

# Statewide Customer Education Program Proposal

**Case No. U-11290**  
**Electric Restructuring**



Report filed by the CHOICE Advisory Council on June 3, 1999

## Acknowledgments

The CHOICE Advisory Council appreciates the support received from the following communications contractors in developing this proposal and preparing this report: Bozell Worldwide, Buckhammer & Jankowski, and Ken Peterson & Associates, Inc.

The CHOICE Advisory Council formed two subcommittees to work on specific components of the proposal. Working with the communications contractors on the overall content of the proposal were Theresa Banks, Mike Buda, Doug Carr, Eric Cellar, Dave Dillon, Rick Matteson, Jeff Pillon, Mike Solocinski and Sharon Theroux. The subcommittee to research ideas on community grants included Barry Cargill, Chuck Hadden, Michelle Acker, Sharon Parks, Fred Lawless, Kathy Walgren and Sharon Theroux.

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## Executive Summary

In its report to the Michigan Public Service Commission (MPSC) in October 1997 entitled *Customer Focus Issues and Recommendations*, the MPSC staff recommended a comprehensive education campaign to prepare the public for electric utility restructuring and the entry of competitors into the marketplace. The experience of other industries has been that customer confusion and apprehension follows when competitors begin marketing within previously regulated categories, e.g., telecommunications, natural gas. Customers expect their governing bodies to continue as their source of unbiased information and their guardian against deceptive marketing practices.

**Purpose:** On March 8, 1999, the MPSC issued an order in Case No. U-11290 which requested the CHOICE Advisory Council to submit a proposal for a Statewide Customer Education Program on electric restructuring by June 7, 1999. This proposal is in response to that order.

**Program Objectives:** The overall objectives of the Statewide Customer Education Program are: (1) awareness, and (2) education – to inform Michigan citizens that they will soon have a choice of suppliers for electric power and to ensure that they have the knowledge necessary to exercise that choice.

**Program Timing:** The timing of a Statewide Customer Education Program is dependent upon when customers will have choice under the retail open access phase-in schedule. The schedule set by the MPSC opens up 1,125 megawatts (MW) of demand in 1999 and an additional 375 MW in 2000 and 2001. On January 1, 2002, all customers are eligible to participate in electric choice. If changes occur in the timing or implementation of electric choice, appropriate modifications will need to be made to the Statewide Customer Education Program.

| Year                                | 1999   | 2000   | 2001   | 2002               |
|-------------------------------------|--------|--------|--------|--------------------|
| Capacity Available (MW)             |        |        |        |                    |
| Eligible (Open)                     | 1,125  | 1,500  | 1,875  | 18,933             |
| Balance (Not Open)                  | 16,857 | 16,848 | 16,879 | 0                  |
| <b>Total Capacity</b>               | 17,982 | 18,348 | 18,754 | 18,933             |
| Estimated Participation Levels      |        |        |        | <b>Potential *</b> |
| Residential                         | 3,000  | 4,000  | 5,000  | 3,982,896          |
| Commercial & Small Secondary        | 4,000  | 6,000  | 8,000  | 432,196            |
| Industrial & Large Commercial       | 600    | 800    | 1,000  | 13,137             |
| <b>Total Customer Participation</b> | 7,600  | 10,800 | 14,000 | 4,428,229          |

**Communications Strategy:** The Statewide Customer Education Program includes three phases of outreach that begins on a small scale in 1999 and expands into a significant outreach advertising campaign in 2001 to precede the activity anticipated among competing suppliers. This timing parallels the retail open access phase-in schedule which limits participation until 2002, when all customers will be eligible to participate.

| <u>Phase</u> | <u>Time frame</u>  | <u>Communications Goals</u>                              |
|--------------|--------------------|--|
| Phase I      | (1999 and 2000)    | Understanding and preparing for restructuring            |
| Phase II     | (2001 and 2002)    | Learning to make a good choice                           |
| Phase III    | (2003 and ongoing) | Perpetuating good decisions and fair marketing practices |

**Infrastructure:** Throughout all three phases, the CHOICE Advisory Council proposes to have in place a communications infrastructure to respond to public inquiries. Included will be a toll-free telephone number and call center, a Choice Web site, and a center to distribute materials to those requesting information. During Phase I, while participation and outreach communications are limited, this infrastructure will be primarily reliant upon existing CHOICE Advisory Council resources. In Phase II, these efforts will be expanded to include additional vendor support and paid advertising.

**Grassroots Foundation:** The platform for communications in all phases will be a comprehensive grassroots, community involvement program that initially utilizes CHOICE Advisory Council member organizations and then unfolds in 2001 to include a speakers' bureau and small-scale grants to facilitate dissemination of information.

### **Overview of Individual Phases:**

**Phase I** (1999 and 2000) will be a period of preparation while electric choice is limited – building a grassroots program, producing collateral communications materials, developing advertising and media strategies, establishing a responsive infrastructure, and conducting customer research from which to craft messages, define education criteria and objectives, and establish quantitative baseline measures from which to track progress toward attainment of the awareness objective.

**Phase II** (2001 and 2002) will be a period of proactive outreach advertising and enhanced grassroots communications activities designed to ensure attainment of 80 percent unaided awareness among the adult population in 2001 and 90 percent in 2002. The concentration of advertising will peak during the fourth quarter of 2001 immediately preceding complete full retail open access. Call center and material fulfillment activities will be contracted through vendors for this phase.

**Phase III** (2003 and ongoing) will continue grassroots activities but at a modest, sustaining level; likewise, the infrastructure commitment will be reduced and likely brought in-house and processed by existing CHOICE Advisory Council and MPSC resources.

**Measures of Success:** During Phase I, customer research will be conducted to identify baseline awareness levels from which to measure progress to define a measurable education criterion and to explore customer reactions to alternative message strategy. Throughout the course of the program, a tracking study will monitor awareness and education levels. Baseline research will be conducted before marketers enter the system during the first bid period in September 1999.

**Program Budget:** The communications program investment is proposed for Phases I and II, with the expectation that Phase III initiatives will be planned based on research results obtained during the second quarter of 2002. The proposed total budget for the customer education campaign is \$26.8 million over four years (1999 - 2002), or an average of \$6.7 million per year. The following table shows the details of the proposed budget. Paid media, including radio, television and print, comprise 84 percent of the budget total. The remaining 16 percent provides for the supporting educational materials, grassroots activities, the toll-free telephone number, and further development of a Web site. It also provides funding for customer research on awareness and knowledge levels resulting from the Statewide Customer Education Program efforts.

**Budget Detail -- Customer Education**  
(Proposed Spending in Thousands of Dollars)

| Budget Detail    | 1999         | 2000           | 2001            | 2002            | Total           |
|------------------|--------------|----------------|-----------------|-----------------|-----------------|
| Research         | \$125        | \$245          | \$275           | \$285           | \$930           |
| Collateral       | \$250        | \$150          | \$500           | \$300           | \$1,200         |
| Grassroots       | \$114        | \$40           | \$80            | \$16            | \$250           |
| P.R. Fulfillment |              |                | \$240           | \$240           | \$480           |
| Grants           |              |                | \$75            | \$75            | \$150           |
| Phone Center     |              |                | \$500           | \$500           | \$1,000         |
| Web Site         | \$100        | \$25           | \$25            | \$25            | \$175           |
| Advertising      |              | \$1,000        | \$11,600        | \$9,972         | \$22,572        |
| <b>Total</b>     | <b>\$589</b> | <b>\$1,460</b> | <b>\$13,295</b> | <b>\$11,413</b> | <b>\$26,757</b> |

**Budget Offset:** This program will offset costs previously budgeted by The Detroit Edison Company and Consumers Energy Company for customer education. This coordinated and cooperative communications effort will allow Detroit Edison and Consumers Energy to remove an estimated \$21 million in planned spending. The estimated \$21 million savings will be derived from reductions in planned expenditures for research, paid advertising, direct mail and informational videos that each utility would have incurred separately. These companies will continue to plan for utility specific communications activities.

