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**Recommendations for Development of a
Consumer Education Program
about Electricity Retail Access**

**Submitted by the
Consumer Education Advisory Board
on Electricity Retail Access**

**to the
Maine Public Utilities Commission**

October 2, 1997

MEMBERS OF THE CONSUMER EDUCATION ADVISORY BOARD ON ELECTRICITY RETAIL ACCESS

The Legislature directed that the Maine Public Utilities Commission establish the Advisory Board with representation from each of the five broad categories identified below.

Chairman, Consumer Education Advisory Board:

Representative Donald P. Berry, Sr. * #

House District 109, Maine House of Representatives

Residential Consumer:

Eric Bryant *
Counsel
Office of the Public Advocate

Debbie Burd
Executive Director
Western Mountains Alliance

John Knox
Residential Consumer and
Retired Communications Professional

Pat Kosma
Community Services Director
Kennebec Valley Community Action Program

John Marvin
Maine Council of Senior Citizens

Commercial Consumer:

Ellie Bickmore
Executive Director
Maine Grocers Association

Carla Dickstein
Senior Development Officer
for Policy & Research
Coastal Enterprises, Inc.

Industrial Consumer:

Dan Dauphinee
Operations Manager
Northeastern Log Homes, Inc.

Electric Industry:

Dan Allegretti
Director, Governmental Affairs
ENRON Corp.

Geoffrey Green
Manager, Revenue Operations
Central Maine Power Company

Chet Oiler
Manager
Kennebunk Light & Power District

Public Agency:

Laurie Lachance
State Economist
Maine State Planning Office

Matt Thayer
Director, Consumer Assistance Division
Maine Public Utilities Commission

*** Eric Bryant, listed under "Residential"**

*** Rep. Berry, listed under "Chairman,
Consumer Education Advisory Board"**

Representative Berry was elected as Chairman by the Advisory Board at its first meeting, 7/31/97.

***Consumer Education Advisory Board
on Electricity Retail Access***

October 2, 1997

Chairman Welch, Commissioner Nugent and Commissioner Hunt
Maine Public Utilities Commission
242 State St.
August, ME 04333-0018

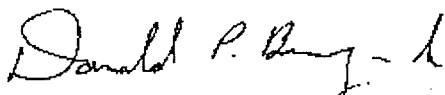
Dear Commissioners:

We are pleased to submit our recommendations for development of a consumer education program for electricity retail access. We submit our recommendations to you pursuant to our charge in L.D. 1804, "An Act to Restructure the State's Electric Industry." The Maine Legislature, in L.D. 1804, asked us to investigate and recommend methods to educate the public about the implementation of retail access and its impact on consumers, and to report our findings to you for your consideration in development of the PUC's consumer education rule.

We strongly recommend development of an integrated consumer education program to inform consumers of the many upcoming changes in the electric industry. The program should also provide consumers with a neutral source of information so they may make informed electricity supply purchasing decisions.

We believe that the consumer education program will be the means by which most residential and small commercial consumers will learn objective information about regulatory changes to the electric industry, and the significance of those changes to them.

Sincerely,

A handwritten signature in dark ink, appearing to read "Donald P. Berry, Sr." with a stylized flourish at the end.

Rep. Donald P. Berry, Sr.
Chair
Consumer Education Advisory Board

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I. Executive Summary

We, the Consumer Education Advisory Board on Electricity Retail Access, submit this report to the Public Utilities Commission (PUC) to fulfill the Legislature's charge in L.D. 1804, "An Act to Restructure the State's Electric Industry." L.D. 1804 restructures the electric utility industry, effective March 2000, by separating electricity generation and sales from transmission and distribution functions in many Maine utilities. As a result, Maine consumers will be able to purchase electricity from competing retail providers, a concept known as "retail access." Transmission and distribution services will continue to be provided by monopoly utilities.

The Legislature recognized the need to educate Maine consumers about the upcoming changes in the electricity industry and the new ways that consumers may purchase electricity in the future, and mandated creation of the Consumer Education Advisory Board on Electricity Retail Access. The Legislature directed the Board to advise the Commission on development of a consumer education rule, and created the Board, in part, to "investigate and recommend methods to educate the public about the implementation of retail access and its impact on consumers."

The Legislature charged the Board with making recommendations in several specific areas, some of which are summarized below. Complex or detailed recommendations follow in this report.

- **Program Goals:**
 - Increase consumer awareness of retail access and related issues
 - Facilitate informed consumer decision-making . . .
 - Provide an objective and credible source of information for consumers
- **Core Messages:** see "*Core Messages for Education*," beginning on p. 3.
- **Target Audience:**
 - residential consumers, including "hard to reach" consumers such as low income, elderly, lesser educated, and rural consumers;
 - commercial consumers, including municipal consumers;
- **Program Objectives:** develop measurable objectives against which program performance can be assessed, and to assist with program implementation and evaluation;
- **Means of Education:** use complementary educational methods in an integrated fashion;
- **Administrator:** the PUC, with assistance from a communications contractor;
- **Timeframe:** at various levels of intensity, from September 1998 to January 2001;
- **Authorized Funding Level:** \$1.6 million (this sum takes into account the complexities of the process by which, and timing when, authorized funding can be adjusted to respond to conditions that may require an increase in program intensity or duration);
- **Funding Source:** be funded by fees assessed on competitive electricity providers, and, to the extent that this funding source is not workable or adequate, funded by customers of transmission and distribution companies through a separate charge on customer bills.

