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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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SURREBUTTAL TESTIMONY

OF

BARBARA R. ALEXANDER

On Behalf of:

OFFICE OF CONSUMER ADVOCATE

AUGUST 1997

Rebuttal testimony
PP&L Restructuring Case

Barbara R. Alexander
Office of Consumer Advocate

Q PLEASE STATE YOUR NAME AND ADDRESS AND ON WHOSE BEHALF YOU ARE SUBMITTING TESTIMONY.

A My name is Barbara R. Alexander. I am a Consumer Affairs Consultant located at 15 Wedgewood Dr., Winthrop, Maine. I am testifying on behalf of the Office of Consumer Advocate. My qualifications were provided in my Direct Testimony in this proceeding filed in July.

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A The purpose of my testimony is to respond to the Rebuttal Testimony on behalf of Pennsylvania Power and Light Company (PP&L) concerning the following issues:

- Dawn G. Lennon and Susan Tierney on PP&L's consumer education plan;
- Douglas A. Krall, Henry W. Baumann, and Joseph P. Kalt on the Company's role in providing electricity to customers who choose not to choose or those not yet eligible for customer choice.
- Robert M. Geneczko, Henry W. Baumann, B.J. Bujnowski and A.M. Osmanski on billing, metering, change of supplier and other customer service issues;

- Robert M. Geneczko, and Joseph P. Kalt on the Company's organization and proposed Code of Conduct; and
- Oliver Kasper on the Company's proposals for rate riders and Rate RTS.

Q HOW IS YOUR TESTIMONY ORGANIZED?

A My testimony is organized according to the following issues:

Part I: Consumer Education Plan;

Part II: Provider of Last Resort service and Rate RTS;

Part III: Billing, Metering, and other Customer Service Issues; and

Part IV: Company Organization and Code of Conduct.

PART I: CONSUMER EDUCATION PLAN

Q BASED ON THE REBUTTAL TESTIMONY OF THE COMPANY ON THIS MATTER, DO YOU STILL FIND THAT THE COMPANY'S PROPOSED CONSUMER EDUCATION PLAN IS "NOT ADEQUATE."

A Yes, in some respects. While the Company has certainly provided some important and useful information, overall the plan is still not adequately developed.

Q PLEASE SUMMARIZE ANY IMPROVEMENTS IN THE PLAN.

A The Company has conducted some useful research, particularly the focus group research attached as Exhibit DGL-1 to Ms. Lennon's Rebuttal testimony. In addition, the Company has provided more information about the role of its Advisory Committee and the future input and role of local community action programs and organizations. PP&L has also provided a budget for its consumer education activities (DGL-2) of $1.1 million over the 1997-2001 time period.

Q PLEASE SUMMARIZE THE CONTINUED DEFICIENCIES WHICH YOU RELY UPON FOR YOUR DETERMINATION THAT THE PROPOSED CONSUMER EDUCATION PLAN IS STILL NOT ADEQUATE.

A First, the Company's proposal is too narrow and its proposed budget is inadequate. Second, the plan still does not contain any use of multi-media techniques to reach and motivate customers. Third, the Company's version of a state wide educational effort is not responsive to my proposal and PP&L's own research supports my call for an aggressive Commission-led state wide program.

Q PLEASE DESCRIBE WHAT YOU MEAN BY "THE COMPANY'S PROPOSAL IS TOO NARROW AND ITS PROPOSED BUDGET IS INADEQUATE."

A The Company's proposal is still dominated by its Customer Choice Handbook, the contents of which are still unclear. While Ms. Lennon quite correctly wants to be influenced by the pilot activities before finalizing the consumer education materials, the research undertaken in other states, as well as the Company's own focus group results, should point the way to the key issues and topics that should be addressed in consumer education materials. The Customer Choice Act was enacted in December, 1996. The Company has been under an obligation to develop a consumer education program since that date. Furthermore, customer focus research was conducted and reported upon in Wisconsin, Maine, New Hampshire and Massachusetts beginning in early 1997. Since that time the Company has so far only outlined the process to develop its plan and has not yet called together its Advisory Committee or significantly involved key stakeholders representing local residential and small commercial customers.

Furthermore, the Company's budget, while a welcome development, is inadequate. PP&L is budgeting less than $500,000 for 1998 and less than $150,000 for consumer education for the following three years. The 1998 budget represents less than .002% of PP&L's revenues. Furthermore, the proposed budget demonstrates that the Company's efforts are directed almost entirely to the publication and promotion of its Handbook (from 55% in 1998 to over 65% of the proposed budget for 2001). The next largest category of expenditure is for community workshops and adult education, but it is not clear what costs will be incurred for these workshops. The next largest category of expenditures is for the Company's web site, a useful component to an outreach program, but not relevant for hard-to-reach, elderly, low income or disadvantaged residents. There is no line item to implement any recommendations for funding local community outreach activities that might be forthcoming from its yet-to-be-formed Advisory Committee.

Q PLEASE SUMMARIZE YOUR CONCERNS WITH LACK OF ANY USE OF MULTI-MEDIA TECHNIQUES IN THE COMPANY'S CONSUMER EDUCATION PLAN.

A The Company's plan does not include any expenditures for a coordinated multi-media campaign to either alert customers about the changing nature of their electric service or prepare customers for shopping in a competitive electric market. The Company equates such an approach to "marketing". This is not correct. In fact, the Company has misinterpreted the purpose of my criticisms in this regard contained in my direct testimony.

The Company equates the creation of "excitement" as a marketing objective and, therefore, equates marketing as stimulating a customer to leave their current suppliers and choose another. This was not my intent. I believe that customers need to be stimulated and excited about the possibilities of consumer choice so that they will be <u>interested</u> in reading the brochures, bill inserts and listening to the speakers and community forums that will be a part of the consumer education program. In other words, customers need to be stimulated using the mass media tools I described in my direct testimony to care enough to hear and understand the fact-based approaches contained in the Company's Handbook. It will be important to get customers to pay attention to the educational message.

Q. WHY WON'T CUSTOMERS PAY ATTENTION TO THE EDUCATIONAL MESSAGES CONCERNING RETAIL ELECTRIC COMPETITION WITHOUT STIMULATION OR EXCITEMENT?

A. As described in the proposed California Education Plan (Direct Testimony, BA-3), most consumers do not pay attention to their current electric bill. For many customers, the monthly electric bill does not represent a significant percentage of their income. The process of getting the bill and paying it is routine. Consumers are used to the cocoon of price and service quality protections that are part of the current regulatory system. Many consumers may not have even heard about electric competition or, if so, do not understand it. Consumers will not read bill inserts or pay attention to speakers and brochures unless they are interested in the topic and want to learn more.

Q. HOW DOES THE STIMULATION AND EXCITEMENT YOU ENVISION AS OBJECTIVES COORDINATE WITH YOUR OVERALL PROPOSAL FOR A COMMISSION-LED STATEWIDE CONSUMER EDUCATION PROGRAM?

A. The Commission should take a leadership role in hiring a consultant to create a coordinated statewide education program. This program should be designed to occur in two phases. Phase I will educate consumers about the advent of consumer choice and stimulate public awareness and interest in the impending changes to their electric service. This may require the use of specific phrases or slogans designed to catch consumers' attention about this topic. This phase will require the use of mass media (TV and radio spots, coordinated newspaper advertisements, local community group newsletter inserts, etc.). These phrases and slogans should be coordinated so that they are used consistently in a statewide multi-media campaign. This will create customer interest and awareness of the topic in general. In effect, this phase will get customers ready to read the brochures under development by the Commission and other parties. Without this phase, however, customers may not read or want to read about customer choice. Without creating this level of interest, customers are more likely to treat the consumer education materials that appear in their bill or are offered to them at public meetings or gatherings as just another bill insert and disregard it.

Phase II should focus on educating customers about the tools they need to evaluate their own electricity needs and make informed decisions about their electric supplier. This Phase should transmit information about key disclosures and characteristics that will assist consumers in making their electricity supplier decision, such as those mandated in the Commission's recent order on Customer Information-Interim Requirements (Docket No. M-00960890 F008, July 10, 1997). During this phase consumers will receive more fact-oriented brochures and bill inserts. As a result of Phase I, they will be ready to read these materials and hopefully interested in learning how to shop for electricity.

The purpose of the education program is not to sell the notion of changing suppliers per se, but all utilities must understand that the ultimate objective of the education plan is to increase awareness of a customer's right to choose their supplier. This carries with it the obvious potential of customers changing their supplier from the incumbent to a competitor. This potential outcome is exactly why the Commission must play an active role as have the commissions in California, Vermont, Maine, Massachusetts and New Hampshire, to demand a sophisticated and effective approach to consumer education. Nonetheless, I fully agree that the purpose of the statewide education campaign is not to market any particular supplier or to market the notion that customers should in fact change their supplier. What should be marketed is the changing nature of the electric industry, the customer's opportunity for different choices than in the past, and the necessary tools for customers to make informed decisions. This concept should be marketed because it must be presented in a manner designed to capture customer attention and interest in hearing the rest of the message. In other words, I recommend that the Commission and other parties put together an education program that uses the techniques of marketing to capture customer interest and promote the educational vehicles that will be available through the mail or in their communities.