**Comparison to Other States:** The scope and budget of the Michigan-proposed program compares reasonably with programs implemented in other states. To account for the difference in market size, the cost per capita can be used. This shows the Michigan proposal reflects spending of about \$1.27 per person based on the average annual spending budgeted for the peak spending years 2001 and

2002. It is important to note that the spending experience of other states may not be directly applicable to Michigan's situation. For example, one of the many ways that states differ is the cost of purchasing media, which is the major component of the Michigan program. By using the 1999 television advertising cost per thousand for each county in each state, the cost to reach 100,000 citizens in Michigan (\$14,418) is close to California (\$14,937), but about double the cost of Pennsylvania (\$6,985). Michigan's total proposed per-capita expenditures are low in comparison to the other states examined in spite of Michigan's relatively high media costs. Given these two facts, the CHOICE Advisory Council believes this budget is reasonable to assure effective customer awareness and education.

**Funding Mechanism:** All customers will need and benefit from awareness and education information on electric choice. Such an effort is important to creating the momentum necessary to build a competitive market. The CHOICE Advisory Council recommends funding the Statewide Customer Education Program through a small charge applied to the electric bills of all customers, including both those who choose to remain with their existing regulated electric company and those who elect to choose an alternative electric supplier. The program will encompass the entire state of Michigan.

Since the program is intended to prepare all customers for the opening of electric choice on January 1, 2002, the Council agrees that all customers of regulated electric companies are expected to contribute to the cost of the program. The Council recommends the Commission determine an allocation of the total program costs among regulated electric companies. The utility companies and associations participating on the Council discussed several options to consider for allocating program costs. These options include an allocation of costs based on regulated electric companies' (1) customer or meter count, (2) share of sales to end-use customers, or (3) a combination of both options. The electric cooperatives believe the most equitable method for allocation of program costs is based on electricity sales (kWh). Alternatively, certain investor owned utilities believe the most equitable method for allocation of program costs is based on customer or meter count. In both cases, the company's support for the statewide education program is contingent upon the Commission's acceptance of their position.

The Council recommends recovery of the program costs over a three-year period (2000 through 2002) and not exceed the total costs for implementing the program activities. The recovery of costs for program implementation is expected to terminate when sufficient revenues have been produced to cover the cost of the program. Therefore, revenue recovery could occur in less than three years or more than three years. If the program is found to cost less than anticipated, then recovery will be discontinued at such time as sufficient revenues have been collected.

**Implementation Management:** The CHOICE Advisory Council will establish a CHOICE Advisory Council subcommittee consisting of seven persons (chaired by a member of the MPSC staff, including three industry representatives and three consumer representatives) as the administrator of the Statewide Customer Education Program implementation. The subcommittee will review the activities of the contractors and grantees as outlined in this proposal, oversee the hiring of vendors and expenditures, and recommend payment to contractors or organizations receiving grants for specific statewide customer education efforts.

The purpose of this subcommittee will be to ensure the educational activities are competitively neutral, objective, and not promotional in nature. It will also verify the expenditure of funds for project activities completed by contractors, vendors, and grantees, and recommend to the MPSC authorization of payments required to contractors and grantees from each regulated electric company. The Council recommends that the subcommittee continue to operate until such time as the program activities are complete and payments to contractors, vendors, etc. have been completed. The subcommittee will file a final report of its activities with the Commission within 90 days of the completion of its activities.

After review of the contractors' reports for the period or grant applications, the subcommittee will recommend to the Commission for approval specific contractor/grantee invoicing to electric companies.

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## Background

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On June 5, 1997, the Michigan Public Service Commission (MPSC) issued an order in Case No. U-11290 opening Michigan's retail electric market to competition. The order phases in access to competitive retail electric providers between 1997 and 2002. In this order the Commission identified the need for customers to have access to "sufficient and reliable information in order to be able to compare and select among products and services provided in the electricity market. These include: (1) general information regarding the nature of the direct access program, (2) details regarding the prices and specific services being offered by suppliers, and (3) the sources of power generation and other information that the customers may need about the supplier."<sup>1</sup>

A report filed by the MPSC staff on October 13, 1997, in response to the Commission's June 5, 1997 order, identified issues for consideration and development of recommendations. This report entitled, *Customer Focus Issues and Recommendations*, included comments received in response to a staff inquiry from private citizens, community and labor organizations, utilities, competitive suppliers, governmental units and others. Commenters suggested the Commission, as an objective party, should assume responsibility for overseeing a comprehensive customer education and information program that ensures accurate, market-neutral information useful to making energy decisions. A concerted, ongoing effort is needed to educate electric customers about retail competition. This can be accomplished through an outreach and education campaign continuing throughout the restructuring process and in a reduced capacity beyond this time frame.

Most of the commenters suggested five customer education goals in electric competition should be achieved to meet overall customer needs.

- Prepare all customers to participate competently in the electric marketplace and impede discriminatory or abusive market practices.
- Minimize customer confusion and provide educational materials which enable comparison of price, fuel mix, environmental impact, and terms of service offered by the supplier or aggregator.
- Provide clear, accurate information to assist customers in making sound decisions about their electric service.
- Raise awareness of what electric choice means in the emerging marketplace.
- Protect vulnerable customers.

In August 1998, the MPSC staff formed a voluntary working group to develop an action plan for public outreach and education on electric restructuring. The broad interest working group, with a wide range of knowledge and experience, includes representatives of major utility companies, small and mid-sized utility companies, rural electric cooperatives, suppliers, industrial and commercial customers, consumer advocates, and environmental and low-income advocates.

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<sup>1</sup> For example, in the New Hampshire pilot program, approximately 30% of the participants selected a supplier that utilized renewable generation or "green" power.

Since last August, the working group completed several activities to move forward on educating customers on electric choice, including:

- Selecting CHOICE (Customers Have Options in Choosing Electricity) Advisory Council as the official name of the working group;
- Designing a program logo (shown on the cover of this Proposal);
- Developing a set of commonly-used terms (found on the MPSC Web site); and
- Developing frequently-asked questions and answers on electric choice (found on the MPSC Web site).

The Council will use these materials in the Statewide Customer Education Program as detailed in this proposal.

On March 8, 1999, the MPSC issued an order in Case No. U-11290 which states:

“The Commission, as it previously stated in the June 5 [1997] order, believes there is a clear need to address the information requirements of customers and supports the voluntary efforts of the CHOICE Advisory Council to address these needs. Accordingly, the Commission requests the CHOICE Advisory Council to submit a proposal to the Commission within 90 days for a statewide customer education program to ensure an effective, highly visible, and competitively-neutral approach to customer education on electric industry restructuring. This proposal should address the education efforts identified in the Customer Focus Report, propose a budget and funding mechanism, and indicate required funding levels necessary to carry out the program. The Commission sees this statewide customer education program as distinct from, but complementary to, the education and information programs identified in the utilities’ implementation plans.”

This proposal is in response to that order and must be submitted to the Commission by June 7, 1999. Three general contractors assisted in the development of this proposal: Bozell Worldwide, Southfield, MI; Buckhammer & Jankowski, Detroit, MI; and Ken Peterson & Associates, Inc., Southfield, MI.