We also recommend the PUC begin the contractor Request for Proposal process in February 1998, and hold a public proceeding to approve the education program *plan* in mid-1998.

II. Goals of Educational Effort

We recommend that the consumer education program (CEP) have at least the following goals:

- **Increase consumer awareness of retail access and related issues**
- **Facilitate informed consumer decision-making thereby achieving customer-preferred outcomes**

The definition of “informed” should be left to individual consumers as they consider whether they feel they have made informed decisions, and is envisioned as a neutral and inclusive term. “Informed” may include securing better electric rates, buying “greener” power, knowing about and contracting with aggregators, etc.

- **Provide an objective and credible source of information for consumers**

III. Core Messages for Education

As requested by the Legislature, we identify below the aspects of retail access about which consumers need education. We then recommend six core messages for the consumer education program (CEP) based on the list of aspects of retail access, messages that we believe consumers will want and need to know. We strongly recommend that the CEP deliver information on the core messages, not just on particular aspects of retail access or the mechanics of buying power in a restructured market. It is equally important for consumers to understand why these changes are happening and why they should care, as it is for them to know how to participate most effectively in a competitive market.

A. Aspects of Restructuring

Consumers will need education on at least the following *aspects* of restructuring: competitive generation and choice; regulated distribution; system reliability;¹ aggregation; standard offer service; itemized billing (referred to in L.D. 1804 as “unbundling”); stranded costs; uniform information disclosure; low income bill payment assistance programs; renewable/alternative energy; energy efficiency; the “Do-Not-Call” List; and the timeline for competition.

B. Core Messages

We propose *core messages* for the education effort, which at this point weave in many, but not all, aspects of restructuring about which consumers need education, as indicated below:

1. Why is Restructuring Occurring?

- What’s in it for me?
 - Choice of suppliers
 - Aggregation
- Potential benefits
 - Choice in energy supply (“green” energy)
 - Lower prices
 - Less reliance on regulation

2. Structure of the Industry

- Flow of Electrons (could use a “swimming pool” analogy as suggested below)
- Separation of generation from transmission and distribution services

¹ Education about system reliability is important; reliability is the most important issue for Maine consumers, just ahead of low rates, according to the PUC’s 1996 electric restructuring consumer survey.

3. Choice/Change is Coming

- Generation price
(This message could be in part: “Generation prices may change. The market will determine the prices available to you; you will determine the price you pay”)
- Marketing is coming -- Inform yourself, know your choices.
Uniform information disclosure would help, if adopted.
Working with telemarketers / “Do-Not-Call” List
- Standard offer -- There will be a change *even* if you do nothing.²
- Reduced/alternative regulation of suppliers
- How to purchase power in a competitive marketplace³

4. Reliability

- System reliability will be maintained at the distribution end by local transmission and distribution companies and their poles and wires and bucket trucks, under continued state regulation of these utilities.

5. Timeline for Retail Access

- Itemized billing (in statute referred to as “Unbundling”)
- Choice day (the first day of retail access, March 1, 2000)

6. Who to Call for More Information

- The PUC

² All customers who do not select a competitive provider will be placed on the Standard Offer.

³ This message addresses the process for purchasing power from competitive providers and the standard offer (and should address aggregation), how to purchase power wisely (how to compare offers and what to consider when you do), how to read your bill, and basic consumer rights.

C. Other Recommendations about Messages

The “Price” Message. The message on electricity “price” must be handled very carefully. We should avoid a core message about the overall price under restructuring because at this point no one can determine whether the price will be lower for consumers than it is today. While lower electricity prices are a potential benefit, they are not guaranteed. Another challenge with the “price” message is that it may be difficult to determine unit costs for electricity in a way that is useful for consumer decision making. Any core message about price should focus strictly on the energy component and should advise consumers to follow methods recommended in the CEP to obtain the lowest cost electricity provider for their needs. Itemized billing (referred to in the statute as bill “unbundling”) and uniform information disclosure, if adopted, will help with education on price.

“Flow of Electrons” Message. Consumers will need understandable information on how the electric system actually works to understand their new role in purchasing generation. We believe a “swimming pool” analogy may be the best foundation for communication about system basics.⁴

“Itemized billing” Message. In order to help minimize consumer confusion, we recommend that bill “unbundling” be referred to as “itemized billing.” The term “itemized billing” will be more easily understood by consumers.

Bumps in the Road. We recommend that consumers be made aware that if initial bumps are anticipated in the road as retail access is implemented, they not interpret what can be determined to be only implementation hiccups as permanent conditions of retail access.

We recommend these core messages with the recognition that developing core messages is a large undertaking that will require additional attention by the communications professionals who help to design and implement the CEP. Consumer-based research methods including focus groups should be used to ensure that these proposed messages are those that will be most helpful for consumers, and to fine-tune the messages.

⁴ The “swimming pool” analogy is as follows:

The electric power grid is like a swimming pool. The poles and wires are analogous to the pool. Suppliers of electricity can be thought of as pumps pouring water into the pool, and each customer has a tap to draw water out. The poles and wires will remain a natural monopoly because it is too expensive to build a new grid. But you can pay the supplier of your choice to put power into the pool for you, even though the power you use may not physically come from that supplier. You can choose, in your selection of energy provider, which pump you want turned up, and can send signals (e.g., regarding the importance to you of “green” power, or of your desire to buy Maine products) to the marketplace by your selection of a provider.

