department would like consumers to make commitments only after having seen a written offer that they can examine and review.

A second set of proposed terms and conditions cover the format of the offers' service and cost provisions. Offers should clearly and accurately reflect the commitments and obligations of both the buyer and seller. Items such as the effective rate per kW or kWh, the term commitment of the offer, payment obligations, rate increases, and any other potential charges should be spelled out clearly for the customer.

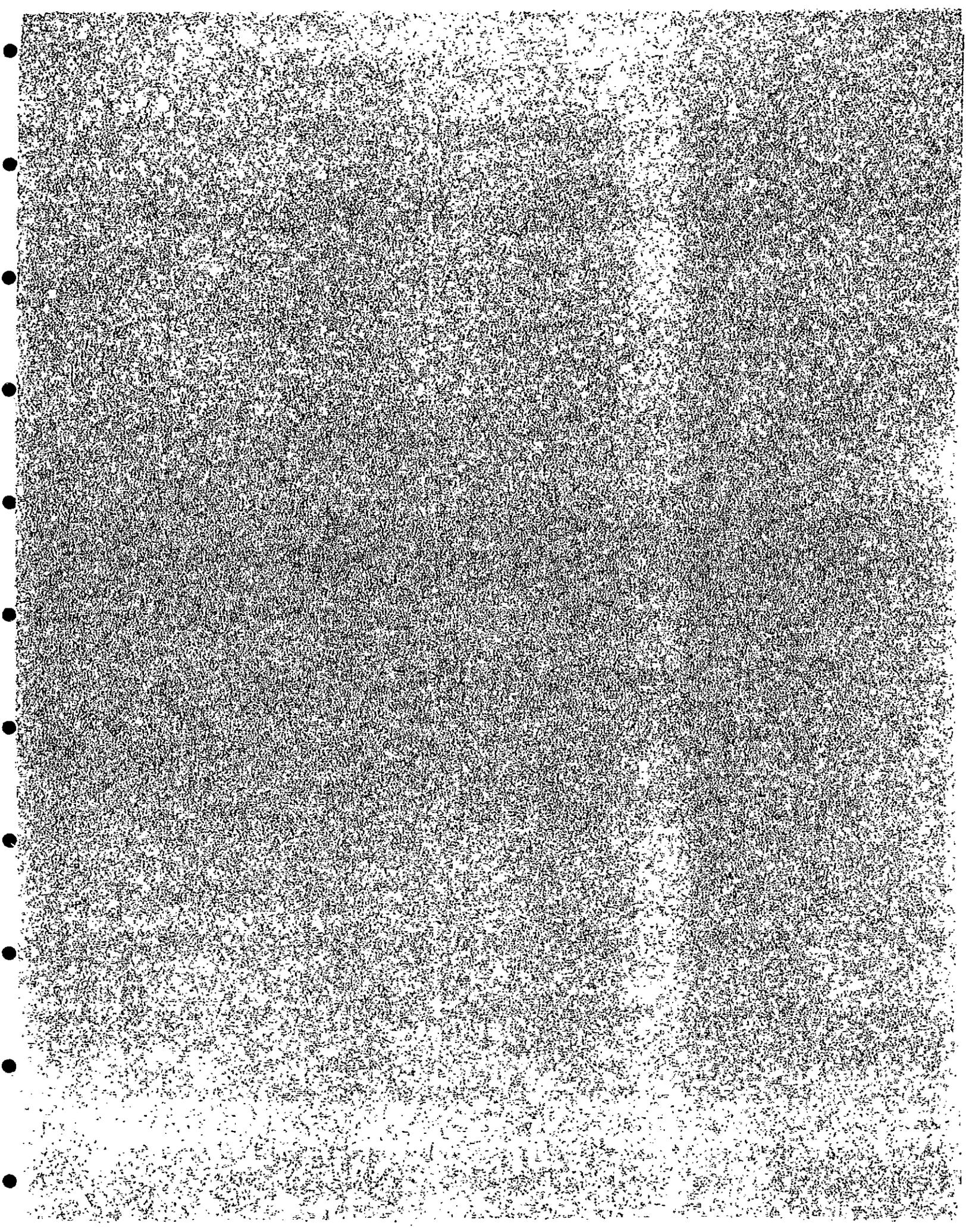
Finally, the required statements of terms and conditions should cover the opportunities for cancellation or changes to the commitment by either party, whether the offer is contingent on inspection of premises, credit history, installation of certain equipment, etc. The terms and

conditions that would qualify for cancellation of the commitment by the customer should be included. Contingencies should the provider fail to perform should also be in place.

Plan for Developing Final Terms and Conditions

A full proposal will be submitted to the Board for its approval by July 1. At this time, the Department expects to work with utilities and consumers in the coming months to create a final set of terms and conditions. The Department is hopeful that consensus can be achieved through collaboration and negotiation, but has not approached the parties on this matter. Thus, the final work plan has yet to be finalized. A number of avenues are available for development of the full set of terms and conditions. One possibility would be to hold a workshop for interested parties, including the utilities and consumer groups, to inform participants of the value of terms and conditions and to solicit input for later consensus building. The educational value of this approach has been demonstrated repeatedly throughout the restructuring process. A second approach would be to convene stakeholder meetings to hear each viewpoint and determine which terms and conditions are essential and which are merely desirable. Finally, if neither of these approaches is productive, the Department may wish to consult individually with utilities and others and then submits its own proposal.

The final plan approved by the Board needs to be ready for the Phase III rollout of the Consumer Education and Information Plan, currently scheduled for November of 1997.