The existing knowledge base of these contractors minimized proposal development time and provided a more detailed program outline and budget recommendation. These agencies provide:

- expertise in the areas of strategic planning, advertising message development, media planning and placement, and interactive communications;
- extensive purchasing power among media to gain cost efficiencies at state, regional and local levels;
- access to extensive ancillary communication services including public relations, direct marketing and fulfillment;
- expertise in customer qualitative research;
- Michigan-based operations, perspective and commitment.

## Overview

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As the ability to choose an electric supplier becomes a reality for customers of all educational, economic, and cultural backgrounds, there will be an increasing need to inform customers on what electric choice offers and how to consider and select an alternative electric supplier. This is the most significant change in electricity markets in 100 years and customers need to understand these changes and how they will be affected. The success of customer choice in electricity services will depend on a comprehensive customer education program that is well-planned and properly implemented. A Statewide Customer Education Program effort using a combination of mass media tools and local grassroots efforts will ensure an effective, highly visible, and competitively-neutral approach to consumer electric choice education.

Customer education is clearly an important priority in the implementation of electric competition. Customer education should provide:

1. A clear and consistent set of statewide messages.
2. Coordination between state, local and utility company efforts.
3. Cost-effective media buying and advertising production.
4. Ability to reach a mass audience in an unbiased manner.

### **Program Objectives**

The objectives of the Statewide Customer Education Program are:

1. **Awareness** -- Inform Michigan citizens they will soon have a choice of suppliers for electric power.
2. **Education** -- Ensure Michigan citizens have the knowledge necessary to exercise choice, if they so desire.

In addition to these core objectives, the Statewide Customer Education Program will:

- Involve community/organization-based groups to distribute program materials.
- Position the CHOICE Advisory Council, lead by MPSC staff, as the most neutral and knowledgeable resource concerning the emerging competitive electric market.
- Work cooperatively with regulated electric companies to ensure their communications programs complement statewide education efforts.
- Include activities completed by CHOICE members through in-kind contributions.

### **Planning Parameters**

*Awareness Objectives* - Generate 80 percent unaided customer (an “aided” awareness objective will be established after baseline research in 1999) awareness before full electric choice occurs in 2002 and bring awareness levels to 90 percent in 2002.

*Education Objective* - To be defined (in measurable terms) and quantified during pre-implementation customer research.

*Audiences* - All customers of regulated electric companies throughout the state of Michigan -- residential, commercial and industrial -- including special needs groups. Audiences have been prioritized based on their perceived vulnerability. In other words, initial focus will be on those residential and commercial audiences who lack the information resources and expertise available to large commercial and industrial customers.

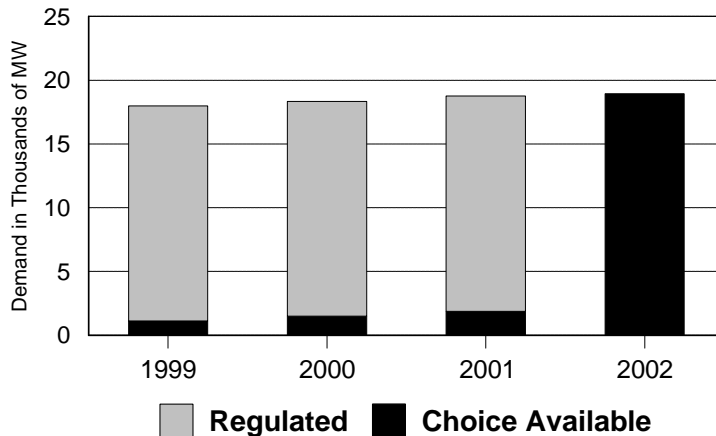
*Outreach Focus* - All customers need electric choice information and education. Some types of customers will be harder to reach or may respond to different messages. Therefore, this proposal incorporates a strong grassroots component designed to involve these difficult-to-reach audiences using local civic and business organizations.

*Timing* - The timing of a customer education program is dependent on the retail open access (electric choice) phase-in schedule established by the MPSC. The following bar chart shows the Commission order for the phase-in of retail open access. The education plan recognizes that only a very limited number of customers will have the option to participate before 2002. The proposal, therefore, focuses on laying the groundwork for customer education starting now with the larger scale promotional efforts scheduled to begin with Phase II in 2001. In this proposal, 1999 and 2000 are the time periods when program activity and spending is minimal and focused on developing the information that will provide a foundation to address customers' information needs. The advertising activity in Phase II starts slowly in 2001 and builds, peaking in the fourth quarter of 2001. This is designed to prepare customers to make informed decisions when all customers have choice beginning in 2002. The program continues through 2002, but advertising is reduced and phase out begins. If changes occur in the timing or implementation of electric choice, appropriate modifications will be made to the educational activities proposed.

The statewide effort is designed to be complemented and supported by the public information efforts of regulated electric companies and new alternative electric suppliers. There is a clear need for an independent, credible source of information concerning the restructured electric marketplace. A good understanding of electric choice will help customers more readily determine whether they want

**Phase in of Michigan Electric Choice**

January 1, 2002 all customers eligible to choose an alternative electric supplier  
 Total Electric Demand in Michigan



Note: Demand forecast is based on MPSC Staff analysis and company projections

to choose a new supplier and, if so, how.

### **Communications Strategy**

The customer education program will support and enhance Michigan's transition to a competitive electric marketplace, raise awareness and education through mass media coverage and local outreach, and provide consumers with specific information to minimize confusion and enhance understanding on electric choice. The information will neither influence customers to remain with their current regulated electric company, nor to switch to an alternative electric supplier. Rather, the information will enable customers to make their own personal, sound decisions to purchase electric supplies from their regulated electric company or an alternative electric supplier based on communications materials and activities provided at the statewide level. The purpose of this effort will be to initiate a comprehensive education program that includes three key components: a statewide media campaign, a local community initiatives, and coordination with planned electric utility efforts.

### **Three-Phase Approach**

The customer education program includes three phases of outreach implementation beginning on a limited scale in 1999 and expanding into a significant outreach advertising campaign in 2001 to precede the activity anticipated from competing suppliers. This timing parallels the retail open access phase-in schedule, which limits participation until 2002, when all customers will have the option to choose.

### **Infrastructure**

Throughout all three phases, the CHOICE Advisory Council will play a role in the communications infrastructure to respond to public inquiries. Included will be a toll-free telephone number and call center, a Choice Web site and a fulfillment center to distribute materials to those requesting information. During Phase I, while participation and outreach communications are limited, this infrastructure will be primarily reliant upon existing CHOICE Advisory Council resources and only during Phase II will it be expanded to include additional vendor support and paid advertising.

### **Grassroots Foundation**

The platform for communications in all phases will be a comprehensive grassroots, community involvement program that initially provides materials to CHOICE Advisory Council member organizations and then unfolds in 2001 to include a speakers' bureau and small-scale grants to facilitate dissemination of information.

## **Research**

During Phase I, customer research will be conducted to identify a baseline awareness level from which to measure progress, to define a measurable education criterion, and to obtain audience reactions to alternative advertising messages. Throughout the course of the program, a tracking study will monitor awareness and education levels and other customer responses. The ongoing monitoring will be included in the report updates to the MPSC and in the final report due within 90 days of the completion of the program.