D. Message Development and Delivery

Tailor the messages. The core messages, aspects of retail competition about which consumers need education, and delivery media should be tailored to the various customer classes, so that residential, small business, low income consumers, and others, get the information they need to make a choice that meets their specific needs.

Raising expectations. In general, we recommend that any core messages, especially for topics as important to consumers as price, avoid raising expectations at the outset, in order to avoid disappointing consumers.

Deliver in progression. We recommend that messages be delivered in a progression. Because we recommend a CEP lasting about two years, starting a year and a half prior to retail access, there is time to provide information in a progression so that consumers can absorb it and gain an increased understanding of retail choice. We recommend, however, that the bulk of the activity take place just before, and when, the consumer is actually presented with a supplier choice.

IV. Target Audiences

The Legislature charged us with making recommendations for an “adequate” consumer education program. To meet our charge, we must first define “adequate.” We define an “adequate” program ideally as one designed to reach *every* Maine consumer in the target audiences identified below. While it is not practicable to reach *every* consumer, we recommend that the PUC design the CEP to aim to reach all consumers, including those who may not be easily reached through traditional channels.

Residential consumers, including “hard to reach” and “special needs” consumers. We recommend that the CEP target residential consumers including “hard to reach” consumers, such as low-income consumers, senior citizens, disabled consumers, the illiterate or functionally illiterate, and residents who do not speak English or for whom English is not their first language. These consumers have educational needs different than those of other residential consumers and which should be accommodated in design of the CEP. Some of these consumers also spend a much greater portion of their limited household income on energy costs.

Small commercial consumers, including municipal consumers. We recommend that the CEP target small commercial consumers, including municipal consumers. We do not have a specific recommendation on how “*small* commercial” should be defined. We believe that all commercial customers should be targeted that are *not* apt to see the clear financial incentive or have the wherewithal to, on their own initiative, research the changes in the market necessary to make informed decisions. Some Board members feel this may mean that all but major industrial consumers should be targeted, since only these large customers clearly have the economic incentive and financial resources to research their options. To the extent a “bright line” is meaningful and needs to be drawn between commercial customers based on size to better define the target audience, we suggest that it may be appropriate for this purpose to define “*small* commercial” based on the number of employees.

While some residential consumers may be very effectively reached by the CEP through their education as commercial customers, the opposite may not be true, and a specific component for educating commercial consumers should be developed. In fact, we believe that residential consumers who make energy purchasing decisions for their commercial accounts may be more effectively reached through education aimed at them as commercial consumers because the potential savings on their commercial bills may be large enough to lead these consumers to want to learn about retail access issues. These consumers may then apply what they learn in energy shopping decision for their businesses to their residential purchasing decisions.

V. Challenges and Opportunities

Retail access is a complex subject and may be what is known as a “low-interest, low involvement” issue. “Low-interest, low involvement” issues are the most challenging type of issues to raise public awareness of and interest in, and around which to encourage active decision-making. The experience or skepticism of some consumers with deregulation in other industries, including banking, airlines, and telecommunications, will also make the educational effort more challenging.

The extent of consumer education on retail access will affect how well implementation of retail access goes, and the extent to which consumers feel enfranchised. Through the CEP, consumers will have a greater opportunity to become informed before implementation of retail access, and a real opportunity for access to unbiased information during implementation. We may therefore avoid the consumer experience (and disenfranchisement) that occurred during the deregulation of the “phone” industry in the 1980s, which had no similar consumer education effort.

VI. Communications Objectives

Establish measurable communications objectives for aided and/or unaided awareness. We recommend the PUC establish communications objectives to measure program effectiveness and provide a basis for increasing, decreasing or redirecting resources during implementation, as necessary. Establishment of objectives is important especially given the challenge of educating the public about a “low interest, low involvement” issue; messages and strategies may need modification during program delivery, but it is only with monitored results that CEP implementors will know what needs to be refined.

Objectives should be set for either, or both, achievement of aided and/or unaided awareness. Aided awareness is the level of awareness consumers display when asked by an interviewer about their knowledge of an issue and when provided some assistance through the use of lead-in questions. Unaided awareness is the level of awareness consumers display when *not* asked any lead-in questions that provide specific information.

We recommend that the PUC attempt to establish other measurable objectives for monitoring the CEP’s success, modifying the program, and assessing ultimate program success.

Evaluate CEP effectiveness by monitoring attainment of communications objectives. The PUC should evaluate CEP effectiveness using periodic surveys of awareness levels, and any other communications objectives, so the program’s messages, level of intensity, and target audiences can be refined during program implementation. Meaningful refinement is possible based on results of initial and periodic follow-up surveys. A final survey should be done to assess overall program effectiveness.

We recommend that the PUC set target levels with reference to results in other education efforts in other industries or areas of the country, to the extent such results are available and relevant for this education program. Other such programs include the California retail access CEP, and the California Caller ID consumer education program.