Page 1 of 1

EXHIBIT BA-3

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

**Order Instituting Rulemaking on
the Commission's Proposed
Policies Governing Restructuring
California's Electric Services
Industry and Reforming Regulation**

**R.94-04-031
(Filed April 20, 1994)**

**Order Instituting Investigation
on the Commission's Proposed
Policies Governing Restructuring
California's Electric Services
Industry and Reforming Regulation**

**I.94-04-032
(Filed April 20, 1994)**

**MOTION OF INVESTOR-OWNED UTILITIES,
ON BEHALF OF THE ELECTRIC RESTRUCTURING EDUCATION GROUP,
FOR APPROVAL OF A CONSUMER EDUCATION PLAN, IN COMPLIANCE WITH
ORDERING PARAGRAPH 3(F) OF DECISION 97-03-069**

**ROGER J. PETERS
ROBERT B. MCLENNAN**

**Law Department
Pacific Gas and Electric Company
Post Office Box 7442
San Francisco, CA 94120
Telephone: (415) 973-2069
Fax: (415) 973-0516**

**Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY**

**On Behalf of
PACIFIC GAS AND ELECTRIC COMPANY
SOUTHERN CALIFORNIA EDISON COMPANY
SAN DIEGO GAS AND ELECTRIC COMPANY**

June 2, 1997

Respectfully submitted,

ROGER J. PETERS
ROBERT B. MCLENNAN

By *Robert B. McLennan*
ROBERT B. MCLENNAN

Law Department
Pacific Gas and Electric Company
Post Office Box 7442
San Francisco, CA 94120
Telephone: (415) 973-2069
Fax: (415) 973-0516

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

on behalf of
PACIFIC GAS AND ELECTRIC COMPANY
SOUTHERN CALIFORNIA EDISON COMPANY
SAN DIEGO GAS AND ELECTRIC COMPANY
THE ELECTRIC RESTRUCTURING EDUCATION
GROUP

Dated: June 2, 1997

**Electric Restructuring Education Group (EREG)
Customer Education Program (CEP)**

Proposed Marketing Plan

Developed by EREG
in collaboration with
DDB Needham and its
Subcontractor Agencies

May 30, 1997

CEP PROPOSED PLAN

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EXECUTIVE SUMMARY

California is embarking on a major Customer Education Program (CEP) to prepare consumers for the restructuring of the electric industry. This Program was specifically called for in AB 1890 and implemented in the Commissioner's Ruling D 97-03-069.

In order to provide a neutral, comprehensive and balanced integrated education program, the Commission directed that an independent board be selected by the utilities to devise and supervise the implementation of this Program. This board is the Electric Restructuring Education Group (EREG) and is composed of 19 members of the various stakeholders.

The EREG has selected DDB Needham Los Angeles as their lead agency to work with it in developing the education plan, and to then implement the plan over the life of the program.

Given the complexity of messages about restructuring, and the diverse market segments, the CEP will be presented in five phases over the next ten months. The program will include mass media to alert the consumers to the changes, and be followed with direct mail to each electric customer to explain the changes in the industry and provide the information necessary for them to make appropriate choices.

Extensive public relations and grassroots efforts through community organizations will be part of the program, as well as an expansive toll-free informational call center that will answer questions and respond by mailing out program materials.

The program will be implemented using many non-traditional methods of communication in an effort to speak to all Californians appropriately. Research will be conducted to assess the receptivity of the consumers, and their awareness levels before, during and at the end of the program. Monitoring will also be done during the program to make sure all Californians are reached effectively. This research will support and clarify the targets for the Electric Education Trust to carry forward the public education program.

Integrated within the CEP will be the Commission's Outreach Program that will utilize the unique resources of the Commission staff to support the CEP. Of the \$87.5 million budget recommended by the EREG for the total Customer Education Program, \$2 million is allocated for the Commission's outreach efforts.

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The EREG will be working side by side with the DDB Neecham team during the development and refinement of the program.

The program is designated to wind down beginning in March, 1998, and to terminate by May 31, 1998. To the extent that further public education and dissemination of consumer protection information is necessary, the Electric Education Trust (EET) will carry those initiatives forward, building on the work of the EREG.

CEP PROPOSED PLAN

I. CEP VISION

The California Public Utilities Commission (CPUC) in Decision D. 97-03-069 authorized the state's major investor owned utilities to devise and implement a joint Customer Education Program (CEP) in conjunction with the CPUC. The joint efforts of these utilities will be accomplished by the Electric Restructuring Education Group (EREG).

As California transitions into new electric market structures, consumer education will become essential. The joint CEP will ensure that:

- Electricity customers are provided with sufficient and reliable information to be able to compare and select among products and services provided in the electricity market.
- Customers are provided with the mechanisms to protect themselves from marketing practices that are unfair or abusive.
- Customers are provided with the information necessary to help them make appropriate choices as to their electric service.
- Customers with limited English-speaking ability or other disadvantages when dealing with sophisticated marketers receive correct, reliable and easily understood information to help them make informed choices.

The efforts of the CEP will complement the efforts of the Electric Education Trust (EET). The CPUC established the EET to "ensure independent, multicultural education, advocacy, and research for small business and residential consumers" (Preferred policy Decision, p. 229). Given the educational activities that will take place in 1997 and 1998, the EET will cease to exist as of June 30, 1999 unless extended by the CPUC or statute.

As part of the coordinated CEP effort, the CPUC and its staff will develop outreach plans as well. The purpose of these outreach activities is to inform electric customers of the change taking place and to answer any questions that people might have. During these outreach activities, the materials developed as part of the joint CEP effort could be distributed to customers.

The CPUC established a Consumer Education Advisory Panel (CEAP) to assist the CPUC in the evaluation of the joint CEP and to provide input into the development of the CPUC'S own outreach plan. The CEAP has seven members of a composition similar to that of the EREG.

II. PROGRAM STRATEGIES

- **Establish EREG Credentials**
Assure customers that CEP serves as a credible, neutral government-supervised source that is providing information of the highest quality.
- **Message Simplification & Reassurance**
Provide information in a manner that will simplify the message and generate greater interest about electric restructuring while alleviating customer concerns.
- **Best Tools Approach**
Deploy a wide array of communications tools to satisfy the unique information consumption habits of each target audience (e.g., deliver the message at the time and place when the target is most receptive to the message).
- **Accountability**
Use customer research not only to monitor performance but also to develop the most effective message for our diverse target audiences.

III. SITUATIONAL ANALYSIS

Brief History Background

Deregulation is not a new concept. Over the last 20 years, we have seen the airline, long distance telephone service, local telephone service, natural gas and cable TV industries all thrown open to free-market competition.