## Program Phases

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### **PHASE I - Understanding and Preparing for Restructuring (1999-2001)**

Phase I will be a period of preparation while choice participation is limited -- building a grassroots program, producing collateral communications materials, developing media advertising materials, establishing a responsive infrastructure, and conducting customer research from which to craft messages, define education criteria and objectives, and establish baseline measures from which to track progress toward attainment of the awareness objective. This phase of the education effort will begin the process and continue until electric choice is available to all Michigan customers. Information will be delivered on the “five W’s” of restructuring: (1) What is electric choice? (2) Why is choice taking place? (3) When will it begin? (4) Who will it affect? (5) Where will it impact my daily life, and how can I receive more information?

The Council recommends development of educational tools in this phase including:

- Frequently-Asked Questions and a glossary of terms on electric choice that will be distributed through CHOICE Advisory Council member organizations and other interested parties;
- Newsletter articles and brochures on electric choice that can be used by interested associations and groups in their own publications and distributed to newspapers and cable, radio and television stations and business and residential organizations;
- Outreach materials targeted specifically to low-income, elderly, the physically-challenged and other population segments with special needs;
- A “how to shop” information guide, e.g., a directory of companies, suppliers and aggregators, communities that have issued franchises to specific suppliers, etc.(as available);
- Training materials prepared by utility companies for prospective brokers, marketers, aggregators and suppliers interested in active participation in the Michigan competitive electric market.

These materials will be included in kits prepared for distribution to customers in the following manner:

*Collateral Materials (individual kits)* will be mailed to those requesting information and proactively distributed among media contacts as appropriate.

- Pocketed Folder
- “Primer” Brochure
- Glossary of Electric Choice Terms
- Frequently-Asked Questions on Electric Choice
- News Releases
- Alternative Electric Supplier Lists
- Reprints of Relevant Articles

- Video
- Electric Rate Calculator (to enable customers to compare suppliers' offers)

*Grassroots Kits* will be distributed primarily to customers through CHOICE Advisory Council member organizations until 2001 when a speakers' bureau begins community appearances. An informational packet will be prepared to assist speakers in their presentations and will include the following:

- Slides/overheads Presentation
- Script and Meeting Leader Guide
- Pocket Brochures (for handouts) that include:
  - Glossary of Electric Choice Terms
  - Frequently-Asked Questions on Electric Choice
  - Supplier Lists
  - Posters
  - Electric Rate Calculators (to enable customers to compare costs)
  - Attendees' Response Card (to measure attendance and helpfulness of each session)

The Council also recommends development of the following during Phase I:

*Toll-Free Number/Call Center* - A toll-free number will be established for residential and business customers to call with questions or requests for materials. During this phase, the toll-free number will be directed to the MPSC offices until a call center is established for start-up in 2001. The call volume is expected to be minimal since it precedes the advertising campaign scheduled to start in Phase II. The toll-free number will be an integral part of all materials developed (brochures, news media materials, etc.) and a distribution point for literature requests.

*Fulfillment Capability* - During Phase I, MPSC staff will fulfill requests from media, individual citizens and organizations for printed and video materials. It is anticipated that existing clerical staffing levels will be sufficient to answer requests through 2000. In 2001 and continuing through 2002, outside vendors will be contracted to aid in the dissemination of materials, particularly those supporting grassroots events.

*Michigan "Electric Choice" Web Site* - A stand-alone, consumer-oriented Web site will be designed for sharing information and assuring widespread availability of electric choice customer information. This Web site will have links to the MPSC and utility "Choice" Web pages.

*Baseline Research* - In addition to the communications materials and infrastructure indicated, this phase will be utilized for research designed to establish an effective message strategy, establish baseline measures from which to measure success, and launch an ongoing tracking study to measure progress toward the program's objectives.

## **PHASE II - Learning to Make a Good Choice (2001-2002)**

Phase II will be a period of proactive outreach advertising and enhanced grassroots communications activity designed to ensure attainment of 80 percent unaided awareness among the adult population in 2001 and 90 percent in 2002. Aided awareness will be established after baseline information is established to determine the current level of awareness. The concentration of advertising will peak during the fourth quarter of 2001, immediately preceding complete retail open access. Call center and mail fulfillment activities will be contracted through vendors for this phase to fulfill inquiry calls/letters, etc. from customers seeking information about the selection of an alternative electric supplier and other general electric choice questions occurring in 2002. The call center's telephone or toll-free number network will be staffed by knowledgeable representatives who will be able to respond to general electric choice inquiries generated by the advertising campaign. This toll-free number may also serve as a tool to assess the education program's effectiveness. The contractor responsible for the toll-free call center will be asked to assure the confidentiality of the individuals contacting the center and information requested by individuals.

In 2001, the proposed outreach advertising campaign will include the following: television, radio, major daily newspapers, business publications, continuation of grassroots practices (but intensified), public relations (proactive campaign to launch initiative), and enhancement of the response infrastructure (call center, Web site, and materials fulfillment center).

In 2002, the proposed outreach campaign will include the following: television, major daily newspapers, business publications, outdoor advertising/billboards, continuation of grassroots practices, and public relations advertising campaign.

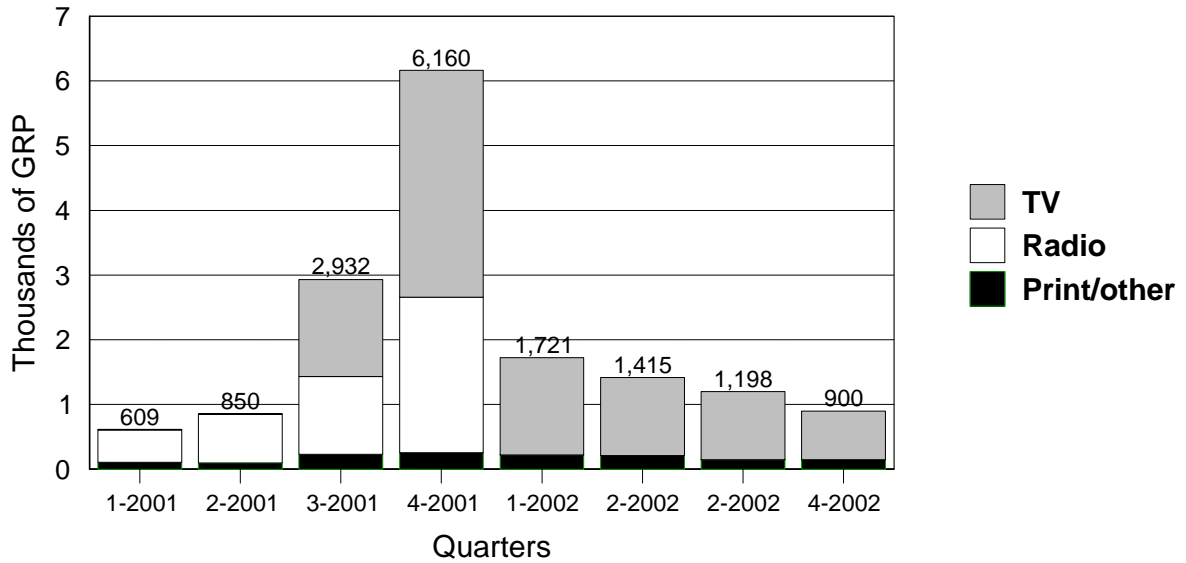
*Advertising Strategy* - Advertising will utilize a combination of media that will begin at moderate levels and build throughout the year by focusing on radio and print for the first two quarters and adding television for the third and fourth quarters. Media levels will be concentrated to reach audiences three times or more. "Reach" refers to the number of different homes/people exposed at least once to a program or commercial across a stated period of time. It is also known as the cumulative or unduplicated audience. In advertising, reach builds quickly, while frequency builds more slowly over time. Typically, consumers have to be exposed to a message three or more times before they are able to recall any specific information about the advertisement. Distribution of television media concentration will be spread over all day parts (early morning, mid-day, late afternoon, etc.) with special emphasis on the highly viewed prime time and news programming, and avoidance of obviously controversial programming. Radio concentration will be focused primarily during am/pm drive programming and highly rated weekend programming. Print will concentrate on major daily newspapers, business and special interest publications. A dedicated advertising funded insert, which will be self-liquidating, will be considered. Typically, such special inserts are created by the publications. Content is prepared by the publication's editorial staff and advertising is sold to offset costs. The electric choice Statewide Customer Education Program will, therefore, receive special attention at no cost because the publication costs are borne by advertisers – in this case, electricity suppliers.