VII. Most Effective Methods of Education

A. General Recommendation

Implement a CEP that uses complementary educational tools in an integrated fashion. We recommend that a variety of consumer educational tools be used. Our review of educational techniques suggests that many means of education are complementary, and that when used in an integrated fashion as recommended below, can be very effective. We recommend that the program include, but not be limited to, the following means of consumer education in an integrated fashion:

- media coverage (free) as a result of press releases, other press outreach, etc.
- advertisements and reduced-rate public service announcements on TV, radio, newspaper, and possibly other media
- education delivered by Community-based Organizations (CBOs)
- informational brochures, fact sheets (including effective distribution)
- restructuring newsletter⁵
- direct mail and perhaps bill inserts
- information clearinghouse at PUC
- Internet / World Wide Web Homepage
- speakers' bureau
- outreach to (and by) opinion leaders
- outreach through large employers
- public meetings
- workshops for consumers, or particular groups of consumers
- toll-free 800 hotline for questions
- New England uniform information disclosure (if all New England states adopt it)

We provide more detail on the recommended techniques and their components in our discussion of the funding level necessary for the educational program.

Complementary nature of techniques. We believe that many of these educational techniques are complementary because they reinforce one another in reaching consumers and increasing consumer understanding. Some techniques raise general awareness, other techniques promote the deeper understanding and assurance about processes and tools for making choices that is necessary for informed decision-making, while others raise awareness among and provide detailed information to "harder to reach" consumers. The integrated approach also allows for delivery of messages in a "multimedia" fashion, which we believe many people find improves

⁵ The newsletter could be directed to key community influencers such as legislators, town and county officials, other community leaders, residential and business consumer advocates, etc., and issued one or more times before and during implementation of retail access.

their level of understanding. We therefore believe these techniques are especially effective when used in an integrated and simultaneous fashion.

The California and Vermont CEPs are based on a similar concept of consumer outreach in which progressively deeper levels of understanding are achieved through simultaneous use of complementary methods in an integrated approach. The California PUC's approach, as articulated by their CEP communications contractor,⁶ is as follows:

<u>Level of Education</u>	<u>Method of Education</u>
Awareness -- widespread knowledge that some changes are coming	Mass Media (news coverage and public service announcements)
Understanding -- knowledge of some of the substance and details of changes	Brochures, Direct Mail
Assurance -- the even greater depth of knowledge and assurance regarding particular concerns that comes from interactive communication	800 number, Internet / e-mail
Acceptance -- helps to reach consumers generally, and especially "hard to reach" and "special needs" consumers who either have not heard or not paid attention to the changes, to understand and accept the changes, and provides them with tools they need to make informed decisions	Community-based Organizations

B. Selected Core Elements

Adopt Advertising and Public Service Announcements as a core component. Advertising is an important means for raising widespread consumer awareness that retail access is coming and that additional information on the changes is available. We believe advertising is an important component of an integrated CEP. Some education on specifics and "how to's" of retail access may be done through advertising and public service announcements, but a significant focus of advertising should be on raising basic awareness that changes and choice are coming.

We note that there is an important distinction between advertising that is for marketing as opposed to educational purposes. Advertising by competitive providers (marketing) should not be considered a substitute for CEP-sponsored educational advertising. Marketing is designed to elicit particular responses from consumers, whereas education is designed to provide consumers with neutral or unbiased information. We are concerned that, as New Hampshire consumers

⁶ DDB Needham Worldwide Communications Group, Inc.

found, marketing may be unfair or deceptive,⁷ and believe that educational advertising is an important component of the CEP.

Maintain a Toll-free 800 Consumer Hotline. A toll-free 800 consumer hotline should be another core aspect of the CEP. Many consumers will both want and need an opportunity to receive information from and interact with a neutral information provider. The Board recommends that the toll-free hotline be housed at and staffed by the PUC.

Adopt education by Community-based Organizations (CBOs) as a core component. We recommend that a core component of the CEP be direct education of individual consumers by community-based organizations (CBOs). CBO's are membership-based or service-oriented organizations such as Rotary Clubs, Chambers of Commerce, and Community Action Associations. Adult basic education and similar programs should also be considered CBOs for the purpose of providing consumer education under the CEP.

We believe that CBOs are often seen as highly credible by those in their service areas and often have ready access to their members and/or the communities they serve, important characteristics that CBOs can bring to the consumer education effort. California, Pennsylvania, Colorado and possibly other states have previously used CBOs in utility-related consumer education efforts. California and Vermont both include outreach by CBOs as important components of retail access consumer education. This approach makes sense, and we recommend that the Commission design a strong CBO outreach component into the program. We emphasize the importance of compensating CBOs for their work for the CEP; many CBOs have limited financial resources and are not in a position to conduct pro-bono outreach and education for the CEP. As part of development and implementation of the CEP, the PUC will need to determine the appropriate level of compensation for individual CBOs.

We recommend that the PUC pay careful attention to the process for soliciting the interest and involvement of CBOs. Some Board members who have experience working with CBOs note that "Request for Proposal" based funding mechanisms may be administratively burdensome for many smaller non-profits. Proposals in response to RFPs can be sufficiently time consuming and difficult to prepare that a process that is administratively manageable for smaller nonprofit CBOs should be developed to ensure interest by these organizations. Direct grants are one way to administer support. The Commission should develop a method when contracting with CBOs that ensures deliverables are produced and that CBOs are held accountable for their work. The ability to assist in this effort should be a criterion in contractor selection.

Adopt uniform information disclosure, on a New England-wide basis, as a method of consumer education. We recommend that the Commission continue to explore development of

⁷ One-third of New Hampshire residents who participated in a recent survey of their experience with electric competition reported that competitor-sponsored advertising was unfair or deceptive. Middle-aged and higher income respondents were more likely to express concern about unfair advertising. (Source: New Hampshire PUC Electric Competition Pilot Program Survey Report.)