California's approach to electric restructuring was guided by several principles and goals including the following:

- To offer consumers greater choice in their purchases of energy services.
- To reduce the price California consumers pay for electricity.
- To continue to deliver safe, reliable and environmentally sensitive energy services.
- To maintain universal, nondiscriminatory availability of electric services to all residents of this state.
- To provide utilities with a reasonable opportunity to earn a fair return on their investments and operations.
- To replace cost-of-service regulation with the discipline of market forces wherever competition exists or can be fostered.
- To move to performance-based ratemaking for remaining monopoly services.
- To continue to further the public good by improving the environment, encouraging the diversity of energy sources and maintaining a variety of important public purpose programs.

From a consumer perspective, the complexities of electric restructuring make this very different from previous deregulation efforts. For example:

- The size of the electric industry dwarfs other industries that have been deregulated (\$20 billion in California).
- The complex nature of electric restructuring (new roles for existing participants, new market providers, unbundled rate structures, the changed regulation structure, etc.) can be intimidating.
- The electric industry is a low-interest, low-involvement category. Residential customers haven't had to know a lot about the industry

CEP PROPOSED PLAN

and motivating them to understand more about how the industry works will be a significant challenge.

- Electric service is a necessity. Because electric power provides several essential life/safety benefits, any change to the delivery infrastructure could be viewed by customers as a major threat.
- The intangible nature of electricity results in it having a low perceived value as a product among customers.
- The sheer number of electric competitors and variety of service options makes choice a complex decision as compared to other deregulated industries.

As this restructuring moves forward, we must do our best to ensure that California electric customers do not feel confused, threatened or exploited during the transition period to restructuring. We must do our best to empower all customers to make informed decisions to *either* enter the new market or to continue with their present utility. And we must provide them with a reliable, unbiased source of information when they need help.

The need for a successful customer education program has been well understood by the parties to this process. The crucial importance of such a program is recognized in several of the CPUC's decisions, in AB 1890, and in last year's reports by the Direct Access Working Group.

Now is the time to decide the details of the customer education program and to implement the program. The new market arrangements formally begin operating on the first day of 1998, just seven months from now. On November 1 of this year, less than five months from now, customers can submit a request to their utility for alternative energy services. Many of these energy providers are newcomers to the industry in this state, and many of them have marketing efforts already underway today.

In short, customer education can't wait, and it can't be a half-hearted token effort. This CEP, which reaches all customers regardless of where they happen to be in California's diverse cultural and geographic landscape, represents a full commitment and empowers customers to make good choices for themselves, their families and their businesses.

This marketing plan proposal is built upon: a) the guidance given us by the CPUC in Decision D.97-03-069 which drew upon last year's joint proposal by the three major Investor Owned Utilities and created the EREG; and, b) the Legislature through passage of AB 1890.

Learning From Similar Situations

Perhaps the starting point for learning at this time comes from the several small-scale pilots of electric restructuring that have been launched around the country.

- Most small customers do not fully understand the concept of retail access so relevant customer education is a necessity.
- Customer efforts must be of sufficient duration (this is not learned overnight) and possess sufficient depth so as to allow customers every opportunity to learn.
- Residential understanding in the restructuring pilots has been harder to stimulate. Confusion, apathy, indecisiveness, negative response to marketing—which are all functions of poor customer education—are all reasons why the Massachusetts and Orange & Rockland trials failed to initially generate significant residential customer participation.
- Because we are not measuring our success by behavioral change, we also have to let customers know it's acceptable to do nothing.

**IV. CPUC'S DESIRED MESSAGES AND THEMES
(DECISION D.97-03-069)**

This list is not meant to exclude other messages and themes that the EREG may determine are appropriate.

1. Change is coming.
2. The types of expected changes, including multiple companies selling electricity.
3. The benefits and risks of direct access.
4. That consumers will have a choice of providers, be able to use hourly pricing options based on PX price, or they can choose to remain with their existing default provider.
5. Potential marketing abuses that consumers need to be aware of.
6. The continued safety and reliability of the generation and transmission network.
7. What the CTC is and who is responsible for paying for it.
8. Be made aware of potential changes in metering technology and billing that may be required of them if they choose direct access or the hourly PX pricing option.
9. The procedures that the customers and utility must follow in order to switch to a different provider.
10. The joint CEP effort must be free of bias so that customers can make informed choices in this restructured electric industry environment.
11. To ensure that there is maximum customer outreach, the efforts of the joint CEP need to be constructed from the start as a multilingual effort.

V. PRODUCT STRATEGY FOR THE CEP

Concept and Positioning

The unique aspects of the CEP message that will make it stand out in the energy customer's mind as well as differentiate it from the communications of other energy providers.

1. To be the trusted unbiased information resource on restructuring.
2. To be uplifting, positive, safe and reassuring and provide reliable leadership.
3. To provide each energy customer in California with a base level of accurate information regarding restructuring and what they need to know to make an informed choice.
4. To make information easily accessible and available throughout the duration of the campaign.
5. To make the communication of this information straightforward and easy to understand and provide it in languages that the customers can understand.
6. To empower the customer to take charge of the learning process by giving him/her the opportunity to determine how to learn: how much to know, what to know and when they want to know it. Provide them with access to an array of resources or tools (e.g., toll-free information call center, video, booklet, town meeting, etc.) they can select.
7. The purpose of the CEP is not to promote or "sell" restructuring to California's customers but rather to educate them to the changes occurring in California's electric industry.

Rationale

For the majority of Californians this is a low involvement category. We can not expect the customer to initiate the information sharing process. By distributing a base level of information to each California household and small business, we assure each customer the opportunity to access the information they need to know about the changes in the electric industry in order to make an informed decision about their energy supplier.

By letting customers determine how much information they need and how they want to learn beyond the base level information they will receive, we are recognizing that each customer will have different levels of information needs and interests.

VI MARKETING STRATEGY

The marketing strategy sets the stage for the fundamental direction of the communications plan. It specifies to whom the message is directed, the general thrust of the message, the communications tools that will carry the message and how the effort will be measured. The marketing strategy consists of four elements: 1) the target audience strategy; 2) the overall creative strategy; 3) the media delivery strategy; and, 4) the customer research plan.