Q HOW DOES THE COMPANY'S VISION OF A STATEWIDE EDUCATION EFFORT COMPARE WITH THE PROPOSAL IN YOUR DIRECT TESTIMONY?

A The Company supports the work of the Consumer Education Working Group, but does not describe the work product, budget or overall goals or objectives for that effort. The only progress that has evidently been made is the development of "common themes and terminology" (Lennon rebuttal testimony at 18), but these themes are not identified. Common terminology is helpful, but it is not a substitute or even the beginnings of a consumer education plan such as those developed in California, Vermont and those under development in New Hampshire and Maine.

Q WHAT DOES THE COMPANY'S FOCUS GROUP RESEARCH TELL US ABOUT THE GOALS, OBJECTIVES AND METHODOLOGIES OF A CONSUMER EDUCATION PLAN?

A Contrary to the Company's interpretation by Ms. Lennon, I believe the focus group research does support the need for the type of program I have outlined in my direct and surrebuttal testimony. The results of this research are very similar to those undertaken in other states and summarized in, "Information Disclosure for Electricity Sales: Consumer Preferences from Focus Groups", published by the Regulatory Assistance Project in March, 1997, which I attach as Appendix A to my surrebuttal testimony.

First, PP&L's focus group customers do not routinely read bill inserts and few participants had learned anything about electric restructuring to date from the PP&L bill inserts on this topic. This result from a utility that has publicly stated its support of retail competition in its corporate materials is both surprising and extremely important. One finding in particular is worth repeating,

> No matter where participants received their information about deregulation, it either did not provide enough information, was not clear, or was "not catchy" enough to process the information and have a full understanding of the issues. (PP&L Focus Group Report [DGL-1] at 6)

This suggests that distribution companies must use alternative means of communications to get some basic messages across about the coming nature of the changes and the new opportunities for customers to shop for electricity and other products to meet their needs. In short, both utilities and the Commission must develop a highly visible multi-media campaign using TV, radio and newspaper advertisements just to get customer attention on this issue. The message must be "catchy."

Second, customers want comparative price and environmental disclosures. This message is repeated regularly in the customer focus group research and indicates that the Commission must make sure these disclosures occur in a meaningful way (ensure that "apples-to-apples" price and fuel use/environmental disclosures are required) and that customers are then taught how to find and use these disclosures. Since most customers do not know the price per kWh that they currently pay, a finding confirmed in the PP&L focus groups, the Commission and the utilities must focus their educational efforts on this key fact and alert customers to the new unbundled rates and the portion of the current bill that is subject to competition. This focus group research also confirmed that the Company's initial effort to teach customers how to compare prices and select a supplier needs further work due to the views of some customers that the worksheet in the Handbook was too confusing and not clear.

As confirmed by this focus group research, the level of initial distrust toward electric competition may be due to unfavorable experiences with other industries, such as long distance telephone service, and the suspicion that this change may result in higher rates compared to the current system. This hurdle can only be overcome with a sophisticated marketing approach to the delivery of educational messages.

The focus group research also supports the need for Commission-led educational efforts. While these customers did not reject PP&L as a source of information, "most put the information burden on the PUC, PP&L and other competitors to "get the information to us"..."put it on TV-everyone watches TV"... "I like the mail, not the phone." (Focus Group Report at 13) Some customers clearly expressed the view that the PUC was a more neutral source of information and questioned PP&L's role in light of its entry into the competitive field. Clearly, customers felt that competitor information would be biased. The Report stated:

> However, participants felt that best way to get unbiased information--not marketing information--was to use all available media and have the PUC oversee the process.

Focus Group Report at 13.

Q PLEASE SUMMARIZE YOUR RECOMMENDATIONS CONCERNING THE COMPANY'S CONSUMER EDUCATION PLAN.

A I have not changed my recommendations since my direct testimony. I recommend that the Commission find that the Company's filing is not yet adequate and the Commission should require PP&L to file a more specific plan with a detailed and larger budget, at least for the 1998-2000 time period, that reflects the importance of this obligation. In addition, the Commission should require PP&L to participate in a Commission-led effort, to devise and assist in the funding of a statewide Consumer Education Program that coordinates the development of a unified set of themes and messages for all Pennsylvania consumers over the next three years. This effort should then be supplemented by the individual efforts of electric distribution companies within their own service territories.

In fact, I recommend exactly what Susan Tierney has suggested that the Commission undertake in her Rebuttal testimony on behalf of the Company: "Clearly, the Commission will be playing a critical role in coordinating and providing statewide customer education. The PUC should make the most of this critical opportunity to get critical messages out to various publics, with the input from various stakeholders to shape an informative set of messages and communication approaches." [at 44-45]

PART II: PROVIDER OF LAST RESORT SERVICE AND RATE RTS

Q PLEASE SUMMARIZE PP&L'S RESPONSE TO YOUR TESTIMONY ON THESE ISSUES.

A The Company has attempted to clarify the relationship between its Delivery Group, Generation Group and its customers who are either not yet eligible for customer choice, or who are eligible, but who choose not to choose, or those who enter the competitive market and then seek to return to what the Company calls Basic Utility Supply Service (BUSS). In general, the Company has not made any significant changes in its approach in its rebuttal testimony, but has clarified some points. However, there are several aspects of the Company's approach in this area that conflicts with the intent of the Customer Choice Act that I wish to discuss more fully.

Q PLEASE SUMMARIZE THE OBLIGATIONS OF THE DISTRIBUTION COMPANY TO PROVIDE ELECTRIC ENERGY TO ITS CUSTOMERS UNDER THE CUSTOMER CHOICE ACT.

A Section 2804 of the Customer Choice Act requires two different rate caps. The first rate cap is on the total charges of the electric utility and is for 54 months or until the CTC is completed and all customers have choice, whichever is shorter. The other rate cap applies to the generation portion of the utility's rate and is for nine years or until the CTC is completed and all customers have choice, whichever is shorter. As I noted, the first rate cap sets a ceiling for all distribution company rates, both for generation services sold to customers by the distribution company and for the distribution/transmission portion of the bill. The second rate cap sets a ceiling only for the generation portion of a utility's charges to customers who purchase generation from the utility, including the CTC and ITC, so that these charges will not exceed "the generation component charged to the customers that has been approved by the commission for such service, as of the effective date of this chapter", i.e., January, 1997. The Act then specifically states that the capped rates will not apply to "new services offered for the first time after the effective date of this chapter." Section 2804(4)(VI)

The electric utility's general obligation to serve is restated in Section 2807(E)(1): An electric distribution company has an obligation to serve, including the production or acquisition of electric energy for its customers, while such utility collects a CTC or ITC or until 100% of its customers have choice, whichever is longer. Section 2807(E)(2) requires the Commission to establish rules that will govern the provider of last resort service after the end of the phase-in period. Paragraphs 3 and 4 then provide guidance to the Commission for these future rules. The operation of the capped rates in Section 2804 control the obligations of the distribution company during the near future with regard to pricing generation services to its customers. Section 2807(E)(2)-(4) are applicable when the Commission adopts its future rules. Even so, the pricing structure of those future rules must also assure compliance with the rate cap provisions during the period in which stranded costs are being recovered.

In summary, under the Customer Choice Act, the electric distribution company must provide generation services to any customer who is not eligible to choose or who, <u>for any reason</u>, seeks to obtain generation services from a distribution company. During the operation of the rate caps, the price for this generation service cannot exceed the rates for this service in effect on January 1, 1997. Customers can try the competitive market and then return to their distribution company without penalty. The only rates that are not applicable to the rate caps are for new services. The provision of the generation portion of the customer's bill is a function of the monopoly distribution company and is subject to the rate cap. Utilities may in fact seek to obtain this service from the open market, but the total customer bill, in the case of the first rate cap, or the generation portion of the bill (plus the stranded cost recovery charges) in the case of the second rate cap, cannot exceed the rates in effect on January 1, 1997, except for a narrow set of reasons not applicable here.

Q DO THE *PP&L* PROPOSALS IN THIS PROCEEDING COMPLY WITH THESE STATUTORY DIRECTIVES?

A Not entirely. The Company cannot price its generation services to its customers during the period of the rate caps at market rates if the effect of this pricing method would increase generation rates to affected customers above the rate caps. Furthermore, the Company cannot penalize a customer who returns to this service during the operation of the rate caps by not allowing the customer to have the rates and rate structure in effect on January 1, 1997. The Company cannot restrict a customer's ability to obtain this service during the transition period. Finally, the Company's obligation to provide this service must reside with the fully regulated distribution company; these customers cannot be served by the Company's generation affiliate or the Company's competitive supply division, although obviously, the Company will obtain generation services for these customers from its own generation facilities or the open market.

Q WHAT ABOUT THE COMPANY'S CONCERN ABOUT "GAMING" AND A CUSTOMER'S ABILITY TO RETURN TO THE REGULATED GENERATION SERVICE RATE WHEN THE MARKET RATE INCREASES DURING THE TRANSITION PERIOD?