New England-wide uniform bill disclosure standards and formats. The New England states have expressed interest in adopting a uniform billing disclosure for bills issued by all generation providers. The uniform disclosures could cover generation price, consumption, contract commitments, fuel mix, and associated air emissions.

We feel that disclosures would serve as an important source of consumer information. Uniform billing disclosures could facilitate the comparison of purchases made from various generators. We recommend that, if a format is agreed upon by the New England states, the Commission adopt this standard for Maine. We expect that uniform billing disclosures can be one of the most cost-effective methods for educating consumers, and if a New England-wide disclosure format is adopted, that CEP funding might be able to be reduced, as determined appropriate by the PUC.

Include Program Research, Monitoring and Evaluation. We recommend that the CEP have a strong research component to ensure the program is based on sound information about its target audiences and that messages have been fine-tuned through consumer-based research techniques such as focus groups. Monitoring and evaluation should be done during implementation, perhaps every 3-4 months, to ensure that the program is meeting its objectives and to allow for informed refinement of messages or possible resource reallocation amongst educational methods. Program evaluation should be done at the end of the program to assess its overall effectiveness, and to provide a basis to inform the design of any future consumer or social education programs the State may wish to undertake. Surveys conducted as part of this research and evaluation effort might be done in omnibus surveys if it would be more cost-effective. Program research, monitoring and evaluation should be one of the issues raised in the Request for Proposals.⁸

We provide additional recommendations on the CEP in Section XI, on page 24.

⁸ Responses to the RFP should include the names and qualifications of any subcontractors that will be involved in the project, e.g. advertising agencies and marketing research firms.

VIII. Entities to Conduct the CEP

We recommend that the Commission conduct the education effort, and that it hire a professional communications contractor to assist it in design and implementation of the CEP. Consumer education is a communications project that would benefit from the involvement of a communications contractor.

The Commission should seek the advice of experts, if a proposal by a contractor involves areas in which the Commission does not have expertise on staff, to aid the Commission in evaluation of competing proposals.

We also recommend the Commission consider forming an advisory board to assist it in implementing the CEP. The group should have broad-based representation including from CBO's, media, opinion leaders, and consumers. The proposed board should also include communications managers from transmission and distribution utilities to promote uniform messages and coordinated delivery should any of these utilities conduct independent outreach in their service territories while the CEP is in operation.

IX. CEP Timeline

A. Program Phases

We recommend four phases to the consumer education program:

Phase I	Program Research and Development	May '98 - Aug '99
Phase II	Implementation for Itemized Billing	Oct '98 - Mar '99
Phase III	Implementation for Retail Access	Sept '99 - Sept '00
Phase IV	Post-program Follow-up	Oct '00 - Mar '01

Phase I is the research and development necessary ensure the program is based on sound information about its target audiences and that messages have been fine-tuned through consumer-based research techniques such as focus groups. Phase II will educate consumers about upcoming changes with the implementation of competition and will use the introduction of itemized billing as a vehicle for raising consumer attention. Phase III will continue the effort begun in Phase II, starting six months before implementation of retail access, and will address special issues as competition begins, such as confusion in the event of misleading marketing. Phase IV involves responding to telephone inquiries by consumers and working with the media.

The program will be monitored against predetermined objectives during phases II, III and IV to determine degree of success and help inform decisions about needed refinements. The RFP should require recommendations from potential contractors about the number, timing, and sample size of surveys. A benchmark survey should be conducted during Phase I.

B. Getting the Program Going

The Commission-approved CEP Plan should be in place by early August 1998 to allow project implementation to begin in Autumn 1998. With the need to select the contractor, develop a proposed CEP Plan, and possibly have a proceeding to receive public comment on the proposed CEP Plan, all by early August 1998, the Commission needs to initiate the RFP process in February 1998.

X. Funding Level and Appropriate Funding Sources

A. Recommended Funding Level

To our knowledge, the Maine Commission is the only commission that will likely establish a cap on funding for the CEP in an agency rule that requires approval by, and more importantly may only *be amended* with approval from the Legislature, rather than simply in an Order by the Commission.⁹ This situation influences our recommendations. The Legislature will be out of session for much of the period of implementation of the CEP, including a period when a crucial decision must be made on whether current market circumstances and marketing developments, or other factors, warrant program extension. This unusual circumstance directly affects our recommendation on the level of the funding cap that the Commission should include in the consumer education rule it submits to the Legislature, provided of course that the rule will include a funding cap.

Authorize \$1,600,000 for the CEP in the consumer education Rule. We recommend that the Public Utilities Commission authorize itself to invest up to \$1,600,000 in the Consumer Education Program, provided that the Commission includes a funding cap in the rule. Our estimated funding level for an adequate educational program is \$1,565,000; this estimate includes two contingency funds totaling \$400,000 to ensure program success in the event of unanticipated developments that may occur while the Legislature is out of session

At least three factors could affect the funding level actually necessary for the CEP. First, our estimate is based on our recommended program, as develop over the past two months. This is *not* a consumer education program *plan*; a detailed budget will be developed during development of the CEP *plan* next year, and could vary from our estimate. Second, inflation alone in the time between this estimate, and the beginning of implementation of the most active and expensive phase of the program, could add \$95,000 to the program cost.¹⁰ Third, the extent to which "unfair and deceptive" marketing practices such as those reported by New Hampshire consumers in their electric retail access pilot program are experienced in Maine, and generate confusion that the CEP should educate for or respond to, will affect program cost.