Target Audiences – Core Constituencies

Priority targets will be Small Residential and Commercial Users and Special Needs audiences as well as Opinion Leaders, as follows:

Small Users:

- Residential: We believe this constituency wants assurances about safety, reliability and simplicity. They would like to save money on electricity. They may be negatively predisposed toward restructuring based on experiences with other industries, but may also feel that greater choice and control over their purchases has been a positive outcome of restructuring. Electricity, however, is probably a much lower interest and involvement purchase than previously restructured industries.
- Small Business: This includes small commercial and industrial users (generally defined as fewer than 100 employees and/or revenue under \$5,000,000) with load requirements up to 20 KWH of demand per hour. It includes women and minority-owned businesses, small agricultural concerns and small governmental entities. We believe this constituency wants reliability and performance confidence and an understanding of the new charges and fees that will appear on their bills. They would like to save money on their electricity and understand about unbundled rates related to new services they may never have heard of before. When their electric service is interrupted, they are out of business. This constituency is typically a busy generalist with many responsibilities. They want to run their business, not become an expert in the nuances of electric service.

Special Needs:

- Low Income: This constituency—which includes residents who are economically disadvantaged, senior citizens on fixed incomes and other California residents with financial hardships—often cannot afford even small price increases in basic services such as electricity. They need reassurance that special "lifeline" programs, for example, will not be impacted. They may feel great anxiety and fear that

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restructuring will create further financial hardship and/or a service disruption.

- **Geographically Challenged:** This target includes residents who because of their rural location may not be reached by certain mass media. This segment needs to receive special consideration in terms of how best to deliver and provide access to CEP information and messages.
- **Multi-lingual:** The CEP for this core constituency will have special language needs as well as cultural sensitivity needs. We will adapt our CEP themes and messages to their languages with cultural sensitivity to create greater acceptance and usage. Non-English CEP materials will be produced in Spanish, Mandarin, Cantonese, Korean, Vietnamese and other languages as determined by our research of population and language statistics in the State.
- **Physically Challenged:** In addition to needing special purpose CEP materials, hearing-impaired, sight-impaired and immobile California residents may feel particular anxiety about the potential for marketing abuses in a restructured electric industry environment.

Opinion Leaders:

- **Local Government:** This group will be important in its role as advocate for our efforts. Separately, they could be beneficiaries of aggregation and should understand what restructuring means to them.
- **Public Officials:** We need to include public officials, legislators, other governmental opinion leaders and governmental agencies in our target audience because of their logical role as distributors of the restructuring message and their vested interest in a successful outcome to the CEP.
- **Key Influentials:** This group includes business leaders and opinion leaders within various community based organizations who could be helpful in the delivery and dissemination of the restructuring message.

Rationale

We believe these are the key target audience priorities due to their relatively low levels of knowledge and ability to access information and their vulnerability to potential marketing abuses or the roles they play in the community. We have not prioritized large commercial and industrial users and government or utility employees (excluding opinion leaders) because we believe they will be reached by the mass media portion of the CEP and they have higher levels of knowledge and information access than our core constituencies.

VII. OVERALL CREATIVE STRATEGY

This sets the overall tone and approach to message development. Examples range from using humor to a non-nonsense editorial tone. The California Milk Processors Board uses an irreverent, humorous approach in their "Got Milk" campaign. The California Department of Health Services' Anti-Smoking campaign uses a sarcastic, in-your-face approach that equates smoking with death.

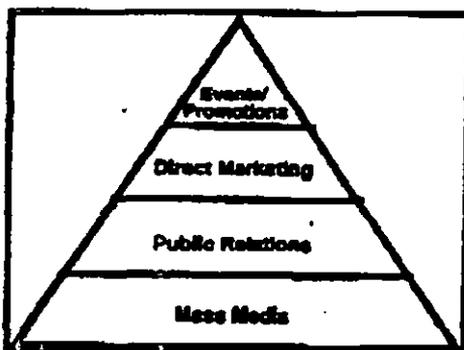
Recommended Messages

The recommended messages will be finalized with message development research among our core constituencies. We believe, however, that in communicating the CPUC themes, we should simplify the potential complexity and confusion that may surround electric utility restructuring (e.g., messages such as "5 Things You Need to Know Now"; "Questions & Answers About Electric Utility Restructuring"; "Where You Can Get More Information"; etc.). It is also our goal to make the communication interesting and intriguing so as to capture customers' attention in order to develop relevance for the learning they will need to make an informed choice. A toll-free number for additional information will also be provided as part of the message.

VIII. MEDIA DELIVERY STRATEGY

The guiding principles behind the selection of appropriate communications tools, the manner in which they will be used, at what point in time they will be used, to which audiences the specific tools will be directed, and at what level of intensity.

The CEP objective of educating all California electric customers about the changes taking place in the electric industry requires an integrated marketing approach. No single communications tool can meet the challenge of reaching California's large and diverse population with multiple in-depth messages.



INTEGRATED MARKETING APPROACH

Mass media is the base of the communications plan. The primary mass media vehicle, TV, is the only medium capable of reaching millions of "mass" and "special needs" Californians in a timely, cost-efficient manner. Its primary limitation is its inability to effectively deliver an in-depth message in 30 seconds. TV's pervasive presence adds legitimacy ("As seen on TV") to the EREG message, gets immediate attention with "sound bite" messages, increases the impact and relevance of the other communications tools, and has the intrusive power to break through the low-interest/low-involvement barrier. Mass media will be used at periods throughout the campaign to deliver key messages.

Public relations will initially build credibility for the EREG message prior to the start of the mass media campaign. Public relations will then leverage the broad awareness developed by mass media by providing in-depth information to a broad range of audiences including the media, government, opinion leaders and all "special needs" audiences. Public relations will play a key role in identifying relevant neighborhood organizations, training, providing resources and disseminating relevant information to the "street level" through joint efforts with grassroots organizations.

Direct Marketing will be used to deliver extensive, in-depth information (e.g., brochures) to every California household and small business. The nature of direct marketing allows information to be customized by appropriate language, specific needs (e.g., physically challenged, rural residents, etc.) and depth of information (as little or as much as you need to know).