A To the extent that the generation rate resembles the basic market rate, this is not a concern. However, it is likely that the regulated generation rate will not be as variable as the spot market price and, of course, the rate caps apply during the stranded cost recovery period to prevent to some extent any sharp swings in the rate for this service. Therefore, this concern can be met by the use of a fee to obtain generation services from the local utility when a customer seeks to make use of such service more than twice in any 12 month or calendar year period. Customers who do not meet this criterion should not be charged a fee for the use of this service unless the customer specifically requests an off-cycle meter read, in which case the fee should reflect the cost of the meter read. In all other cases, the change in service status (either to a competitive supplier or to the regulated generation service) should be accomplished by a proration of the customer's monthly usage between the two service providers based on historical usage characteristics of the customer.

Q HOW DO YOUR VIEWS CONCERNING THE PROVIDER OF LAST RESORT SERVICE RELATE TO THE ISSUE OF WHETHER THE COMPANY CAN PHASE OUT OR DENY ACCESS TO RATE RTS ONCE A CUSTOMER ENTERS THE COMPETITIVE MARKET AND THEN SEEKS TO RETURN.

A Under the Customer Choice Act, PP&L must continue to offer its current rates and rate structure to customers during the operation of the rate caps mandated by Section 2804. Customers cannot be penalized for entering the competitive market and then returning, only to find they are no longer qualified for rates that were in effect on January 1, 1997. PP&L must continue to offer the rates in existence on that date to customers during the term of the rate caps. This policy is obviously applicable to all customers, not merely those on Rate RTS. However, as I described in my direct testimony, this particular rate carries with it particular obligations established by the Commission at the time of the Company's last base rate case. PP&L should not be able to escape these obligations to otherwise qualified customers with the advent of retail competition. Such a change would completely eviscerate the policy and intent of the rate caps.

PART III: BILLING AND METERING AND OTHER CUSTOMER SERVICE ISSUES

Q PLEASE DISCUSS THE COMPANY'S BILLING PROPOSALS AND WHETHER THEY CONFORM WITH THE RECENT COMMISSION ORDERS ISSUED ON JULY 11, 1997?

A. The Company's proposals do not conform to the Commission's directives in all cases. Furthermore, the Company's position conflicts with customer preferences as demonstrated by its own customer research and the research in other states. First, the Company has failed to provide a supplier-only billing option as mandated by the Commission in their July 11, 1997 Order on Maintaining Customer Services. The Company's rebuttal testimony (B.J. Bujnowski) again argues PP&L's position that the Customer Choice Act does not allow suppliers to issue a unified bill that contains the electric utility's distribution/transmission charges. Both Mr. Bujnowski and A.M. Osmanski oppose unbundling the metering and billing functions. However, these policy arguments are misplaced. The Commission has already issued its policy statement and PP&L should promptly be ordered to comply with the Commission's order and submit a plan to conform to the option of allowing suppliers to issue a consolidated bill. At the very least, PP&L should be required to investigate the implications for this approach in the design and implementation of its new billing system. The customer service and protections that the Company suggests will be at risk with unbundling can best be explored in the context of a proposal by the Company to comply with the Commission's Order. Furthermore, the Company's concerns assume that the entire distribution company function can or should be provided by the supplier when the Commission's order only requires that the notion of a supplier-issued bill that contains the D/T charges be explored. This more narrow approach can be accomplished without the worst case scenarios emphasized by the Company's rebuttal testimony.

Second, the Company has not submitted any bill formats or other proposals designed to respond to the Commission's Customer Information Order-Interim Requirements, Docket No. M-00960890 F0008, July 11, 1997. This Order sets forth key disclosures required for both distribution company and supplier bills and PP&L should be required to demonstrate how it will comply with these Interim Requirements in this proceeding for both the distribution charges and generation charges that will appear on its bills.

A third issue is the Company's position with respect to the disclosure of the fuel mix of the generation portion of the Company's bill. Douglas A. Krall's rebuttal testimony (at 19-20) opposes my (and Bruce Biewald's) recommendations in this area. While I recommended that such information appear as part of the generation portion of the bill (whether issued by the distribution company or suppliers), the Commission has required in its Customer Information Order that such a disclosure be provided in the written disclosure statement issued at the onset of the relationship with the customer. This disclosure must show the supplier's energy sources based on the most recent annual average of electricity supplied or the expected future mix. This source of supply mix must be provided to customers upon request, upon entering into a sales agreement and whenever a significant change occurs in the terms of service. Emissions disclosure, on the other hand, must be disclosed only when a supplier must factually support claims of environmental benefit. Mr. Krall's rebuttal testimony fails to distinguish between these two disclosures and does not provide any insight into how PP&L will provide the fuel mix disclosure to its customers for the generation portion of the bill.

Q DO YOU HAVE ANY COMMENTS ON THE COMPANY'S POSITION CONCERNING METERING SERVICES?

A Yes, I do. The Company's rebuttal testimony (A.M. Osmanski) generally opposes the unbundling of metering services and argues that PP&L will provide the necessary advanced technology at the request of customers who will, in turn, pay for the advanced metering system. The Company also proposes that it create an electronic gateway to the metering information that should be available to all suppliers (taking into account customer privacy rules), but that PP&L should retain its ownership, control and access to the meter itself. The electronic interface proposal is certainly a welcome development. However, other proposals I made in my direct testimony (at 36-40) on this issue have not been addressed. The Commission should adopt the modest proposals I have suggested to begin the process of further consideration of the implications of the possible development of a competitive market in metering services which is about to begin in California next year and has been mandated by the Maine Legislature to begin no later than 2002.

One aspect of the Company's views on this issue deserves special comment and demonstrates why competition may be desirable in this area. In his rebuttal testimony, A.M. Osmanski states (at 8-9) that, "PP&L has always applied the appropriate meter for the rate selected by the customer. Measurement of simple total energy accumulation only requires a basic KWH meter. Other customers need a TOU or demand meter to satisfy the energy measurement requirements of their rate....Unlike telephones, meters do not provide consumers accessible services or features. Rather, the meter choice is totally subsumed in the choice of the type of energy service the customer wants or needs." This statement does not recognize the potential array of services that may be marketed to customers along with the sale of electricity in the future and ignores the potential for energy management throughout the home by means of a sophisticated meter. Mr. Osmanski is correct that the customer will probably buy services and not meters, but the types of services and marketing potential that may exist in the future will be closely linked to the functionality associated with the meter. This functionality is a marketable item and suppliers want to have the option of obtaining value for this service. The Company's approach will not allow this market to develop and should be tempered by the Commission so as to prepare the Company, its customers and shareholders for the potential for growing competition.

Q DO YOU HAVE CONCERNS ABOUT THE COMPANY'S POLICIES WITH RESPECT TO THE APPLICATION FOR SERVICE AND EVALUATION OF THE APPLICANT'S CREDITWORTHINESS?

A Yes. The Company states (Bujnowski at 22-23) that creditworthiness will be based on the customer's past payment record for all past obligations and that PP&L may use credit scoring tools provided by third parties, i.e., credit reporting agencies, that take into account past payment of loans, credit cards and utilities as a means of determining whether deposits should be required. This is contrary to my understanding of the Commission's credit regulations in Chapter 56. Section 56.32 requires a utility to provide residential service without requiring a deposit when the applicant has a good credit history with respect to the payment of similar utility service for 24 months, or the applicant is an owner of real property or has a year long lease (unless there is evidence of prior unsatisfactory credit history as a utility customer in the past two years). This rule seems on its face to contradict the Company's intentions in this regard. In other words, a utility may not require a deposit based on prior nonpayment of credit cards and car loans if the applicant has maintained a good credit history in the payment of a similar utility bill in the recent past. Moreover, the lack of credit history cannot be used to determine that the risk is unsatisfactory.

PART IV: CORPORATE ORGANIZATION AND CODE OF CONDUCT

Q PLEASE SUMMARIZE YOUR CONCERNS WITH THE COMPANY'S PROPOSALS WITH RESPECT TO CORPORATE REORGANIZATION AND CODE OF CONDUCT.

A PP&L devotes a significant portion of its rebuttal filing on the issue of corporate organization, market structure and Code of Conduct. None of that testimony, however, acknowledge the overriding reality of the new "competitive electricity market" and that is on day one of this new regime PP&L has all the customers! Furthermore, on day two and afterwards, PP&L has all the same customers for monopoly distribution services and is the default supplier of electricity for all the customers who do not choose to change their supplier. This is not a clear recipe for the creation of a competitive market in the near future and it does not take an economist to deduce otherwise. To suggest, as PP&L's witnesses do, that any restrictions concerning PP&L's ability to market to these customers is unfair is incorrect. It is not my purpose to endorse every proposal made by the competitors' witnesses. However, I do think the Commission should take affirmative steps to at least prevent the development of a deregulated monopoly. At the very least, the Commission should adopt a strict Code of Conduct based on the decisions reached by the California and Massachusetts commissions, as I suggested in my direct testimony, and take steps to respond to the realities of the current electric market and the likely result in the early years of electric competition.