As mentioned above, the Maine PUC is the only Commission of which we are aware that is likely to establish a **cap** on program costs in a rule that may only be amended by approval from the Legislature, rather than simply in an Order by the Commission.¹¹ Because the Legislature will be out of session for much of the period of the CEP, including time when key decisions

⁹ This type of rule, known as a major substantive rule, requires approval by the Legislature before becoming effective or being amended.

¹⁰ This estimate assumes a 3% inflation rate for two years on potential program costs of \$1.6 million; the largest expenses for the CEP will be incurred two to three years from now.

¹¹ This type of rule, known as a major substantive rule, requires approval by the Legislature before becoming effective or being amended.

about program supplementation and extension must be made, the Board recommends that the Commission seek authority in the rule for contingency funding to allow it to respond to consumer needs based on results of our monitoring while the Legislature is out of session. Without this authority, the Commission may not be able to ensure that program goals and objectives are satisfied in the face of unexpected changes in consumer understanding or other important factors. While we hope that the Commission will not need to use the two contingency funds, in the amount of \$200,000 each, we recommend that the Commission reserve the authority to tap the contingency reserves to respond to unexpected but potentially high monitored levels of consumer confusion or other unexpected problems caused by misleading marketing or other developments that can not be predicted with certainty at this point.

The first contingency fund provides for supplementing the proposed CEP, if necessary, prior to the CEP's anticipated end-date of September 2000. The second contingency fund provides for extension of the CEP past the anticipated end-date, if monitoring data suggests and/or the Commission determines that an extension is warranted, and until January 2001 when the Legislature is back in session and the Commission could submit an amended rule for approval. Without the second contingency reserve, the PUC might not be able to extend the CEP, even in the face of evidence of the importance of continued education.

If a funding cap that does *not* include the contingency reserves is established in the consumer education rule approved by the Legislature, the CEP would not have funding to be extended until the Legislature returned in January 2001. This could result in a significant loss of momentum, and ground gained in terms of consumer understanding, possibly making total CEP costs higher than that if the Commission were able to continue the program uninterrupted. If program supplementation or extension is necessary, for example because of "unfair or deceptive" marketing practices such as those experienced by New Hampshire consumers in their pilot program, there might be a direct financial cost to Maine consumers for not having the necessary consumer education resources available to them during the period between when program funding runs out and when the Legislature reconvenes to consider program extension.

If the contingency funds ultimately do not need to be spent, we estimate that the level of funding for an adequate educational campaign will be \$1,165,000, at 1997 price levels.¹² We, however, recommend that for the above reasons both contingency funds be approved as recommended.

Level of Funding in Other States. The estimated level of funding in other states that have proposed or approved retail access CEPs is about \$1/resident, with the exception of California. Approved funding for the California Public Utilities Commission CEP is about \$3/resident. Based on a direct per-capita application of these estimates to Maine, the cost of the Maine CEP would be between \$1.2 million to \$3.6 million. The Board believes that for several reasons the per-capita funding for the California plan is more than that needed in Maine. The Board's own

¹² As mentioned earlier, inflation in the period between development of our estimate and expenditure of the bulk of program funding (between two to three years) could increase nominal program costs by about \$95,000, based on the \$1.6 million funding cap and assuming a 3% inflation rate for only two of the three years of the intervening period.

estimated funding level of up to \$1,600,000, or approximately \$1.30 per capita, is at the lower end of this range. While many factors influence the funding necessary for the Maine CEP, the Board found in its review of other states' plans that its own proposal is in the same "ballpark" as plans in other states.

We believe that our recommended funding level of \$1.6 million is reasonable especially considering the potential savings and other benefits that we expect an educated consumer may realize over a consumer who is less-well informed about available options and changes in the marketplace.

Flexibility for the Commission. We recommend that the Commission retain the authority to reallocate resources amongst individual educational techniques as appropriate, in design of the detailed CEP plan. The recommended funding level is for the overall, integrated CEP. In calculating the overall funding, we identified estimated funding levels for individual educational techniques. We note that while the recommended techniques and the level of funding associated with individual techniques certainly reflects our view of the relative emphasis that should be placed on individual techniques, our intent is not to suggest that the Commission's hands be tied with respect to the funding of individual techniques.

We note that we have recommended that interested consumers have the opportunity to comment on the Commission's CEP in a proceeding to adopt a CEP Plan next year, which will provide the public with an opportunity to comment on resource reallocation.

Other Funding Issues. We recommend that a toll-free consumer information hotline be a core component of the integrated CEP, and recommend that the hotline be housed at and staffed by the PUC. Funding for PUC hotline staff is not included in the CEP budget. The PUC will need to ensure that adequate staffing is provided to ensure live call answering for callers to the retail access hotline.