Events and grassroots activities will be used throughout the plan to deliver information to where people work, live and play. These 'non-traditional' approaches are in many instances the most effective way to deliver a message to the so-called "hard to reach" audiences.

Our communications program will be divided into five phases. This phased approach reflects our understanding of the complex nature of the topic of electric restructuring as well as the communication requirements needed to achieve the desired outcome of the CEP. It allows use of a mix of communication tools that capitalize on the unique media habits and learning preferences of each target audience, and provides multiple effective opportunities for each customer to understand the information offered and be able to make an informed decision.

Phase I (June and August) - Public Relations:

Objectives

- In conjunction with the CPUC restructuring education outreach efforts, introduce and build credibility for the EREG message as the trusted, unbiased resource for electric restructuring information prior to the start of the media campaign. Provide a legacy that allows a smooth transition to the EET effort.
- Leverage natural media opportunities during the time between the date when new electricity marketers can file (July 1 for registration) and the formal start of the EREG campaign.
- Use public relations as a foundation for mass media.
- Continue to build and coordinate activities with CPUC Energy Industry Advisory Entities/Boards/Committees.

Tactics

- Launch press conference.
- Use key spokespeople to build EREG credibility and role within CPUC.
- Work with CPUC staff to coordinate outreach efforts
- Establish a customer-friendly web site.

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Phase II (September) - Introduction of CEP Campaign and toll-free information call center.

Objectives

- Introduce and build credibility for our identity as the trusted, unbiased resource for electrical restructuring information.
- Generate attention and build broad awareness among the California public about the changes taking place in the electric industry.
- Introduce the toll-free information call center as the first and most accessible tool customers have for getting more information on restructuring and what the changes mean to them.
- Utilize EREG board members on an as-needed basis.
- Continue to build and coordinate activities with CPUC Energy Industry Advisory Entities/Boards/Committees.

Tactics

- Use a combination of multilingual broad based vehicles (TV, newspaper, radio) to achieve maximum reach and intrusiveness. Leverage public service communication wherever possible.
- Establish an in-bound multilingual informational call center to field customer questions and set-up opportunities for additional information sources.
- On-going implementation of public relations, media briefings, community outreach briefings and training.

Phase III (October - December) - Distribution of Base Level Information:

Objectives

- Distribute base level information on restructuring to every California household and small business.
- Build awareness among Californians for the mailing they are about to receive.
- Focus communication on changes in the electric industry and the resulting choice of energy provider customers.
- Continue to build awareness and retention of the toll-free informational call center and other points of access.

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- Continue to use community outreach efforts, speaker's bureau and promotional activities.
- Continue to build and coordinate activities with CPUC Energy Industry Advisory Entities/Boards/Committees.

Tactics

- Direct mail (will drop throughout the month rather than a single day) to 12 million California households and small businesses.
- Use a combination of broad base vehicles (broadcast and outdoor) to continue to build awareness of changes/choice and toll-free information call center.
- Provide multiple layers of non-traditional vehicles and distribution points to get information to customers including grass roots and community based organizations, churches/temples, public access points (e.g., post offices), high traffic retail locations (e.g., supermarkets, self-service laundries), festivals, fairs and employee workplaces.
- On-going use of public relations including media briefings, talk shows, special events.

Phase IV (December 26 - February) - Information Dissemination and Functional Education:

Objectives:

- Continue to build awareness of change and what that change means to customers, but expanding on the more functional aspects now (e.g., new bill with CTC charge).
- Continue to build awareness for all of the information tools, particularly the toll-free informational call center available to provide customers the information they need to help them understand the changes and make an informed choice.
- Continue to build and coordinate activities with CPUC Energy Industry Advisory Entities/Boards/Committees.

Tactics:

- Sustaining levels of broad based media.
- Additional mailings to 12 million households/small businesses.
- Dissemination of collateral materials including "how to" booklets with photos/illustration.

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- On-going public relations and media relations.
- Expand outreach programs to include school and library (other public locations).
- Continue CBO outreach, training and dissemination of materials.

Phase V (March through May): Final Information/Help

Objectives:

- Continue to build general and functional awareness and disseminate tools to help customers learn about change and choice.
- Final evaluation of program (did we achieve awareness goals and provide baseline of information for EET).
- Continue to build and coordinate activities with CPUC Energy Industry Advisory Entities/Boards/Committees.
- Build infrastructure to "hand off" essential elements of the program (e.g., toll-free information call center, informational materials, data tracking, etc.) to EET to ensure continuity of customer education.

Tactics:

- On-going use of public relations including media briefings, talk shows, special events.
- Increase relevance of communications by responding to activities in the marketplace.
- Reallocate/adjust activities and resources to appropriate audience segments based on monitoring research.

IX. OVERALL COMMUNICATION OBJECTIVES

We are setting communications objectives for information availability, aided awareness and media reach and frequency.

Information availability:

Our goal is to reach every California electric utility household and small business with the CEP and make basic as well as additional information available to them.

Aided Awareness:

Because awareness is a function of reach, frequency, actual recall/memory and consumer cooperation in reporting recall, awareness will always be lower than reach. Based on our review of past awareness studies, particularly the State of California's anti-smoking campaign, we are setting a goal of 60% aided awareness of the education program for each target audience.

Image/Attitude/Learning:

These are a function of not only awareness, but of message complexity, topic interest and strength/intensity of prevailing beliefs. Accordingly, we recommend setting goals in terms of awareness, as stated above. However, we will describe or develop customer profiles as determined by attitudes or other social/psychological variables such as beliefs about information resources.

Media Reach/Frequency:

These goals will be set as part of the final media plan within the parameters of audience measurement data.

X. CUSTOMER RESEARCH

We propose four key types of research activity: *Message Development* research to ensure our CEP messages are as clear and impactful as possible; *Copytesting Research* to ensure our creative materials are clear, interesting, appealing and will capture our audience's attention; *Monitoring and Adjustment* research among our target audiences to measure progress toward our awareness goal and make program adjustments if needed; and *Monitoring and Adjustment* research among our *Community Based Organizations* to measure progress toward our information distribution goal and make program adjustments if needed.