Q DO YOU HAVE SPECIFIC CRITICISMS OR SUGGESTIONS WITH REGARD TO THE SHARING OF INFORMATION BETWEEN THE DELIVERY GROUP AND THE SUPPLY GROUP AT PP&L?

A Yes, I do. Mr. Geneczko identifies three types of competitive information: (1) status and future expansion of the T&D system; (2) customer information; and (3) supplier information. I wish to comment on the customer information category. The Company correctly states the principle that it will release customer-specific information only upon written request of the customer. I agree with this approach. However, there is another category of customer information that the Company does not discuss and that is customer information that is not customer-specific, but reflects customer class attributes, such as load profile, appliance penetration, demographics, collection statistics, etc. This information does not require customer authorization to release and will be valuable to any supplier and particularly to PP&L's supply group for marketing purposes. Since the billing computer or desk PC at PP&L is the probable source of this information, it is critically important that PP&L verify that the supply group does not already have access to this information. This information should not be made available to any competitive part of the PP&L organization without also being made available to any competitive supplier. A reasonable charge to both PP&L's affiliates and competitive suppliers may be appropriate.

Q DO YOU HAVE SPECIFIC SUGGESTIONS OR CRITICISMS CONCERNING THE COMPANY'S APPROACH TO THE SHARING OF EMPLOYEES?

A While the Company asserts that it will not have a "revolving door" policy (Geneczko at 18) between the delivery group and the supply group, it reserves the right to make employee transfers when it will benefit the Company and prohibits shared responsibilities only for those employees involved in activities which permit their access to "sensitive information", a term that is not defined and raises interpretation and enforcement difficulties. The California and Massachusetts Codes of Conduct would not permit such a loophole and this Commission should shut this door firmly.

Q PLEASE COMMENT ABOUT JOINT MARKETING.

A PP&L reserves the right to conduct joint marketing by its Delivery and Supply Groups. This should be prohibited as it is in Massachusetts, and as recommended by the Vermont Board of Public Service. For similar reasons, the Telecommunications Act of 1996 [47 U.S.C. §272] requires a regional Bell Operating Company to conduct their competitive long distance business in a structurally separate affiliate for a certain time period after the onset of competition. This has been interpreted by the FCC to prohibit the BOC from jointly marketing long distance services with its local basic exchange service for a period of time because of the obvious market concerns Congress had in trying to stimulate the creation of a competitive market. This analogy should be relied upon by the Commission in its consideration of the proposals concerning joint marketing in this proceeding.

Q DO YOU HAVE ADDITIONAL COMMENTS?

A Yes, I recommend that the Commission follow the lead of Massachusetts and California and adopt a meaningful, clear and well reasoned Code of Conduct. I attach the Code of Conduct adopted by the Massachusetts Department of Public Utilities as Appendix B, and urge the adoption of an equivalent policy in Pennsylvania.

Q DOES THIS COMPLETE YOUR TESTIMONY?

A Yes, it does.

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APPENDIX A

INFORMATION DISCLOSURE FOR ELECTRICITY SALES:
CONSUMER PREFERENCES FROM FOCUS GROUPS
EXECUTIVE SUMMARY
THE REGULATORY ASSISTANCE PROJECT
MARCH 19, 1997

INFORMATION DISCLOSURE FOR ELECTRICITY SALES: CONSUMER PREFERENCES FROM FOCUS GROUPS

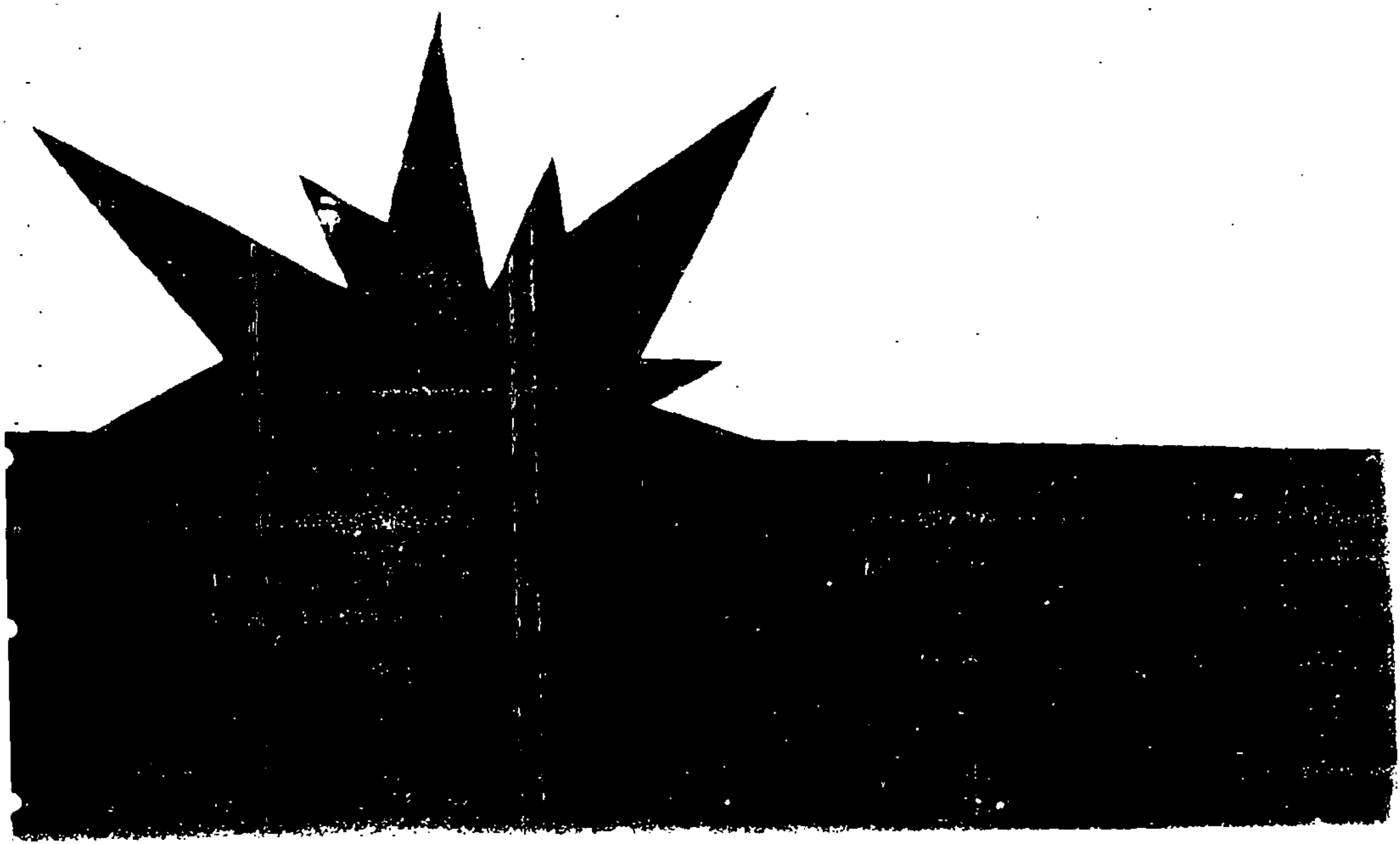
Executive Summary

Alan S. Levy
Mario Teisl
U.S. Food and Drug Administration

Lynn Halverson
Macro International

Edward A. Holt
Ed Holt & Associates

March 19, 1997



INFORMATION DISCLOSURE FOR ELECTRICITY SALES: CONSUMER PREFERENCES FROM FOCUS GROUPS

Executive Summary

A series of six focus groups were held in two states -- New Hampshire and Massachusetts -- currently undergoing pilot programs that have been established to learn about restructuring and consumer response to choice of electricity suppliers. Four groups were held in New Hampshire, where the New Hampshire Public Utilities Commission (NHPUC) is conducting a two-year pilot program for three percent of the state's electricity customers. Two groups were held in Massachusetts, where the pilot program is being administered by Massachusetts Electric Company (Mass Electric). The pilot programs for each state are significantly different. Whereas New Hampshire set few restrictions for supplier participation and marketing to potential customers, resulting in more than 30 suppliers competing for customers in the New Hampshire program, Mass Electric selected six companies that were allowed to offer products in the Massachusetts pilot, and they prepared an informational booklet comparing the products for consumers in that state.

The objectives of this focus group project were: 1) to learn what information residential consumers would have liked to evaluate competitive offers and make a decision; and 2) to learn how they would like that information to be presented.

A. How participants viewed their experiences with electricity marketing

The New Hampshire participants were frustrated with their experience because they had to spend a lot of time and effort trying to compare the different products. In contrast, the Massachusetts participants indicated that they had little problem in making their supplier choice.

Except for the above differences, the focus group participants were relatively consistent in the rest of their comments and almost uniformly mentioned price as the major factor in their choice, with the environment mentioned as a second (unprompted) factor by many participants. They also said that they wanted standard information to compare offers, and they wanted disclosure of all costs -- not just electricity generation costs -- in order to make their decisions.