**Summary Recommendation -- Level of Funding
Electric Competition Consumer Education Program**

<u>Preprogram Implementation</u>	<u>Feb '98-Sept '98</u>	<u>PUC funded</u>
Seek Legislative Approval of Consumer Education Rule		
Prepare RFP		
Select contractor		
Conduct proceeding to approve detailed Plan		
<u>Phase I: Design</u>	<u>May '98-Aug '99</u>	<u>\$86,000</u>
Planning	May '98-Dec '98	\$5,000
Research; Establishment of Benchmarks	Jan '99-Mar '99	\$31,000
Comprehensive Program Design and Feedback	April '99-Aug '99	\$50,000
<u>Phase II: Implementation of Itemized Billing</u>	<u>Oct '98-Mar '99</u>	<u>\$22,000</u>
Media Relations	Oct '99-Mar '00	\$12,000
Opinion Leader Communications	Oct '99-Mar '00	\$10,000
<u>Phase III: Implementation of Retail Access</u>	<u>Sept '99-Sept '00</u>	<u>\$1,257,000</u>
Media Relations	Sept '99-Sept '00	\$36,000
Advertising	Feb '00-May '00	\$424,000
Opinion Leader Communication	Jan '00-Sept '00	\$20,000
Community Relations	Jan '00-Sept '00	\$277,000
Outreach by Community Organizations	Jan '00-Sept '00	\$250,000
-- including grants to community groups		
Monitoring and Program Changes	Sept '99-Sept '00	\$50,000
Program contingency	Sept '98-Sept '00	\$200,000
--for unexpected issues during planned program period such as extensive misleading marketing --correct consumer confusion / additional advertising?		
<u>Phase IV: Post Program Follow-up</u>	<u>Sept '00-Mar '01</u>	<u>PUC funded</u>
-Manage telephone inquiries		
-Respond to field impressions		
-Work with marketers/media relations		
Post-program contingency	Oct '00-Jan '01	<u>\$200,000</u>
--for extension of active program if necessary		
<u>TOTAL</u>		<u>\$1,565,000</u>

B. Communications Mechanisms and Associated Funding Levels

PROGRAM PLANNING (\$5,000)

- Work with participating utilities to develop program parameters
- Develop standardized procedures and documents
- Plan for coordinated educational roll-out

PRE-PROGRAM RESEARCH; ESTABLISHMENT OF BENCHMARKS (\$31,000)

Research is vital to developing a message the public will understand and accept. It is the tool which can lead to the most effective overall program.

- Focus groups - with business people, homeowners, policy makers and others who could help inform program and message development (\$10,000)
- Surveys - a telephone survey of 500 households (\$15,000) to determine pre-program levels for program objectives
- Analysis - of the information gained and implications for the development of a public education program (\$3,000)
- Determination - of program phases and timing (\$1,000)
- Development - of program messages (\$2,000)

COMPREHENSIVE PROGRAM DESIGN AND FEEDBACK (\$50,000)

- Identify community organizations to assist in program implementation
- Plan for the development of all outreach mechanisms
- Prepare a media and advertising plan
- Conduct periodic evaluative survey research

MEDIA RELATIONS (for Phases II and III) (\$48,000)

The media must be educated in a proactive manner prior to any campaign. Relationship building with this group is critical to good media coverage. A primary objective should be to maximize free media wherever possible. The media relations programs include many/all of the following:

- Press kits with key background informational materials / regular press releases
- Informational editorial board meetings (include TV stations)
- Public affairs programs - features on policy issues
- Local radio talk shows
- Public Service Announcements - often in conjunction with media buys
- Letters to the editor - a useful tool which requires some management
- Op-ed pieces - the voice of non-media experts written and placed in key newspapers

ADVERTISING / PUBLIC SERVICE ANNOUNCEMENTS (\$424,000)

- All-inclusive media buys with 10, 30 and 60 second spots for television and radio¹³
- Educational newspaper ads, with emphasis on weeklies
- Video Public Service Announcements - coordinated with media buys
- Adds on transit vehicles

OPINION LEADER COMMUNICATION (for Phases I and III) (\$30,000)

Communication with Legislators and Other Opinion Leaders

- Breakfast/lunch meetings with presentations
- Development of resource materials
- Regular correspondence/communications to keep this group informed

COMMUNITY RELATIONS AND OUTREACH BY COMMUNITY-BASED ORGANIZATIONS (\$527,000)

- Toll free information line (\$36,000)
 - staffed Monday - Friday, 8:00 - 5:00
 - monitored for accuracy and objectivity
- Informational clearinghouse at PUC (consider identification of a spokesperson) (\$35,000)
- Internet Communication (\$10,000)
 - design clear and useful home page
 - include Internet address on all materials
 - ensure adequate response to queries
- Informational brochures, fact sheets and other handout materials (\$20,000)
 - success of printed material is dependent on effective distribution (i.e. community groups, libraries, banks, mortgage companies, bill inserts, grocery stores, fairs, trade shows, etc.)
- Partnerships with key communicators (\$5,000)
- Statewide steering committee (\$25,000)
- Community breakfasts with opinion leaders to assemble a statewide committee with representatives from each community to assist with relationship building and communications efforts throughout the state (\$18,000)
 - held throughout the state

¹³This public service announcement budget is calculated based on bulk-rate purchase of advertising time and includes contribution of “in-kind” advertising time that it is reasonable to expect will be available as part of a public education project like the CEP. Information provided to us indicates that this budget should reach 75% of consumers 3+ times over three months. A general guideline is that an ad needs to be seen three times to “sink in” for consumers.