**Phase II Advertising Plan**  
Electric Choice Statewide Customer Education

|  | 2001   | 2002   |
|--|--|--|
| 1 <sup>st</sup> Quarter<br>January to March    | <p><b>Total Media Level: <u>609</u> targeted GRPs</b><br/>Radio - <u>500</u> GRPs<br/>Print - 1, ½ page ad per month<br/>(3 total per publication)<br/>Business Publication - 1 full page/month<br/>(3 total per publication)</p> <p><b>Goal: Reach 58% media audience three or more times.</b></p>  | <p><b>Total Media Level: <u>1,721</u> targeted GRPs</b><br/>Television - <u>1,500</u> GRPs<br/>Print - 3, ½ page ads per month<br/>(9 total per publication) Mid-Feb.<br/>Business Publication - 1 full page/month<br/>(3 total per publication)<br/>Outdoor Advertising</p> <p><b>Goal: Reach 88% media audience three or more times.</b></p> |
| 2 <sup>nd</sup> Quarter<br>April to June       | <p><b>Total Media Level: <u>850</u> targeted GRPs</b><br/>Radio - <u>750</u> GRPs<br/>Print - 2, ½ page ads per month<br/>(6 total per publication)<br/>Business Publication - 1-2 full page/month<br/>(3-4 total per publication)</p> <p><b>Goal: Reach 78% media audience three or more times</b></p>  | <p><b>Total Media Level: <u>1,415</u> targeted GRPs</b><br/>Television - <u>1,200</u> GRPs<br/>Print - 2-3, ½ page ads per month<br/>(7 total per publication)<br/>Business Publication - 1 full page/month<br/>(3 total per publication)<br/>Outdoor Advertising</p> <p><b>Goal: Reach 86% media audience three or more times.</b></p>        |
| 3 <sup>rd</sup> Quarter<br>July to September   | <p><b>Total Media Level: <u>2,932</u> targeted GRPs</b><br/>Radio - <u>1,200</u> GRPs<br/>Television - <u>1,500</u> GRPs<br/>Print - 3, ½ page ads per month<br/>(13 total per publication)<br/>Business Publication - 1-2 full page/month<br/>(3-6 total per publication)</p> <p><b>Goal: Reach 96% media audience three or more times.</b></p> | <p><b>Total Media Level: <u>1,198</u> targeted GRPs</b><br/>Television - <u>1,050</u> GRPs<br/>Print - 2-3, ½ page ads per month<br/>(7 total per publication)<br/>Business Publication - 1 full page/month<br/>(3 total per publication)<br/>Outdoor Advertising</p> <p><b>Goal: Reach 85% media audience three or more times.</b></p>        |
| 4 <sup>th</sup> Quarter<br>October to December | <p><b>Total Media Level: <u>6,160</u> targeted GRPs</b><br/>Radio - <u>2,400</u> GRPs<br/>Television - <u>3,500</u> GRPs<br/>Print - 1, ½ page ad per month<br/>(13 total per publication)<br/>Business Publication - 1-3 full page/month<br/>(3-7 total per publication)</p> <p><b>Goal: Reach 97% media audience three or more times.</b></p>  | <p><b>Total Media Level: <u>900</u> targeted GRPs</b><br/>Television - <u>750</u> GRPs<br/>Print - 2, ½ page ads per month<br/>(6 total per publication)<br/>Business Publication - 1 full page/month<br/>(3 total per publication)<br/>Outdoor Advertising</p> <p><b>Goal: Reach 58% media audience three or more times.</b></p>              |

**Note:** Gross Rating Points (GRPs) are the sum of all ratings for all programs in a schedule based on Average Audience Rating. The Average Audience Rating is the percentage of a population viewing a TV/Radio program during an average minute. The difference between the total GRPs less the GRPs for TV/Radio is from print media.

**Phase II Media Gross Rating Point (GRP)  
Communications Coverage**



Direct media advertising expenditures 2001 = \$11.2 million 2002 = \$10.6 million

**Perspective on Gross Rating Points and Advertising Media Investment**

The average electric choice weekly media weight is 203 GRPs with the highest being 500 GRPs in the 4<sup>th</sup> quarter of 2001.

For comparison...

- Local television station runs 125 GRPs daily (875 GRPs per week) of programming announcements during the “Sweeps” months of February, May and November.
- Major local auto dealer association runs 400 GRPs per week, 42 weeks of the year.
- Major local/regional grocery chain runs a base of 400 GRPs per week, 52 weeks per year in radio, augmented by a comparable level in newspaper.
- Major local/regional appliance chain supports major sale event with 500 - 1000 GRPs per week.

*Media Selection Rationale* - Television advertising offers a large potential audience reach and is an ideal vehicle for generating awareness. The visual nature of television allows for communication of a more memorable message. To be effective, television spots must convey a simple, concise message (generally constructed for 30 seconds).

Radio offers higher frequency of message play and the spots are less expensive to produce and broadcast than television. Radio, therefore, serves as a perfect complement to television. The message typically can be 60 seconds, so more information can be relayed. The lack of a visual image is a disadvantage of radio. Therefore, radio ads can be more educational in nature.

Newspapers have space for news-related stories and may do education focused articles if a reporter takes an interest in a given subject and believe that the subject will be of interest to readers. The outreach to print media will be more educational because resulting articles can provide more detailed information. Newspaper advertising rounds out the advertising mix. It is a very strong medium that allows the advertiser to communicate more detailed information and can be retained by the customer for future reference. Newspapers may choose to develop special electric choice advertorial sections devoted to the subject, perhaps, with no funding required since alternative electric suppliers' paid advertising may affect the newspapers' development and production costs.

Outdoor billboards are planned for 2002 when retailer advertising efforts are peaking. The outdoor medium lends itself well to reminder messages -- providing a toll-free number to call with questions.

*Electric Choice Web Site* – The information on the Web site will be maintained and expanded as needed. Information may include the following, as available:

1. Comparative pricing information and service terms from various suppliers;
2. Pie charts displaying the average annual aggregate fuel mix or type of generation source owned or bought by the supplier and sold to the customer;
3. Charts of published data available on the environmental impact of electricity production by the supplier, i.e., air emissions;
4. Summaries of consumer complaint statistics including the types handled and resolved by suppliers, aggregators, distributors, and the MPSC (complaint statistics will be indexed to provide a relative basis for comparison).

*Tracking Research* - Continual studies will reveal progress toward the awareness and education goals established for the program. This research will also indicate where corrective or augmentive action is required and, further, what communications initiatives will be required for 2003 and beyond.