B. Reactions to the short and long displays

Short and simple declarations were preferred, as long as the important information is presented. However, the short display was considered incomplete because important information was either left out or aggregated in a way that was confusing.

C. Reactions to the pricing displays

Participants preferred a simple price per kWh that allows them to determine their own cost. They also wanted companies to list distribution and other charges, even though those charges were unrelated to the electricity generation charges.

D. Reactions to the environmental displays

Most participants liked the fuel mix disclosure and many liked the emissions information. Some liked the idea of knowing the percent of the electricity being imported, although it was not a burning issue. Most participants seemed more comfortable with the non-technical terms (e.g., greenhouse gases) than with technical terms for emissions because they were more understandable.

A reference level was seen as an important and helpful addition to the emission facts panel, and most preferred that the Environmental Protection Agency establish such a level. If forced to choose between Fuel Facts and Emission Facts, most participants preferred the Fuel Facts, though they would like to have both sets of information. Finally, in terms of presentation, almost all focus group participants preferred the graphical presentation of the fuel and emission facts panels (Fuel Facts as a pie chart and Emission Facts as a bar chart).

E. Reactions to supplier versus product displays

The product versus supplier labeling discussion was inconclusive. Many participants had difficulty understanding how a supplier could provide different products in the same area when all the electrons were pooled. Others understood this concept but did not indicate strong feelings about whether they would prefer to know the company's record or the company's 'greenness' with respect to the products they were offering locally. In general, the product versus supplier discussion either trailed off without resolving the issue or the group would default to the suggestion that both the product and supplier information should be presented.

F. Other information desired

The last two focus groups were asked to recommend other desirable information for informed decision-making. When probed for the most important items, one group emphasized information relating to price variability, customer satisfaction or complaints, environmental factors (e.g., waste disposal sites, environmental violations, NRC 'watch list'), consumer rights of appeal in contract or billing disputes, and years in business.

G. Conclusions

Participants primarily wanted standardized information about prices so that they could compare products directly, and they wanted price stated as the cost per kWh. While many participants stated that environmental attributes were not too important to them, they wanted some presentation of those attributes. Most preferred the Fuel and Emission Facts information to the environmental certification statement. Reference levels were seen as important to the Emission Facts displays; without some interpretation participants felt the information was meaningless to them. Graphical displays of the environmental information were preferred over table formats.

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INFORMATION DISCLOSURE FOR ELECTRICITY SALES: CONSUMER PREFERENCES FROM FOCUS GROUPS

I. Background

Almost every state in the United States is considering restructuring of the electricity industry. While there are many aspects to restructuring, one that is getting much attention is the introduction of competition for retail customers. As competition (or retail access) is introduced to the electric utility industry, end-users of electricity will have, for the first time, the opportunity to choose their supplier of electricity. They will still pay their local utility for transmitting and distributing electricity and for other fixed costs, which will continue to be regulated by state utility commissions, but they will be able to choose the company that generates their electricity.

When states allow this kind of competition, policy makers must be concerned about consumer protection, and must think about how to encourage efficient markets. It is well known that for competition to be effective, consumers must have accurate information by which to differentiate competing offers. We wanted to know what *information* would be useful to consumers to be able to make electricity choices, so it seemed an obvious step to talk with consumers who have some experience with retail access and making these choices.

Several pilot programs have been undertaken to learn about restructuring and retail access. The New Hampshire Public Utilities Commission (NHPUC) began a two year pilot program in May 1996 for three percent of the state's electric load, pro-rated across all customers classes. This meant that about 17,000 customers were eligible to participate. Over 30 competitive suppliers registered to sell electricity to these consumers. The advertising and promotion by the suppliers was intense. The NHPUC provided only minimal guidelines, preferring to see what lessons the market could teach. According to press reports, consumers were overwhelmed and confused with the myriad of advertising media and messages.

A second pilot program was initiated by Massachusetts Electric Company in September 1996. This pilot program was for one year, and the suppliers were pre-qualified by a Request for Proposals. Fifteen companies made 42 different offers; six companies offering nine different products were selected. This pilot program was limited to the sale of 100,000 million kWh in four different communities, and about 4,500 residential customers and 269 small business customers signed up. Mass Electric and its program administrator prepared an informational booklet which was sent to all eligible participants. The booklet compiled the offers in a matrix or menu, and it included a "ballot" by which each participant could select his or her preferred option. Participants could also check a box noting whether or not they wanted their names released to receive additional marketing materials from the competitive suppliers.

Residential consumers of these two pilot programs were invited to participate in a series of focus groups to discuss informational needs relative to the selection of a competitive electricity supplier.

II. Purpose Statement

The objectives of this project were to 1) learn what information residential consumers would have liked to evaluate competitive offers and make a decision, and 2) learn how they would like that information to be presented.

III. Methods

A. Number, location and segmentation of groups

The study design for this project was to conduct a series of six focus groups: four at two sites in New Hampshire, and two at one site in Massachusetts during February 1997. The New Hampshire participants were selected randomly from lists of all eligible participants in the New Hampshire pilot program provided by the New Hampshire Public Utilities Commission. The Massachusetts participants were selected randomly from a list of eligible participants in the Massachusetts Electric Company's pilot program, provided by Mass Electric.

The New Hampshire participants were screened so that each focus group included customers of more than one regulated distribution utility, customers of several different competitive suppliers, and customers who volunteered as well as customers who were eligible to participate by virtue of their town volunteering as an aggregator.

Like the New Hampshire participants, the Massachusetts participants were screened to obtain as much diversity as possible, and to eliminate consumers who are employed by a utility or electric power provider, a market research company, or an advertising company. The participant screeners used for this study are included as Attachment A.

All groups were audio and video taped. Audiotapes were transcribed to provide written records of the focus groups, for the purpose of this summary.

B. Discussion topics and props used

Although the actual discussions varied from group to group, the general topics discussed were the same. The first part of the focus group discussion centered ι. on participants providing their experiences with the electricity marketing pilot programs. This first part of the discussion stimulated participants to think about: what they liked/disliked about their marketing experience, what factors were important in making their supplier decision, whether they had enough information about the suppliers to make their decision, what information they felt was missing, and whether the competing offers could be easily compared.

After the introductory discussion, props providing examples of different information displays were used to stimulate discussion (Attachment B). Props varied slightly over the six focus groups.

The first prop presented to participants consisted of a 'short' information display about a fictitious firm called Electrotek. The information display consisted of an average monthly cost, basic contract terms, sign-up incentive information and an environmental certification from a hypothetical organization called Greenmark. Discussion centered around whether any of the information was confusing or hard to understand, whether the information was important, whether the display contained enough information to make a supplier decision and whether there was any missing information.

The second prop presented to participants consisted of a 'long' information display about Electrotek. The information display consisted of a detailed breakout of pricing information (monthly customer charge, energy production charges in price/kWh, and a monthly comparative cost), a more detailed presentation of contract terms, sign-up incentive information and environmental attribute information (fuel mix and emissions information). In addition to the questions used for the short display, discussion around the long display included whether any of the information was unimportant or irrelevant, whether the display was too detailed, and whether the information provided was understandable.

The next part of the discussion centered on the pricing information and used three props: 1) the 'long' display of Electrotek, 2) a display that included an average price per kWh along with the basic contract terms and sign-up incentives used in the 'short' display and 3) a display similar to the 'long' display except that aggregate energy costs were substituted for the price per kWh. The discussion of these props centered around which components of the displays was the most/least confusing, and what information on the displays was most/least useful.

The next part of the discussion centered on environmental information and used three props which differed across focus groups. Half of the focus groups observed versions A1, B1 and C1, and the other groups observed A2, B2, and C2. The 'Fuel Facts' displays in A1 and A2, and in B1 and B2 were the same. However, in C1, no fuel mix information is presented whereas in C2, 'Fuel Facts' information is presented in a graphical display (pie chart). Discussion of these props centered around whether the information was understandable, whether the breakout of the renewables was important, whether the information about imported fuels was important and which display was the most/least confusing.

The 'Emission Facts' displays varied in several ways. First, the emissions were stated either in technical terms (e.g., carbon dioxide) or in common parlance (e.g., greenhouse gases). Second, the emission levels were stated as deviations above or below a reference level. These reference levels were either stated as an existing state of affairs (e.g., a regional average) or as a goal to be met (e.g., a standard determined by an organization like the Environmental Protection Agency or the State's Public Utility Commission). Another difference in the displays is that the deviations from the reference level was stated either in terms of percentages or as an absolute value (g/kWh). Another difference in the reference levels was whether they were presented as regional or national. The final difference in the emission information was whether the information was presented in a table format or as a graphic (bar charts). The discussion of these props centered around which components of the displays were the most/least confusing, and what information on the displays was most/least useful.

For the last four focus groups, an additional set of props was used to aid the discussion of product versus supplier labeling. For the last two groups, an additional prop was added to prompt participants in their discussion of additional information that might be used in a standardized disclosure form.