The research will be conducted according to four *Key Principles*: it will be *Inclusive*, covering multiple target audiences; it will be *Culturally Sensitive* to the languages and needs of those audiences; it will be *Actionable* and directly impact the CEP in positive ways; and it will be *Responsible* in setting goals to be measured.

All research would be conducted throughout the state among men and women of all adult ages who would make decisions about their household's or business' utility needs.

Research Method

For the *Message Development* research, we propose in-person qualitative research. Our experience is that mini-groups, a form of focus groups, are the best method; however there may be some cultural audiences who are more comfortable in larger group settings. Based on additional input from our subcontractors, we will proceed accordingly among those audiences. The message development research would be done throughout the state in the language of the audience. We propose conducting six mini-groups among each audience. The following audiences would be researched:

- General population of English speaking residents
- African American
- Spanish language
- Chinese languages (Cantonese and Mandarin)
- Korean language
- Filipino languages
- Vietnamese language
- Cambodian language
- Hmong language
- Lao language
- Low income seniors (English speaking)
- Owner/operators of small/family farms (English speaking and Spanish speaking)
- Small business (Languages to be determined via population statistics)

- Geographically and physically challenged

For the Copytesting Research to ensure that our creative materials are clear, interesting, appealing and will capture our audience's attention, we will research audiences through our CBOs for in-language creative materials, as is done for the State of California DHS Anti-Smoking campaign. For audiences who are not served through CBOs or for whom this would not be effective, we will conduct qualitative in-person interviews in which audience members will be shown creative materials. Due to our fast overall timetable for CEP materials development and media placement, we will need to remain flexible in scheduling precisely when this research activity will be conducted. Additionally, although this activity was not initially budgeted for, we will work with EREG to reallocate the budget to fund this activity. The scope of the activity will be finalized based on the reallocation and the overall CEP timetable.

For the Monitoring and Adjustment research among our target audiences, we recommend telephone surveys in the language of the audience and, for populations that are difficult to reach via telephone, mini-group focus groups.

For the telephone interviews for each target audience surveyed (see below), we would conduct 200 interviews before the CEP started (to get a statistical base of awareness), 200 while the CEP is in progress (to monitor and adjust the program as needed) and 200 when the CEP is complete (to determine how well we have achieved our goals and provide helpful data for any education programs that follow the CEP). In terms of statistical significance, we can compare an audience sample of 200 to the average result for the other audiences and/or to our awareness goal at plus or minus 6% at a 90% confidence level.

For populations that are difficult to reach via telephone, we would conduct mini-group focus groups while the CEP is in progress (to monitor and adjust the program as needed) and when the CEP is complete (to help conclude how well we have achieved our goals and provide helpful data for any education programs that follow the CEP). Although focus groups are not a statistical technique, they have been used for hard to reach audiences, as we are proposing, by our subcontractors and were used as well in the Massachusetts Pilot Program.

Audiences would be as follows:

Telephone Surveys

- General population of English speaking residents
- African American

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- Spanish language
- Chinese languages (Cantonese and Mandarin)
- Korean language
- Vietnamese language
- Low income seniors (English speaking)
- Owner/operators of small/family farms (English speaking and Spanish speaking)
- Small business (Languages to be determined via population statistics)

Focus Groups

- Filipino languages
- Cambodian language
- Hmong language
- Lao language

For the Monitoring and Adjustment research to measure progress toward information distribution goals among our Community Based Organizations, we propose telephone surveys. We would conduct 100 interviews while the CEP is in progress (to monitor and adjust the program as needed) and 100 when the CEP is complete (to help conclude how well we have achieved our goals and provide helpful data for any education programs that follow the CEP). The surveys would be conducted among a cross-section of CBOs.

XI. OPERATIONS STRATEGY

Organization

Implementation of the joint CEP marketing plan will be managed by the EREG board and its lead agency, DDB Needham, Los Angeles.

The EREG Board is a 19-member collaborative body of electric industry stakeholders. The Board represents a balanced view of electric restructuring. DDB Needham is the largest ad agency in the U.S and the fifth largest agency worldwide. DDB Needham Los Angeles offers complete integrated communications capabilities and has substantial CEP and public policy experience.

Overview

DDB Needham, in conjunction with its sub-contractors (partners), will be responsible for the planning, creative development and delivery of all communications materials, mass media communications, toll-free call information center management and information fulfillment, public and media relations, grass roots and community outreach identification and management and customer research required for the successful fulfillment of the EREG program. Additionally, the agency will via its research efforts, provide on-going monitoring of information penetration and fulfillment needs.

In its role as lead agency of the project management team, DDB Needham will be responsible for the on-going coordination with the CPUC's own community outreach efforts as well as coordinating with other CPUC restructuring groups.

The EREG board plans to hold bi-monthly meetings throughout the course of the EREG program for lead agency oversight and to ensure that coordination with the other CPUC restructuring efforts, as noted above, are successful. A monthly EREG report of its progress will be submitted to the CPUC every month during the program.

A detailed timeline of operational activity is included in the Appendix.

Sub-contractors to Lead Agency, DDB Needham, Los Angeles:

The subcontractor partners were selected on the basis of the following criteria:

- Successful track record of developing large, high-profile, state-wide public information campaigns.

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- Experience working with economically disadvantaged, multilingual, multicultural and other special needs customers and Community Based Organizations.
- Experience in working with a large integrated marketing team.
- No conflicting energy provider/utility accounts.

DDB Needham subcontractors are as follows:

Rogers & Associates, Los Angeles	Lead Public Relations
Durazo Communications, Los Angeles	Hispanic Public Relations
Imada Wong Communications Group, San Francisco and Los Angeles	Asian Public Relations
Young Communications Group Los Angeles	African American/Low Income Public Relations
Carol H. Williams Advertising Oakland	African American Advertising
Anita Santiago Advertising, Inc. Los Angeles	Hispanic Advertising
Imada Wong Communications Group San Francisco and Los Angeles	Asian Advertising
Flair Communications Agency, Inc. San Francisco	Promotions/Direct Marketing

XII. FUNDING REQUEST (BUDGET)

Funding Requirements Rationale

The funding requirements for the CEP emerged from the professional assessment of the lead agency and the subcontractors, in conjunction with the support of the EREG board members present on May 28, 1997, when the vote was taken. It is the assessment of these professionals that the financial resources required to meet the program objectives as outlined by the legislation and the ruling will be \$87.5 million.