### **Enhanced Grassroots Program**

*Outreach Grants* - Creative avenues beyond newspapers, news releases, etc. will be used to distribute information about electric choice to hard-to-reach or unique audiences. These customers may be isolated or not receptive or unable to understand and may benefit from information about electric choice by means other than, or in addition to, the overall statewide advertising campaign. Community groups, organizations and associations to which customers belong, whom they trust and from whom they receive information or services, will be the best groups to provide information they will notice, understand and believe.

This proposal recommends that special needs organizations be provided funds to use in disseminating “off-the-shelf” electric choice information among their members, reinforcing the Statewide Customer Education Program message. The primary purpose of these funds will be to support mailings, meetings and other methods of distribution to hard-to-reach groups. Assistance will be provided to those needing customized materials, e.g. language translation. Also, training will be provided to assure understanding and consistency of program messages.

Proposals would be invited from appropriate member organizations and reviewed by a subcommittee of the CHOICE Advisory Council. Prerequisite to earning a grant is agreement to use pre-printed choice campaign materials and submit a quarterly progress report for monitoring by the subcommittee (semiannually for smaller grants). Approval of the quarterly report will support release of a portion of the total grant.

Management of the Electric Choice Grant Program is recommended to be a function of the CHOICE Advisory Council subcommittee and staff. It is predicted that 10 to 15 grants ranging in value from \$2,500 to \$10,000 will be administered annually during 2001 and 2002. The larger grants of up to \$10,000 can be given to associations and organizations that demonstrate a large network, constituency or reach; and smaller grants in the range of \$500 to \$2,500 can be granted to smaller community groups to educate their clients about electric choice. Also, smaller amounts will be reserved for the possibility of organizations that do not represent targeted groups, but who can demonstrate that their approach or program will have a positive affect on certain customers (e.g., those with language barriers).

Grant applications will be distributed to community organizations, media contacts, and other interested parties. Organizations will be encouraged to publish grant opportunities in their newsletters and publications, and on their Web sites. The grantees will be supplied with training materials and products developed for the overall campaign, such as videos, brochures, terms/definitions and frequently-asked questions and answers. The choice campaign will provide grantees a general guide or outline to follow and provide training sessions for organizations to learn about the key messages and objectives of the overall campaign.

*Speakers' Bureau* - A list of speakers from the CHOICE Advisory Council, MPSC staff and other interested parties will be available to interested community and business groups on the topic of electric choice. A videotape and brochures will be developed and made available for use in presentations to educate the public on issues related to electric choice. The Speakers' Bureau will be publicized through mailings to interested groups and/or by issuing a news release. Several scripts will be developed for use by the presenters. The bureau will also be publicized on the Choice Web site. The speaking engagements will occur through the entire campaign and be structured to deliver both awareness and information.

*General Educational Materials* - The CHOICE Advisory Council members will develop lists and distribute electric choice materials developed in Phase I to interested groups for distribution to members/clients (e.g., brochures, frequently-asked questions and answers).

*Consumer Protection Materials* - CHOICE Advisory Council members will develop materials such as understanding the new bill formats, explaining consumer rights and how to resolve disputes, and information on energy assistance programs for low-income customers that will be issued in consumer alerts or other Council documents.

### **PHASE III - Perpetuating Good Decisions and Fair Marketing Practices (2003 - Ongoing)**

Phase III will continue grassroots activities but at a modest, sustaining level. Likewise, the infrastructure commitment will be reduced and likely brought in-house and processed by existing CHOICE Advisory Council and MPSC resources. The final phase of the program will provide strategies for ensuring that customers understand and take full advantage of the restructured electric industry. The goal will be to respond to the evaluation results on the effectiveness of educational materials, provide customers with information on known deceptive marketing practices, and continue to distribute pre-printed educational materials.

## Measure of Success

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To assure attainment of awareness and education objectives, this proposal includes a comprehensive multi-dimensional measurement plan with up-front bench marking to measure the success of this effort. In order to measure the effectiveness of the proposed communications plan, a two-tiered research plan is recommended. Qualitative research, using focus groups, will be conducted in addition to the proposed quantitative tracking study. Each will be addressed separately. The contractor conducting the survey and focus group efforts will be asked to assure the confidentiality of individual responses to the survey and focus group discussions.

### **Exploratory Research**

The first priority will be to assess the nature and extent of existing consumer knowledge regarding electric power. The CHOICE Advisory Council recommends that bench marking (baseline) research be conducted prior to the entry of competitors in the marketplace in September 1999. To draft an effective creative strategy, a better understanding is needed of the depth of current knowledge as it relates to electricity and the utility companies that deliver it. Groups of residential and small business customers will meet together in focus group sessions conducted by a professional moderator and designed to elicit candid responses to a series of choice issues. These sessions are recommended prior to any advertising message development. Research findings will help determine how much information customers need to know regarding electric choice.

A minimum of six (6) groups (preferably 8 to 10) are recommended with residential consumers. Two groups would be held with Upper Peninsula residents and the remaining groups would be held, two at a time, in geographically dispersed markets in the Lower Peninsula.

The same plan holds true for smaller commercial customers. A minimum of six (6) groups (and preferably 8-10) would be conducted in geographically dispersed locations, including the Upper Peninsula.

### **Creative Development Research**

Once customers have been queried in depth and their existing knowledge base has been determined, a creative strategy can be developed. Advertising copy can then be written to communicate the availability of electric choice in Michigan and to educate customers on how to participate in the "Choice" program in Michigan.

Message testing of these creative concepts among a sample of residential and business customers is the next step in the creative process.

At least six to eight (6-8) focus groups (ideally 8-10) would be conducted with residential customers and smaller commercial customers to gauge their reaction to the crafted message. This research would determine which creative approach best communicates choice to customers and provides them with the best understanding of how choice will work in Michigan.

## **Quantitative Research**

While nearly all restructuring efforts in other states have only “awareness” as their critical evaluative criterion, in Michigan, customer “knowledge” of program detail is equally important. Being aware of choice is only a first step. Knowing how to choose is critical. Consumer awareness and knowledge must be closely monitored to be sure the program is effective. This recommended design is structured to track “awareness” as well as the much slower-growing “knowledge” over the course of the campaign.

The goals of the proposed tracking study are to:

1. Assess unaided<sup>2</sup>, aided<sup>3</sup> and total awareness<sup>4</sup> of the choice issue;
2. Measure recall of specific choice-related messages and communications;
3. Evaluate the depth of understanding on the choice issue, including how to participate in the program;
4. Identify unmet informational needs regarding the choice issue; and
5. Explore topical issues that may arise throughout each phase of the campaign.

It is currently envisioned that a benchmark survey will be conducted prior to the September 1999 introduction of the choice initiative. Subsequent to the benchmark, the tracking survey will occur on a bi-annual basis (two waves) in 2000 and on a quarterly basis in 2001 and 2002. Midway through 2002 a determination will be made whether to continue tracking data in the year 2003.

Methodology and deliverables will remain constant over time to minimize bias. That is, core research questions tracking awareness, depth of understanding, and source of information will not change from wave to wave.

It is recommended that a total of 800 interviews be conducted with residential customers and 400 interviews among smaller commercial customers. To achieve statistical reliability, a minimum number of interviews must be conducted. In this circumstance, it is estimated that 80 percent of total interviews conducted will be among qualified respondents.

Conducting 800 interviews with residential customers will allow for the sufficient representation of subgroups of interest (i.e., seniors, African-Americans, etc.) including the ability to tabulate the results regionally. In the residential sector, the individual respondent will be head-of-household who

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<sup>2</sup> Unaided awareness - Also known as “top of mind” awareness, unaided awareness is the percentage of people who are aware of the subject without being prompted. For example, “I’d like to know all the brands of soap you can think of.”