C. Strengths and limitations of qualitative research

The primary strength of qualitative research is that it can identify issues of concern to specific populations, and it can be used to frame questions that can be developed further to derive quantitative data about a topic. As the results of this study will indicate, focus groups often identify issues that researchers may not have considered previously, or they may suggest framing questions differently.

It is important to note that results from focus groups and other qualitative research methods cannot be generalized to a given population. A focus group is not a statistical representation of the population, but instead is a group of individuals selected from the population being studied. Information from focus groups can therefore be used to bring up issues of concern to that population. It is also important that the interpretation of qualitative data not be misrepresented in quantitative terms. For example, a statement that "nine of the twelve respondents" agreed on a particular point within a focus group should not be interpreted as "75 percent of the population agreed that ______", because qualitative data cannot be aggregated or quantified to describe a population as a whole.

The most distinctive feature of these focus group participants is that they have direct experience with the deregulated marketing of electricity. The research design purposely targeted these experienced consumers to understand the problems they faced in selecting an electricity supplier. But both of these pilot programs are in the northeast, and focus group participants may be sensitive to similar issues. In addition, the focus group participants are a self-selected sample that may represent only very motivated/sophisticated consumers (most focus group participants volunteered for the pilot programs). As a result, this research provides a valuable understanding of the information problems faced by these experienced consumers. However, the results here may not hold for inexperienced consumers, or consumers in other regions of the country.

IV. Findings

A. How participants viewed their experiences with electricity marketing

The New Hampshire pilot program was a marketing free-for-all without any unique restrictions. No standardized information was required by the New Hampshire Public Utility Commission or other governmental body, and for the most part no comparative information was available. A group called the New Hampshire Taxpayers' Association apparently compared offers and made a recommendation, which was mentioned by one participant, and a few participants remembered a comparative price table presented in advertising by one of the competitive suppliers.

The Mass Electric program was designed to be a much more controlled experiment. First, competitive suppliers were limited in number by a request for proposals. The information contained in the winning proposals was compiled in a standard format by the program administrators. Competitive suppliers were not allowed to change their prices or other terms of their offer in response to the competition. All potential pilot participants were sent a booklet explaining the structure of electricity costs and providing charts which included price and other standardized information about the suppliers (Attachment C).

One key finding is that the different marketing experiences of the New Hampshire and Mass Electric pilot programs led the groups to be different. The New Hampshire participants tended to be much more vocal and frustrated, for example, and therefore the greatest difference between the New Hampshire and Massachusetts groups was in their responses to the initial questions about their pilot program experiences.

The New Hampshire participants expressed almost universal frustration with their experience because they had to spend a lot of time and effort trying to compare the different products. Many stated that the marketing literature forced them to make comparisons between apples and oranges although they wanted to compare apples with apples.

"I first read about our choice in the paper and I was very excited because I was very unhappy with the company that I was with," began one participant whose experience was similar to that of many others in the New Hampshire groups. *"And so I called in, because it was a toll-free number, and I called in and said, yes, I'd be very much interested in being part of this pilot program and it was maybe a month later that I was notified that I'd been selected. And then I received tons of information. And it was just like being back in college and doing a research paper, because my dining room table was covered with all these pamphlets, with all these rates, and I was trying to figure out who to go with.*

And it took me months -- months -- to go through the information, to put it down in some kind of *organized form so that I could look at it and make some kind of sense out of it......And it was a lot of work. A lot of work."*

"I guess I had about 16 different power companies court me," said another participant. *"I read through all the materials and the only thing I was looking for was the rock bottom price. I didn't care about the fir tree, I didn't care about the $25 check, I didn't care about any of the other little incentives."*

"Well, I had the same experience I guess the rest of you did," a participant in still another New Hampshire group explained. *"I was looking for the lowest price per kilowatt hour that they had and also get locked in for two years."*

Ultimately, many of the New Hampshire participants stated that they could not make an informed decision and had to rely on someone else's recommendation (e.g., a newspaper story, a friend who was an electrician, the town council). *"Well, the information that everybody sent me I thought was very confusing... Somebody I work with did a lot of the calculations, you know, per kilowatt hours versus this one and that one, and the one I chose is guaranteed for two years,"* said one person.

"But I found it confusing, so I eventually turned it over to my son because he's a chemical engineer and that's math (inaudible)," said another woman. *"Because I thought it was confusing, even to, you know, it wasn't apples and apples, it was apples and oranges. And it was really hard to figure out what the bottom line would be."*

"I was going to say I haven't selected a company because I was so overwhelmed by all of the information I received and all of the telephone calls that I couldn't make a decision about which was best for me...." said another participant.

Before being presented with any discussion props, the New Hampshire participants stressed that standardized information would have made their decision making much easier, and most participants advocated some mandatory standardization. *"If it was uniform, it would make it more concise,"* suggested one person. *"It's like going to the supermarket where you look up for Cheerios, different size boxes, you know, $1 per pound, $1.50 per pound. Well, you buy the $1 per pound box."*

Said a participant in another group, *"And they should establish the format as to the information that's provided by the supplier so that everybody is looking at exactly the same thing."*

However, one of the four New Hampshire groups expressed reservations about the ability of government to regulate standardized information, even if this is a desirable goal. *"And the only way you're going to standardize it is if you have some kind of legislation. And keep in mind, it's government that gave us this public service monopoly, so--"*

"That's a very good point. I'm no fan of government. I realize --

"I don't want the government involved. They always foul everything up."

In contrast to the New Hampshire groups, the Massachusetts participants indicated that they had little problem in making their supplier choice. Some could not remember where they got their information, but those who did lauded the pilot program's informational brochure. *"I think I read about it in the paper first about the pilot program, and I called Mass Electric and they sent me their booklet and, you, know, a lot of information. And I decided it I guess by the cost and (inaudible) comes from whether it's going to be a power plant or generator or that kind of source."*

Said another participant, *"They must have been through Mass Electric when I called about the pilot program. I think that's the only contact I had with them. And I don't know where or who sent it to me, but it was on a flat sheet. We pulled it out.....But it listed all the companies, the rates, the source. To me that was easier. It was all on one sheet. I don't remember who sent it to me, though."*

Some group members noted a lack of information about what they called "the hidden costs"-- the regulated transmission, distribution and access charges that do not vary with choice of supplier -- even though these were included in the program brochure. Said one man, *"The kicker here is that last paragraph, what will utility costs still buy. You look at the fact that since they split things up, sure, I'm getting electricity at something like 2.4 cents per hour or 2.2 cents.....but those other charges, when you take the bottom line,....this thing's only talking about one-third of my costs. Get serious."*

A few Massachusetts participants noted that the presentation of the generation source/profile in the Mass Electric brochure was incomplete, because it was presented only for the "green options," and some participants wanted to know the environmental attributes of the other supply options for comparison purposes.

Except for the above differences, the focus group participants were relatively consistent in the rest of their comments. In the general discussion about their experience and how they chose a supplier, prior to handing out any of the props, participants consistently mentioned:

- ☐ Standard information displays so they can easily compare offers. *"If they're all the same, you can compare them,"* said one person. *"That would be the answer,"* chimed in another person in that group. *"Very good idea,"* said still another.

- ☐ Price was a major factor in their choice. Said one person, *"My feeling is whichever one saves me the most money and can give reliable service. Bonuses don't count, this doesn't count, that doesn't count. The bottom line counts."*

- The environment, and specifically fuel mix, was volunteered, unprompted, as a second factor by some participants. After saying that price was the major deciding factor for him, one man went on to say, *"That (price) and how they provide the services, whether it's coal or wood chips or however the electricity is produced was also a factor in the way I was concerned......I mean, there are certain things in our environment that just can't handle raw materials being burned because there are byproducts of these materials that are definitely causing harm, not only to the ozone, but to us as we breathe. I was brought up in New York City, so I'm sure without smoking I have at least five packs of cigarettes in my lungs each day just from living in New York."*

  Another participant explained her decision process this way: *"Like the others, I got a bunch of mailings and some phone calls and I was mainly interested in the bottom line, but I wound up signing with Green Mountain. I felt that the hydroelectric power was more environmentally beneficial."*

- They want a declaration of all cost components, including regulated costs, and of electricity supply costs as a rough percent of the total cost of delivered electricity. One participant summarized this viewpoint quite succinctly. *"As far as my priorities go, I want to know what I'm paying per kilowatt hour. I don't care what the average is or what anyone else pays. I don't care. I want to know what it's going to cost me. So I want to know what it's going to cost me per kilowatt hour. I want to know if that's a fixed rate, and if it is a fixed rate, for how long. Penalties, whatever, are included. And yeah, I'd like to know the source of the power. That's important. But basically, as simple as you can make it is the best way to go."*

B. Reactions to the short and long displays

Focus group participants in general felt that short and simple declarations were preferred, as long as the important information is presented. *"What I like about this is that it is clear,"* said one participant. *What we got was way too much information and you couldn't -- I mean, this is very clear.....I like this, you know, one page clear kind of thing."*

However, the short display was too short, according to most participants, because important information was either left out or aggregated in a way that was less useful or even confusing. One man said, *"I probably like the long one better. I don't care about all the information in it, but some of it is interesting. And again, if you receive the same profile format on each company, it would be easier to compare them:.....You know, I think we're all tuned in to looking for that information. So that it's good, comparative information,"* he added.