EREG Administrative Funding

At the first EREG meeting on April 18, 1997, it became apparent that an extraordinary effort would have to be made by the EREG to satisfy the CPUC's performance timelines. Also, given the complexity and magnitude of the project the EREG could simply not delegate tasks to outside consultants.

To promote neutrality, the EREG set up its own office. To encourage community input, the EREG opted to hold meetings in Northern and Southern California. The projects \$850,000 EREG administrative covers EREG member reimbursement and compensation, one staffperson, office and public meeting space, meeting expenses, office equipment and supplies, travel, telephone, duplication & printing, postage, fiscal agent services, contract professional services, an independent audit, legal counsel, extra insurance and an operating reserve.

EREG Program Funding

The plan was developed using a task approach: e.g., what would it take to reach the desired objectives stated by the CPUC. It is recognized that a suggested budget of \$20,000,000 had been outlined for this CEP effort as well as comparisons made between this program and the Caller I.D. campaign which had a budget of \$58,000,000.

It is the opinion of the professionals given the task of developing a marketing plan and budget for the EREG CEP effort that both these efforts fall short of the specific requirements of this CEP and that direct comparisons between our effort as outlined in this document and that of Caller I.D. are not meaningful.

There is a significant difference between the complexity of the message we must deliver in our CEP and that of the Caller I.D. program as outlined later in this rationale. Additionally, each effort has significantly different goals in terms of outcome. The CEP is charged with educating a mass and diverse population, placing great emphasis on those hard to reach customers of our State, about electric restructuring. Caller I.D. required only a yes/no response. The Caller I.D. message was delivered by the telephone companies who didn't compete with one another for local service. The CEP requires a neutral

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unbiased voice. In summary, these efforts have different goals and different needs. Therefore, comparisons may be inappropriate.

It might also be helpful when considering the recommended \$ 87.5 million budget to look at its relationship to other benchmarks within the electric marketplace. Namely, this budget represents .43 percent of the annual \$20 billion spent each year in California on electricity. On a per capita basis, it represents 1 percent of the average California household's yearly electric bill (\$87.5 million divided by 12 million households/and small businesses equals \$ 7.30 per household or meter. The average yearly electric bill is approximately \$720). Finally, as a percent of the \$27 billion CTC (the cost that the State's ratepayers must pay to recover stranded costs) the CEP will be approximately .43 percent. The recommended budget is minimal in relationship to the size of this industry and the importance of achieving a successful outcome to this CEP effort.

The following points support the need for a customer education program at the \$87.5 million level:

- **More complex message.**
 - Infrinitely more complex message than Caller I.D., Anti-Smoking, Teen Pregnancy. Information so complex it must be delivered in phases.
 - Need to use multiple communications tools to provide wide and deep coverage.
 - Need to first establish EREG neutral position/credentials.
 - Conflicting claims in marketplace require substantial communications effort.
 - Electric restructuring makes previous restructuring efforts pale in impact and complexity.
- **Less time to deliver the message.**
 - New Hampshire & Massachusetts trials demonstrated that the learning curve is long.
 - Restructuring occurs on 1/1/98; no chance for failure.
 - Must not overwhelm by offering too much information too soon.
 - Difficult to demonstrate long-term restructuring benefits during short-term transitional period.
- **Low interest.**
 - Low interest, low involvement category.
 - Service so reliable that there never has been a need to know more about it. However, because electric service is viewed as a birthright, any perceived change to service can be viewed as a threat.

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- No inherent drama like Anti-Smoking, Drug Abuse or Teen Pregnancy.
- Negative baggage from previous deregulation efforts may cause people to turn off to message.
- All eyes are on California.
 - Besides being the largest market for electric power, this is the largest and most prominent restructuring effort in the U.S.
 - Cannot afford to implement a CEP that doesn't have impact.

Tactics

The proposed marketing plan is directed at California residential customers and small business customers (defined as average peak load of up to 20 KWH).

We are proposing a 5-phase approach that ties each communications phase to specific marketplace activity (e.g., ability to request new energy provider, change in electric bill, etc.).

Public relations establishes a credible foundation for the entire campaign and provides access to many difficult-to-reach audiences including government, the media, small business, ethnic groups, economically disadvantaged, geographically diverse and physically challenged audiences. Public relations also allows us to leverage existing credible sources of information like the AARP.

Mass media will communicate broad messages to a majority of the target audience, legitimize the communications ("I saw it in TV") and form the base of the communications plan for all targets. Ethnic mass media will complement the general market media and allow us to reach California's diverse population.

Direct marketing will place detailed information directly into the hands of our target markets. It is the most effective means to ensure that the vast majority of customer households and businesses receive information. Direct mail also allows customization of information specifically for each target.

Public relations and community outreach efforts allow both the CEP and CPUC staff outreach efforts to get information to the "street level". Economically disadvantaged audiences and immigrants view electricity delivery in simple terms and possess educational levels that make challenging to deliver this information in a meaningful way. Culturally relevant brochures and associated collateral material will be developed. CBO groups will receive materials and training and be compensated for the time they devote distributing information, informing and educating key targets.