<sup>3</sup> Aided awareness - The percentage of people aware of the subject when prompted. For example, “Have you ever heard of ‘Tide?’ ‘Rinso?’ ‘Surf?’ ‘Era?’” In some aided measures, a fictitious brand or two is added to determine phantom levels of awareness.

<sup>4</sup> Total awareness - The net (or combined) percentage of people aware of the subject either unaided or aided.

is responsible for the household's energy decisions. Random digit telephone dialing will be used to achieve a representative sample.

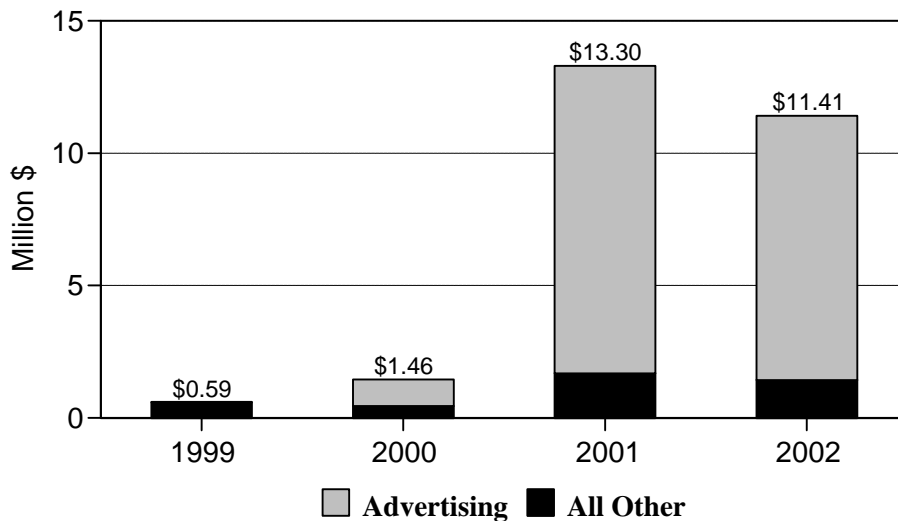
Among the commercial sample, commercial customers will be randomly sampled from Dunn & Bradstreet's commercial databases. At the first stage of sampling, smaller commercial customers will be assumed to be those with 100 or fewer employees and less than \$5 million in annual revenues. At the next stage, each organization will be screened to determine whether or not an electric utility manager has been assigned to their account. This screening process will ultimately determine whether a commercial customer is small or large. The actual respondent will be the energy decision-maker for the organization.

Using Computer Aided Telephone Interviewing (CATI), the telephone survey will include close-end and open-end questions and will require approximately 15 minutes to administer. Results for each quarter will trail by one quarter, i.e., a first quarter's results will be available at the end of the second quarter.

## Budget

The proposed budget for the Statewide Consumer Education Program is \$26.8 million over four years (1999 through 2002), or an average of \$6.7 million per year (this is equal to \$0.0000688 per kWh). In 1998, Michigan residents and businesses spent \$7.2 billion on electricity. Given the size of the electric market, the expenditures proposed for customer education are very small, particularly in light of the nearly 100 years of utility regulation that has governed these markets. The following table shows the details of the proposed budget which addresses all audiences throughout the state, including the Upper Peninsula.. Paid radio, television and print media costs comprise 84 percent of the budget total. The remaining 16 percent provides for the supporting educational printed material, grassroots activity, the toll-free telephone number, and further development of a Web site. It also provides funding for research on customer awareness and knowledge levels resulting from the Statewide Customer Education Program efforts.

### Proposed Spending by Budget Component



### Budget Offset

This program will offset costs previously budgeted by The Detroit Edison Company and Consumers Energy Company for customer education. This coordinated and cooperative communications effort will allow Detroit Edison and Consumers Energy to remove an estimated \$21 million in planned spending. The estimated \$21 million savings will be derived from reductions in planned expenditures for research, paid advertising, direct mail and informational videos that each utility would have incurred separately. These companies will continue to plan for utility specific communications activities.<sup>5</sup>

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<sup>5</sup>For utilities that have yet to file Implementation Plans the budget offset, if any, cannot be determined.

## **Budget Categories**

*Research* – These costs include customer surveys to measure awareness and knowledge levels, i.e., the success of the program. These surveys will be conducted over the duration of the effort to establish baseline information, track progress, and make adjustments to improve effectiveness as may be needed.

*Collateral* – All the printed materials (brochures, posters, frequently-asked questions, etc.) are included in these costs. A sufficient number of copies will be printed to provide for wide distribution of the materials. The cost of direct mailings is also included in this category.

*Grassroots* – Included in these costs are the development of posters, flyers, brochures and training materials (kits) which are tailored to the residential and commercial audiences to accommodate requests. These costs also provide special assistance needed by those receiving local community grants.

*Public Relations Fulfillment* – These costs cover the development of press kits to fulfill media requests -- maps, time lines, information on how to participate, toll-free number, Web site address, issuance of news releases periodically to provide updates on the status of restructuring efforts, and cultivating of media relations to encourage news coverage at local grassroots events, plus the personnel to effectively manage these events.

*Grants* – These costs provide grants to local groups to outreach the Statewide Customer Education Program message to hard-to-reach or unique audiences. Grants are expected to range from \$500 to \$10,000 to support mailing costs, meetings and other methods to educate clients about electric choice. For example, costs might include a Braille copy of the education material or translation to other languages, if needed.

*Phone Center* – Included in these costs are the establishment of a toll-free number and contracting for the operation of a call center staffed to answer customer questions and distribute materials on electric choice, as requested. For the years 1999 and 2000, the specially designated toll-free telephone number will be directed to the MPSC offices, when calls are expected to be more limited. Starting in 2001 and continuing through 2002, the toll-free number calls will be handled by the call center to coincide with the advertising campaign that is expected to produce a significant number of inquiry calls.

*Web Site* – Covered in these costs are the design and content of a Michigan “Electric Choice” Web site, a vehicle for sharing information and assuring widespread availability of customer information. This Web site can be linked to utility “Choice” Web pages. The first year costs are for the collection and conversion of the information and the later year costs are for maintenance and updating.

*Advertising* – These costs include all paid advertising and production of television and radio spots, articles for major daily newspapers and business and special interest publications, and outdoor advertising/billboards.

**Budget Detail -- Consumer Education**  
(Proposed Spending in Thousands of Dollars)

| Budget Detail    | 1999         | 2000           | 2001            | 2002            | Total           |
|------------------|--------------|----------------|-----------------|-----------------|-----------------|
| Research         | \$125        | \$245          | \$275           | \$285           | \$930           |
| Collateral       | \$250        | \$150          | \$500           | \$300           | \$1,200         |
| Grassroots       | \$114        | \$40           | \$80            | \$16            | \$250           |
| P.R. Fulfillment |              |                | \$240           | \$240           | \$480           |
| Grants           |              |                | \$75            | \$75            | \$150           |
| Phone Center     |              |                | \$500           | \$500           | \$1,000         |
| Web Site         | \$100        | \$25           | \$25            | \$25            | \$175           |
| Advertising      |              | \$1,000        | \$11,600        | \$9,972         | \$22,572        |
| <b>Total</b>     | <b>\$589</b> | <b>\$1,460</b> | <b>\$13,295</b> | <b>\$11,413</b> | <b>\$26,757</b> |

**Comparison to Other States**

The scope and budget of the Michigan-proposed program compares reasonably with programs implemented in other states. To account for the difference in market size, the cost per capita can be used. This shows the Michigan proposal reflects spending of about \$1.27 per person based on the average annual spending budgeted for the peak spending years 2001 and 2002.