As previously stated, price was the primary consideration for everyone in the focus groups. Everyone, even those with an appreciation for non-price attributes (e.g. environmental or social considerations) felt that the bottom line was the most important to them. Information about the contract terms was also seen as important.

Most focus group participants did not care about the incentives information, nor did they care about having incentives available. They felt that it was simply marketing. Basically, the focus group participants stated that they would rather have lower prices over incentives. *"I have electric heat, so the bottom line; the money was the bottom line for me......But I didn't go for any of the incentives of the $25 here or there. What I went for was the year's charge,"* stated one participant.

The focus group participants in general did not find the environmental certification useful (a fictitious Greenmark was used to indicate certification). Some even stated that they thought the certification detracted from the display because it appeared to be a marketing ploy and did not convey factual information. *"To me they're trying to jump on a politically correct bandwagon,"* said one man. In contrast, when presented later with the fuel and emission facts information, most participants responded positively.

Although a majority of the focus group participants did not feel that the environmental attributes were important in their energy decision, they felt that the fuel and emissions information was important to some people and should be included as a part of the disclosure statement. *"We've got to think about children and grandchildren, what it's going to be like for them,"* said one person. *"Well, I know it's important to me,"* was a comment in another group. *"I don't know if it's my top priority, but it's definitely a priority."* A woman in one of the Massachusetts groups commented on the information provided in the product comparison chart, *"I'd really like to see the source, too. I think that would be helpful."*

Many focus group participants liked the fuel mix disclosure and others liked the emissions information. The technical terms used for the emissions facts panel (e.g., sulfur dioxides) were not liked because most people did not know what these terms meant. *"It doesn't mean a damn thing to me,"* said one man. *"I don't understand." "I really don't know,"* said another person in that same group. *"Sulphur dioxide -- I wouldn't know a nitrous oxide. For all I know, that's what's they may use to carve (inaudible). It's just, I don't know anything about this."* Absolute values for the emissions in terms of g/kWh was not liked because focus group participants did not feel they knew how to interpret the information in terms of health, safety or environmental consequences.

C. Reactions to the pricing displays

Because price is very important to their choice of electricity supplier, focus group participants insisted on sufficient detail by which to calculate their own cost. Participants stressed the desirability of a unit price per kilowatt hour, so that a simple multiplication, based on their own level of use, could determine their cost. *"Cost per unit. Cost per kilowatt hour...You need a base common denominator,"* said one participant.

Although one of the displays presented a unit price based on an average customer use of 500 kWh, participants were concerned that this did not reflect their level of use. The fact that different levels of use could result in different unit prices led two groups to suggest a display of the price per kWh for several levels of use (e.g., 500, 750, 1000 and 1500 kWh per month) either in a table or as a graph.

In some cases participants indicated a preference for the detailed rate structure because it showed unit prices at different times of day, or for different levels of use. But as rate structures become more complex (for example including a fixed customer charge), and as they differ from one supplier to another, making comparisons difficult, then it is likely that a simple common denominator will become even more important to consumers.

In general they do not trust information based on an average customer unless it can be made meaningful to them. In particular they expressed no interest in a display of average monthly cost. *"The average monthly cost is a loser because who knows what's average?"* said one man.

Some focus group participants disliked that the price information only included the electricity generation portion of the bill and did not include the distribution and other charges. These participants felt that all the charges should be included even though the distribution charges would be the same across all the suppliers and not really matter in the choice decision. *"They talked about the cost of electricity and that's all,"* complained one participant. *"They never mentioned all the other stuff. Electricity is the cheapest part of it."* Said another participant, *"And so what I finally found out from all the material I was getting was (they were) just talking about one-third of my costs."*

One participant from a Massachusetts group said that he chose a specific supplier primarily because he would receive only one bill by selecting that supplier, and therefore would have an easier time determining total costs. *"I looked to see two things: cost of the electricity to me and also the fact that it's just one bill from the company that's producing and [the local supplier] combined. The number at the bottom is what you pay."*

D. Reactions to the environmental displays

While not all participants mentioned environmental concerns as a major decision-making factor when selecting their own supplier, most of them liked the fuel mix disclosure and many liked the emissions information in the sample information sheets presented to them. With respect to the fuel mix, most participants preferred the detailed breakout of the renewable fuel sources because as some asked rhetorically, *"What is renewable, anyway?"*

Many focus group participants liked the idea of knowing the percent of the fuel being imported, although it was not a burning issue, but they questioned the definition of imports. *"I was going to ask what that meant. Does that mean that they're importing from another company?"* asked one person. *"From another state or another country,"* responded another participant. *"Or is some other coal or oil imported? Is that what it means?"* the first person continued to ask. After a little more discussion, one person said, *"Well now, I'm a strong person on defense, and I was in*

Army intelligence during the Korean War. And I don't want to depend on some foreign country, particularly certainly not (inaudible)......Canada's okay, but certain foreign countries --" Some thought of it as oil imports from the Middle East; others were aware of electricity imports from Canada. A few questioned whether imports meant out-or-country or out-of-region. The general feeling was that they did not want to import from places like Iran but do not mind importing electricity from Canada.

Again, technical terms for the emissions were not preferred because most people did not know what these terms meant. *"I think most people wouldn't know what's good, what's bad,"* said one person. Most participants seemed more comfortable with the non-technical terms (e.g., greenhouse gases) although not everyone knew what those terms meant either.

A reference level was seen as an important and helpful addition to the emission facts panel. Most focus group participants seemed comfortable with the idea of a group setting a recommended reference level (a standard to be met) as opposed to using a reference level based on the status quo reality (e.g. a regional average). Several focus group participants stated that they also wanted to see the reference level stated on the label. When asked who should set the reference level, most participants preferred an organization like the Environmental Protection Agency as opposed to an environmental organization or the state's Public Utility Commission. *"Roy said the EPA, they're probably a lot stricter, too..."* said one participant. Responded another, *"Plus the EPA has taken into consideration these acid rain gases and toxics and particulates and greenhouse gases in setting their reference points as to what's good and what's bad."*

When probed, many of the participants said they would like the reference level to be set regionally instead of nationally because different regions of the country can have different pollution problems. Said one man, *"I think the emissions facts on B are kind of interesting, at least to know regional averages. I wouldn't say instead of C but in addition to. I don't know that it would be too much information. That way you would have an idea of the region, you know, what is the biggest thing, what is acid rain or greenhouse gas and relate that to this."*

In terms of measuring emissions with respect to a reference level, focus group participants in general preferred a percent difference display (deviations from the reference level measured in percentage terms) over an actual difference display (deviations from the reference level measured in terms of g/kWh). A few would be satisfied comparing the numbers for each attribute across competing suppliers, even if they could not determine the significance of the data. A few participants suggested text displays instead of numbers or percentages (e.g., high, medium, low or safe, warning, dangerous). Others preferred the idea of one number summarizing the emissions quality, somewhat analogous to the air quality index, pollen count or forest fire danger information provided by the news media.

When asked to choose between Fuel Facts and Emission Facts, most participants said they preferred the Fuel Facts, though they said they would prefer to have both sets of information. Finally, in terms of presentation, almost all focus group participants preferred the graphical presentation of the fuel and emission facts panels (Fuel Facts as a pie chart and Emission Facts as a bar chart).

E. Reactions to supplier versus product displays

The product versus supplier labeling discussion was somewhat inconclusive. There were two issues explored. 1) Was it believable that one company might offer different products? 2) Which perspective did the participants prefer, information about the product or brand they were purchasing, or information about the entire company?

Some participants understood the ability of suppliers to differentiate products and they understood that it was a bookkeeping matter. Others seemed to understand that the ability to choose products would somehow change the overall fuel mix in the pool. However, others did not understand these ideas and felt that it is technically impossible to differentiate products when all the electrons were pooled. *"The question in my mind,"* was a typical comment, *"is how are – you're saying I can give electricity to Massachusetts from three different suppliers or generators, right? In Massachusetts, how is she going to get exactly what she wants and I get what I want?"* The ability for focus group participants to understand the differentiation of products of one company became easier when the products were sold in different areas of the country. Participants became more confused if the products were sold in the same area, but they did not question the ability of one company to distinguish its product from the product of another company selling in the same area.

Given the confusion over how a company could offer different products, the focus group participants were split on the issue of whether they would prefer supplier or product labeling; some participants wanted product labeling, such as the woman who said, "*Well, I can't control what other people are doing, but at least I can have an option, you know.*" Others preferred supplier labeling so that the firm could not misinform the consumer as to their 'greenness.' *"I want to know what the company does,"* said a proponent of this view. In general, the product versus supplier discussion either trailed off without resolving the issue or the group would default with the suggestion that both the product and supplier information be presented.