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EREG BUDGET SUMMARY (Net Dollars)

		% of Total	
Public Relations	\$5,230,000	6%	% of P.R.
General	\$1,126,000		22%
Ethnic/Multi-lingual	\$2,030,000		39%
Small Business	\$618,000		12%
Low Income	\$684,000		13%
Geographically Challenged	\$618,000		12%
Physically Challenged	\$154,000		3%
Mass Media	\$28,643,000	33%	% of Mass Media
General	\$13,745,000		48%
Ethnic/Multi-lingual	\$11,968,000		42%
Small Business	\$1,003,000		4%
Low Income	\$825,000		3%
Geographically Challenged	\$574,000		2%
Physically Challenged	\$530,000		2%
Production	\$4,895,000	6%	% of Production
General	\$1,992,000		41%
Ethnic/Multi-lingual	\$2,049,000		42%
Small Business	\$196,000		4%
Low Income	\$442,000		9%
Geographically Challenged	\$120,000		2%
Physically Challenged	\$96,000		2%
Direct Mail (All Targets)	\$12,000,000	14%	
Informational Call Center (All Targets)	\$4,000,000	5%	
Collateral/Fulfillment (Video)	\$10,900,000	12%	% of Collateral
General	\$5,535,000		53%
Ethnic/Multi-lingual	\$2,730,000		26%
Small Business	\$450,000		4%
Low Income	\$840,000		8%
Geographically Challenged	\$525,000		5%
Physically Challenged	\$420,000		4%
Website	\$100,000	0.1%	
Grassroots Communications/Promotions	\$5,000,000	6%	
Research	\$1,120,000	1%	
Budget Pool for Agency Compensation and Reimbursable Expenses (i.e. Travel & Postage)	\$12,960,000	15%	
CPUC Outreach	\$2,000,000	2%	
EREG Admin./Operations	\$850,000	1%	
CEAP Administrative Support	\$200,000	0.2	
TOTAL	\$87,500,000	100%	

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Budget Narrative

The total budget of \$87.5 million breaks down into the following major categories:

- 6% (\$5.23 million) for Public Relations across all constituencies, of which roughly 2/3 represents fees to the PR agencies. The remainder represents materials costs and reimbursable expenses such as travel. It is important to note that this is the only category of the budget to include agency fees.
- 33% (\$28.6 million) for Mass Media across all constituencies. This represents the actual total cost of payment to the media companies, and does not include any fees for the advertising agencies. All agency fees have been removed from every remaining area of the budget, and are reflected as a separate line item in this budget breakdown.
- 6% (\$4.9 million) for Production. This represents the actual total cost of payment to the various vendors and acting and musical talent involved in producing the different advertising messages (e.g., production companies who film the commercials, photographers who photograph visuals for the newspaper ads or outdoor boards, recording studios where radio is produced). It also includes the cost of duplicating these commercials/ads and shipping them to the various media vendors for airing or publication. Close-captioning of video spots for the hearing-impaired, and any other adaptations for special needs audiences are also included in this budget.
- 14% (\$12 million) for Direct Mail. This represents the actual cost of lettershop, mailing lists, personalization, production, printing, and postage for roughly 24 million multi-lingual direct mail pieces (two drops of 12 million to 100% of households and small businesses in California).
- 5% (\$4 million) for Consumer Telephone Response. This represents the cost to staff, train and monitor multi-lingual operators who will be handling calls from customers on the toll-free information call center as well as the cost of the equipment for this effort, for the duration of the CEP (September '97 - May '98).
- 12% (\$10.5 million) for Collateral/Fulfillment. This represents the actual cost of production, printing, duplication and mailing of roughly 3 million multi-lingual informational videotapes and 6 million multi-lingual information booklets. These pieces will be sent to customers who: a) call the toll-free number; b) request information through the web site. These pieces will also be distributed to various retail venues for customer use, and be provided in quantities to CBO's who will be a

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key distribution mechanism to personally deliver them into customers hands. It also covers the cost of production and printing brochure holders and displays that can provide information at in-store locations.

- .1% (\$100,000) for a Web Site. This represents the actual cost of developing and implementing the site, and maintaining it and updating it throughout the year.
- 6% (\$5 million) for Grass Roots Community Communications and Promotions. This represents contract fees which will be paid to various grass roots organizations and CBO's for their services and out-of-pocket costs to distribute our messages to their constituencies. It also includes roughly \$1 million to cover costs to develop and produce materials for localized events or retailer tie-ins to support the efforts of these CBO's.
- 1% (\$1.1 million) for Research. This represents fees paid to various research suppliers to develop and conduct research among the various constituency groups for message development and performance tracking.
- 15% (\$13 million) for Agency Compensation and Reimbursable Expenses. This represents the "pool" currently available to pay the advertising and promotions agencies for development and implementation of this plan, and to reimburse them for expenses like travel and postage. The actual figure will be finalized once a final contract has been negotiated with the EREG. The agencies who will be covered with these fees include DDB Needham, Imada Wong, Carol Williams, Anita Santiago, and Flair Communications.
- 2% (\$2 million) for CPUC Staff Outreach. This represents the funds earmarked for the CPUC staff's efforts, which will be included in this budget, but not administered by any of the agencies involved.
- 1% (\$850,000) for EREG Admin/Operations. This will cover administrative and operations costs incurred by members of the EREG board. Please see Appendix for addition details.
- .2% (\$200,000) for CEAP Administrative Support. This will cover per diem compensation, travel and other unanticipated costs the CEAP may encounter.

XIII. CONTINGENCY PLANS

Events That Will Require Adjustment

We believe we must be prepared to respond to potentially likely events in the marketplace as well as remotely possible events. The plan recognizes these potential challenges and is prepared to respond at a prudent level, should that be necessary. However, in the event that significant change occurs, EREG and DDB Needham will seek the guidance and support of the Commission and the investor owned utilities in determining what is in the best interest of California electric customers.

Events examples:

- Scope/magnitude of electric market campaigns aimed at customers larger than anticipated.
- Need to incorporate references to misleading advertising or marketing abuses.
- Fulfillment overload of toll-free information call center.
- External events (e.g., reliability problems, power outages).
- Difficulty/delays in exercising electric company choice.
- Legislative action that may impact the principles of AB 1890.

In addition, the lead agency will be monitoring the responses of California electric customers to the CEP (see research section) and will make adjustments and modifications, reallocating resources to fill gaps—if and when—they appear based on the data collection. Call levels and material requests/needs will be monitored on a regular basis.

A note on municipally owned utilities. The plan budget is based on the CEP objectives of meeting the educational needs of all Californians including those customers in franchise areas of municipally owned utilities. There has been some discussion on this issue and the lead agency intends to be as flexible as possible to meet the needs of EREG. In the event that a policy determination is made that the customers of the municipally owned utilities will not be recipients of the program materials, some of the budget items will be reduced based on lower volumes of materials required.