**Comparison with Other States**

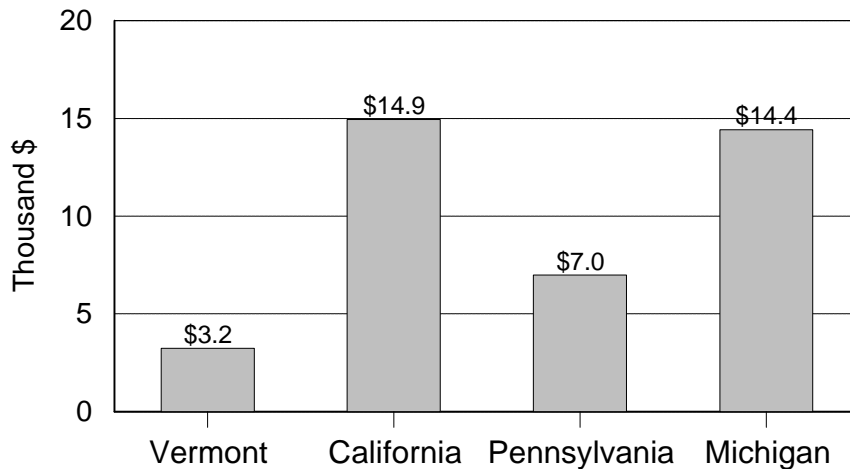
| Customer Education Programs | Annual Spending Million of Dollars | Resident Population Millions of Persons | Spending per Person |
|-----------------------------|------------------------------------|---|---------------------|
| California                  | 74.0                               | 31.9                                    | \$2.31              |
| Ohio*                       | 16.0                               | 11.2                                    | \$1.43              |
| Pennsylvania                | 17.0                               | 12.0                                    | \$1.42              |
| Connecticut                 | 4.5                                | 3.3                                     | \$1.36              |
| <b>Michigan**</b>           | <b>12.4</b>                        | <b>9.7</b>                              | <b>\$1.27</b>       |
| New Hampshire               | 0.8                                | 1.2                                     | \$0.67              |
| Maine                       | 0.8                                | 1.2                                     | \$0.67              |

\* The Ohio Senate passed a bill (not yet enacted) directing the PUC to spend up to \$16 million for customer education in the first year and up to \$17 million for all subsequent years, in decreasing amounts each year following the first year.

\*\* Michigan annual spending is the average of the two highest spending years 2001 and 2002.

It is important to note that the spending experience of other states may not be directly applicable to Michigan's situation. For example, one of the many ways that states differ is the cost of purchasing media, which is the major component of the Michigan program. By using the 1999 television advertising cost per thousand for each county in each state, the cost to reach 100,000 citizens in Michigan (\$14,418) is close to California (\$14,937), but about double the cost of Pennsylvania (\$6,985). Michigan's total proposed per-capita expenditures are low in comparison to the other states examined in spite of Michigan's relatively high media costs. Given these two facts, the CHOICE Advisory Council believes this budget is reasonable to assure effective customer awareness and education.

**Relative Media Costs**  
To Reach 100,000 Citizens



Source: Bozell Worldwide, Media Department

## **Funding Mechanism**

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The CHOICE Advisory Council members agree all customers will need and benefit from awareness and education information on electric choice. Such an effort is important to creating the momentum necessary to build a competitive market and will encompass the entire state of Michigan. The CHOICE Advisory Council recommends funding the Statewide Customer Education Program through a small charge applied to the electric bills of all customers, including both those who choose to remain with their existing regulated electric company and those who elect to choose an alternative electric supplier.

Since the program is intended to prepare all customers for the opening of electric choice on January 1, 2002, the Council agrees all customers of regulated electric companies are expected to contribute to the program costs. The Council recommends that the Commission determine the allocation of the total program costs among regulated electric companies. The regulated electric companies and utility associations participating on the Council discussed several options to consider for allocation of program costs. These options include an allocation of costs based on regulated electric companies' (1) customer or meter count, (2) share of sales to end-use customers, or (3) a combination of options 1 and 2. The electric cooperatives believe the most equitable method for allocation of program costs is based on electricity sales (kWh). Alternatively, certain investor owned utilities believe the most equitable method for allocation of program costs is based on customer or meter count. In both cases, the company's support for the statewide education program is contingent upon the Commission's acceptance of their position.

Additionally, the Council recommends recovery of the program's costs over a three-year period (2000 through 2002) and not exceed the total costs for implementing the program activities. The recovery of costs for program implementation is expected to terminate when sufficient revenues have been produced to cover the cost of the program. Therefore, revenue recovery could occur in less than or more than three years. If the program is found to cost less than anticipated, then recovery will be discontinued at such time as sufficient revenues have been collected.

## Implementation Management

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The CHOICE Advisory Council will establish a CHOICE Advisory Council subcommittee consisting of seven persons (chaired by a member of MPSC staff, including three industry representatives and three consumer representatives, and selected by the Council) as the administrator of the Statewide Customer Education Program implementation. The subcommittee will review the activities of the contractors and grantees as outlined in the proposal, oversee the hiring of vendors and expenditures, and recommend payment to contractors or organizations receiving grants for specific statewide customer education efforts.

The Council recommends the three contractors assisting with the development of this proposal, Ken Peterson and Associates, Inc., Bozell Worldwide, Inc. and Buckhammer and Jankowski, implement the Statewide Customer Education Program. Contracts with these three contractors and other vendors will be established through The Detroit Edison Company and Consumers Energy Company and reviewed by the CHOICE Advisory Council and MPSC staff. Additionally, contractors, vendors and subcommittee members will be expected to sign an “Agreement of Understanding” developed by the CHOICE Advisory Council that will provide for management oversight by the subcommittee.

The purpose of this subcommittee will be to ensure the educational activities are competitively neutral, objective, and not promotional in nature. It will also verify the expenditure of funds for project activities completed by contractors, vendors and grantees and recommend to the Michigan Public Service Commission authorization of payments required to contractors and grantees from each regulated electric company. Payments will be made following Commission approval. Periodic presentations will be made to the full CHOICE Advisory Council to preview promotional materials and be updated on progress towards the planning objectives.

The Council recommends the subcommittee will continue to operate until such time as the program activities are complete and payments to contractors, vendors, and grantees have been completed. The subcommittee will file a final report of its activities with the Commission within 90 days of the completion of its activities. The report will include research findings, total expenditures, etc.

The Council recommends the contractors and vendors meet periodic reporting requirements following guidelines which identify expenditures for program activities completed at least each quarter during the duration of the program implementation. The reports will include, but are not limited to:

1. An implementation report that summarizes progress toward achieving project activities and performance goals during the just-concluded reporting period, with plans for the next period.
2. Identification of problems (real or anticipated) that warrant attention, a description of plans to overcome possible problems and notification of any deviation from previously agreed upon program activities and budgets.
3. An expenditure report that identifies specific costs provided for each period.

4. An invoice for payment of funds for the period in sufficient detail to allow an assessment of project deliverables (e.g., brochures, ads, etc.) that would be included for review.

The Council recommends that the subcommittee develop applications for community outreach grants and take responsibility for review and approval of grant applications, and monitoring of grant activity.

Finally, after review of the contractors' reports or grant applications, the subcommittee will recommend to the Commission for approval of specific contractor/grantee/vendors invoicing to regulated electric companies.