F. Other information desired

The last two focus groups were asked to suggest other desirable information for informed decision-making. Before a list of possible additional information was handed out, participants said they would like more information about who the suppliers are, such as where they are located and how long they have been in business. Again, information about the other (non-generation) costs, even if fixed by regulators, was mentioned.

When the additional list was given to them or read to them, there were generally positive responses to some and mixed responses to others. In one group, participants were asked to list th: top three items. Although the specific answers varied considerably, they can be grouped into several types of information (not in any order of importance):

- price and price variability
- customer satisfaction or complaints
- environmental factors (e.g., hazardous waste sites, environmental violations, NRC 'watch list')
- consumer rights of appeal in contract or billing disputes
- company information such as years in business

One person labeled these data items as *"'nice to know,' not 'need to know.'"*

Finally, the groups were asked how much information they really wanted. Responses included:

- a booklet is fine
- a prospectus
- two pages at most

IV. Conclusions

Without standardized information, consumers were unable to make meaningful comparisons across suppliers. New Hampshire participants who did not have standardized information presented to them as part of the pilot program stated that they were frustrated and confused with the marketing exercise. When standardized information was included as part of the pilot program, the Massachusetts participants found the task much easier, feeling little confusion or frustration, although they noted that only the green options presented generation mix/profile and they felt that all options should show this information.

In general, price was the most important attribute to participants and sign-up incentives were the least important. Given the relative importance, it is not surprising that most participants wanted more detailed price information. Participants were particularly insistent on wanting prices presented in a way that allowed them to determine their unique cost.

Some participants were very interested in environmental attributes. Even those that stated that environmental attributes were not very important to them said that a presentation of these attributes would be useful. Most participants preferred the Fuel and Emission Facts information to the environmental certification statement. Reference levels were seen as important to the Emission Facts displays; without some interpretation participants felt the information was meaningless to them. Graphical displays of the environmental information were preferred over table formats.

Other information that participants felt would be nice to know included information about the supplier company, the supplier's customer satisfaction record, customer recourse in case of disputes, and additional price and environmental information.

APPENDIX B

Electric Industry Restructuring Plan: Model rules and Legislative Proposal,
Massachusetts D.P.U. 96-100 (December 30, 1996)
Appendix F: Standards of Conduct

APPENDIX F

220 CMR 12.00 STANDARDS OF CONDUCT FOR DISTRIBUTION COMPANIES AND THEIR COMPETITIVE AFFILIATES [FROM D P U 96-44]

Section

12 01 Purpose and Scope

(1) Purpose. 220 C.M.R. 12.00 sets forth the Standards of Conduct governing the relationship between a Distribution Company and its unregulated Competitive Affiliate transacting business in Massachusetts.

(2) Scope. 220 C.M.R. 12.00 applies to all Distribution Companies and their Competitive Affiliates. 220 C.M.R. 12.00 is not intended to supersede existing applicable law and regulations.

12.02 Definitions

(1) Antitrust Laws are federal and state statutes, including the Sherman Act, 15 U.S.C. §§ 1-7, the Clayton Act, 15 U.S.C. §§ 12-27, and the Massachusetts Antitrust Act, G.L. c. 93, §§ 1-14A, which were designed to protect trade and commerce from unlawful restraints, undue price discrimination, certain forms of concerted behavior such as price fixing, and monopolization.

(2) Competitive Affiliate refers to (i) any "affiliated company," as defined in G.L. c 164, § 85, or (ii) any unit or division within a Distribution Company or its parent, or (iii) any separate legal entity either owned or subject to the common control of the Distribution Company or its parent, and such affiliate company, unit or division, or separate legal entity engages in the selling or marketing of natural gas, electricity, or related services on a competitive basis, including, but not limited to, natural gas or electric supply or capacity, and demand-side management.

(3) Department refers to the Department of Public Utilities

(4) Distribution Company refers to a natural gas local distribution company or electric company that provides distribution services under the jurisdiction of the Department

(5) Employee refers to an officer, director, employee or agent who has specific knowledge of, or direct access to, information not otherwise available to Non-affiliated Suppliers that could provide a Competitive Affiliate with an undue advantage

(6) Non-affiliated Supplier refers to any entity, including aggregators, engaged in marketing, brokering or selling natural gas, electricity, or related services to retail customers where such product or service is also provided by a Competitive Affiliate

12.03 Standards of Conduct.

(1) A Distribution Company shall apply tariff provisions in the same manner to the same or similarly situated entities if there is discretion in the application of the provision.

(2) A Distribution Company shall strictly enforce tariff provisions for which there is no discretion in the application of the provision.

(3) A Distribution Company shall not, through a tariff provision or otherwise, give its Competitive Affiliate or customers of its Competitive Affiliate preference over Non-affiliated Suppliers or customers in matters relating to any product or service

(4) If a Distribution Company provides its Competitive Affiliate, or customer of its Competitive Affiliate, any product or service other than general and administrative support services, it shall make the same products or services available to all Non-affiliated Suppliers or customers on a non-discriminatory basis

(5) A Distribution Company shall not offer or sell electricity or natural gas commodity or capacity to its Competitive Affiliate without simultaneously posting the offering electronically on a source generally available to the market or otherwise making a sufficient offering to the market

(6) If a Distribution Company offers its Competitive Affiliate, or a customer of its Competitive Affiliate, a discount, rebate or fee waiver for any product or service, it shall make the same available on a non-discriminatory basis to all Non-affiliated Suppliers or customers

(7) A Distribution Company shall process all similar requests for a product or service on a non-discriminatory basis

(8) A Distribution Company shall not condition or tie the provision of any product, service or price agreement by the Distribution Company to the provision of any product or service by its Competitive Affiliate

(9) A Distribution Company shall not release any proprietary customer information without the prior written authorization of the customer Initial voice authorization will satisfy this requirement where the Distribution Company obtains subsequent written confirmation within thirty (30) days

(10) To the extent that a Distribution Company provides a Competitive Affiliate with information not readily available or generally known to any other marketer or supplier, the Distribution Company shall make that information available on a non-discriminatory basis to all Non-affiliated Suppliers transacting business in its service territory This provision does not apply to customer-specific information obtained with proper authorization, information necessary to fulfill the provisions of a contract, or information relating to the provision of general and administrative support services.

(11) A Distribution Company shall refrain from giving any appearance of speaking on behalf of its Competitive Affiliate in any and all contacts or communications with customers or potential customers The Distribution Company shall not represent that any advantage accrues to customers or others in the use of the Distribution Company's services as a result of that customer or others dealing with the Competitive Affiliate The Distribution Company shall not engage in joint advertising or marketing programs of any sort with its Competitive Affiliate, nor shall the Distribution Company promote or market any product or service offered by its Competitive Affiliate

(12) If a customer requests information about Non-affiliated Suppliers, the Distribution Company shall provide a current list of all Non-affiliated Suppliers operating on the system or registered with the Department, including its Competitive Affiliate, but shall not promote its affiliate The list of Non-affiliated Suppliers shall be in random sequence, and not in alphabetical order The list shall be updated every sixty (60) days to allow for a change in the random sequence

(13) Employees of a Distribution Company shall not be shared with a Competitive Affiliate, and shall be physically separated from those of the Competitive Affiliate The Distribution Company shall fully and transparently allocate costs for any

shared facilities or general and administrative support services provided to the Competitive Affiliate

(14) A Distribution Company and its Competitive Affiliate shall keep separate books of accounts and records which shall be subject to review by the Department in accordance with the provisions of G L c 164, § 85

(15) The Department may approve an exemption from the separation requirements of 220 C M R 12 03(13) upon a showing by the Distribution Company that shared employees or facilities would be in the best interests of the ratepayers and have minimal anticompetitive effect, and that the costs can be fully and accurately allocated between the Distribution Company and its Competitive Affiliate Such exemption shall be valid until such time that the Department determines that modification or removal of the exemption is necessary

(16) A Distribution Company shall establish and file with the Department a dispute resolution procedure to address complaints alleging violations of 220 C M R 12 00 Such procedure, at a minimum, shall designate a person to conduct an investigation of the complaint and communicate the results of the investigation to the claimant in writing within 30 days after the complaint was received, including a description of any action taken and the complainant's option to complain to the Department if not satisfied with the results of the investigation

(17) A Distribution Company shall maintain a log of all new, resolved and pending complaints alleging violations of 220 C M R 12 00 The log shall be subject to review by the Department and shall include, at a minimum, the written statement of the complaint and the resolution of the complaint, or the reason why the complaint is still pending

(18) Any wanton or willful violations of 220 C M R 12 00 shall result in a penalty that reflects the actual or potential injury to ratepayers and the gravity of the violation

(19) Nothing in 220 C.M R 12 00 shall be construed to confer immunity from state and federal Antitrust Laws Sanctions for violation of 220 C M R 12 00 do not affect or pre-empt antitrust liability but rather are in addition to any antitrust liability that may apply to the activity

(20) Notwithstanding any other provisions in 220 C M R. 12 00, in emergency circumstances, a Distribution Company shall take any actions necessary to ensure public safety and system reliability A Distribution Company shall maintain a log of all such actions, subject to review by the Department