- resource materials might include articles for reprint in employee and organization newsletters
- Develop a complete Speakers Bureau of all service/business clubs (\$5,000)
 - schedule
 - slide show presentation
 - resource material handouts
- Hands-on community outreach and program delivery through or by the Chambers of Commerce, Community Action Program agencies, adult education programs, Community Development Services Agencies, SCORE, SBA, and other community-based organizations (\$303,000)
 - presentations to members at all possible forums
 - train key individuals in organizations
 - serve as local, credible source of information and answers
 - writing and publishing articles in newsletters
 - providing members with resource materials such as videos, handouts, overheads, slides and worksheets
 - holding public meetings co-hosted by statewide committee
 - includes up to \$250,000 as grants to community-based organizations for outreach by these local organizations (measurable objectives to be developed)
- Communicate inside largest employers (\$25,000)
 - write articles for employee newsletters
 - hold informational meetings
 - distribution of literature with paychecks
- Targeted direct mail with proper follow-up (\$25,000)
- Attend town meetings with prepared speakers (\$5,000)
 - scheduling and presentation
- Display for use at trade shows, malls, fairs and festivals (\$15,000)

MONITORING AND PROGRAM CHANGES (\$50,000)

Once the program is underway:

- Monitor the program success (via surveys and other tools), to allow for program refinement
- Keep a statewide committee operational as a link to grassroots feedback
- Develop an interactive mechanism for communicating the public's response to utilities doing business in Maine

PROGRAM CONTINGENCY for during proposed program (\$175,000)

- For possible use to address unexpected developments through program end-date of Sept '00
- Additional resources to respond to, for example, consumer confusion from high levels of misleading marketing

PROGRAM CONTINGENCY for extension of portions of proposed program (\$175,000)

- For possible program extension beyond proposed end-date of Sept '00, and until beginning of next Legislative session (when approval for additional investment could be sought if monitoring suggested it's necessary).

C. Recommended Source of Funding

We believe that the CEP should be funded from a fee paid by electricity competitive providers; customers of distribution utilities should be charged for any unrecovered balance to the extent that assessment of fees on generation providers appears impracticable or the fees are inadequate to fully recover the costs of the CEP, over a proposed several year recovery period. The need for the several year recovery period is discussed in more detail below.

The fee on competitive providers to support the CEP should come either from a portion of licensing fees dedicated for the CEP, or from a separate dedicated fee. The amount of the "consumer education program" fee required of each competitor could be a portion of a standard licensing fee, or could be determined based on the number of customers that each provider has as of a date certain, or at particular intervals during the initial years of retail access in Maine.

We believe that a funding mechanism that places the costs of the CEP on competitive providers and/or their customers, the companies and individuals that will benefit from retail access, is the most appropriate mechanism provided that the Commission determines that it is workable and that it would not be a "barrier to entry" into the market for competitive providers. The Commission should determine an equitable method for funding from competitive providers that will avoid the creation of incentives for competitive providers to influence the size of their customer base near the time of assessment of the fee to support consumer education.

If a portion or all of program costs are charged directly to consumers of distribution utilities, we recommend that these costs be billed through a charge on customer bills that is identified either as a charge for consumer education or at least as part of a "public goods" charge.

One challenge in our recommended method is that many CEP costs may be incurred before many competitive providers are licensed in Maine. Our recommended mechanism to bridge the gap between program expenditure and cost recovery is to receive an up-front payment of program costs by transmission and distribution utilities, who would be reimbursed from fees that we recommended the Commission assess on competitive providers. If the PUC or other state agency can borrow funding for initial program costs at a more favorable rate than that which the distribution utilities would have to pay to provide up-front funding, the Commission should use public funding.

We considered other funding sources, including assessments on transmission and distribution utility revenues, and tax-based funding.

XI. Additional Recommendations

We make the following additional recommendations regarding the CEP:

- Have a logo, color scheme and “slogan” to help consumers "link" individual informational materials and messages together and to associate them with the CEP;
- Consider having a Spokesperson for the campaign;
- Deliver messages in a "multimedia" fashion. Focus on how people learn, and recognize the importance of graphics; and incorporate graphics into education materials;
- Focus on "sound bites" in delivering some messages, and especially messages to make consumers aware that change is coming. Use television and radio for awareness raising;
- Consider literacy levels when developing materials, and target messages at a 3rd-4th grade reading level;
- Meet the needs of rural residents, who some Board members have indicated-feel left out of most educational efforts. Have educators speak in rural areas and meet with rural residents. The CEP should partner with rural groups to get the word out in rural areas.
- Consider having the advertisements in Phase III say "You're hearing from marketers; pay attention, and if you have questions, then call 800... for the information you need to make the right decision." Prepare the market; marketers should not be relied on to deliver the message.
- Require competitors to provide rates for publication to PUC;
- Have the Commission approve all CEP messages to ensure consistency of messages.

Public proceeding to adopt CEP Plan. Finally, we recommend that the Commission hold a proceeding to seek input on the detailed CEP plan, which should be developed next spring or summer, to allow interested citizens to comment on the Plan before approval by the Commission.

XII. Summary

In summary, we recommend that the PUC establish and conduct a consumer education program that uses complementary educational techniques in an integrated fashion. The techniques should include advertising and public service announcements, outreach by community-based organizations, and other techniques as identified in this report. The program should target both residential and small business consumers. We recommend that the PUC be authorized to invest up to \$1.6 million in this program, and that it assess competitive electric providers for program costs, or as an alternative assess some or all CEP costs to transmission and distribution utility customers. We recommend that a communications contractor be selected to advise the PUC on detailed program development and to implement the program.