

Attachment to April 27, 2001
Settlement Agreement
Case No. U-12133
Exhibit A

Statewide Customer Education Program Proposal

(Combined Natural Gas and Electric Campaign)

Case No. U-12133
&
Case No. U-12550



Report by the CHOICE Advisory Council filed on April 27, 2001

Acknowledgments

The CHOICE Advisory Council appreciates the support received from the following communications contractors in developing this proposal and preparing this report: Ken Peterson & Associates, Inc., McCann-Erickson Detroit, and JankowskiCo.

The CHOICE Advisory Council formed a subcommittee to develop this proposal. Working with the communications contractors on the overall content of the proposal were Ron Ancona, Jim Ault, Samiah Bahhur, Dave Dillon, Rick Matteson, Lisa Pappas, Jeff Pillon, Jean Savoie, Lynn Smith, Jennifer Schmidt, Mary Zaleski and Sharon Theroux. In addition, the following CHOICE Advisory Council members assisted with the basic design and review of the proposal:

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Jeff Anthony, Wisconsin Electric Power Company
Mike Ashton, Midwest Independent Power Suppliers Coor. Group
Samiah Bahhur, SEMCO Energy Gas Company
Mike Buda, Michigan Electric Cooperative Association
Barry Cargill, Small Business Association of Michigan
Dave Dillon, The Detroit Edison Company
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Executive Summary

The purpose of the Statewide Customer Education Program Proposal (Program) on “Michigan Energy Choice” is to respond to two Michigan Public Service Commission (Commission) orders issued on electric and natural gas choice, and provide a more efficient program approach that offers a combined natural gas and electric choice statewide customer education effort.

On October 13, 2000, the Commission issued an Opinion and Order in Case No. U-12550 adopting, with certain modifications, uniform terms and conditions for voluntary/permanent gas customer choice programs offered in Michigan. The order directed Commission Staff (Staff) to involve interested stakeholders in the development of a customer choice education program for the natural gas business similar to the program developed by the electric CHOICE Advisory Council (Council) in Case No. U-12133.

On March 7, 2001, the Commission issued an Opinion and Order in Case No. U-12133 addressing the proposal of the Council for a Program on electric choice, as presented to the Commission through contested settlement proceedings. The Commission commented favorably on the overall structure of the Program and its use as the appropriate framework for conducting educational programs required by law. However, the Commission reopened the case to allow parties to reach agreement on some limited revisions to the program in response to changes in circumstances related to choice.

The Commission requested revisions to the Program, as follows:

- Provide ideas on coordinating gas and electric educational programs;
- Change the timing of expenditures and program activities;
- Ensure the flexibility to intensify or refocus educational efforts as supply markets develop and customers move toward choice;
- Expand the Program to promote the development of competition in the supply side of power markets;
- Expand the Council subcommittee from 7 to 11 members that will oversee program implementation and expenditures;
- The Commission found it unnecessary to include alternative electric suppliers in the program funding mechanism, but interpreted Public Act 141 to say the suppliers must participate and cooperate in the educational programs.

In response to these orders, Staff held several meetings with the Council that was expanded to include regulated natural gas companies, gas marketers and other organizations representing customer groups. The Council members agreed to move forward on the development of a combined natural gas and electric choice statewide customer education program proposal. Council members agreed this approach was reasonable because: 1) natural gas and electric are both energy sources; 2) a combined campaign is more efficient and lower cost than implementing two separate and almost identical campaigns; 3) it minimizes customers confusion about choice; and 4) the Program responds to the Commission’s orders in Case No. U-12133 and Case No. U-12550.

Background: In August 1998, Staff formed a voluntary working group, called the CHOICE Advisory Council, 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, low-income advocates, and state agencies.

On March 8, 1999, the Commission issued an order in Case No. U-11290 that requested the 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. On June 3, 1999, the *Statewide Customer Education Program Proposal* on electric restructuring was submitted to the Commission. The Commission issued an order and Notice of Hearing in Case No. U-12133 to recommend a funding mechanism for the Program.

Public Act 141 of 2000 passed the Michigan Legislature and was signed by Governor John Engler on June 3, 2000. The law states that before January 1, 2002, the Commission shall establish a funding mechanism for electric utilities and alternative electric suppliers to carry out an educational program.

On August 4, 2000, in Case No. U-12550, the Commission initiated a collaborative process to develop uniform terms and conditions for a permanent natural gas customer choice program. Staff held a series of meetings with interested parties and developed a report indicating there was a consensus on the development and implementation of a statewide customer choice education program proposal.

Three general contractors assisted in the development of this Program: Ken Peterson & Associates, Inc. in Southfield; McCann-Erickson Detroit in Troy; and JankowskiCo. in Detroit, MI.

Program Overview: The ability of customers to choose a natural gas or electric supplier is the most significant change in energy markets in many years and customers need to understand these changes and how they will be affected. The success of customer choice in energy services will depend on a comprehensive customer education program that is well planned and properly implemented. A 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 energy choice education.

Program Identity: The Council proposes that the Michigan education program be labeled “Michigan Energy Choice” – to encompass both gas and electric choice program messages.

Communications Objectives: The objectives and measures of success proposed by the Council are:

1. *Awareness Objective* – Inform Michigan citizens they will soon have a choice of suppliers for electricity and natural gas.

- Measure of Success – 80% unaided awareness of “Michigan Energy Choice” among target audiences.
2. *Education Objective* – Ensure Michigan citizens have the knowledge necessary to exercise choice, if they so desire.
 - Measure of Success – 55% education for both gas and/or electric choice programs.

Customer Audiences: The Council recommends focusing communications on residential and small and medium sized commercial and industrial customers. Large commercial and industrial customers will receive primary communications from their own on-staff energy experts.

Communications Strategy: The Council proposes an integrated three-part communications initiative:

1. *Mass Communications:* Launches statewide in the 4th Quarter of 2001 and continues through the 4th Quarter of 2003 to provide awareness (in mass communications broadcast media – television and radio) and education (in more targeted print media – newspapers and business publications) to customers before alternative natural gas and electric suppliers begin actively soliciting customers in those markets.
2. *Infrastructure:* Beginning before mass communications and continuing for 2½ years, an infrastructure will be established to respond to public inquiries. Included will be a toll-free telephone number and call center, a Web site and a fulfillment center to distribute materials to those requesting information.
3. *Grassroots:* Some types of customers will be harder to reach or may respond to different messages. Therefore, this Program incorporates a grassroots component designed to involve these difficult-to-reach audiences using local civic and business organizations. Supporting mass communications in all phases will be a comprehensive grassroots, community involvement program that initially provides materials to Council member organizations and alternative energy suppliers and then unfolds in 2002 to include a speaker’s bureau and small-scale grants to organizations that facilitate dissemination of information.

Program Timing: At this time, it is difficult to project with reasonable certainty when the development of power markets necessary to make customer choice effective will reach a point that optimizes the benefits of natural gas and electric choice for all customers. Thus, it may become necessary to intensify or refocus educational efforts as supply markets develop and customers move toward electric choice.

The timeline developed for this Program builds in flexibility for both media commitment and media placement to meet changing regulatory and marketplace conditions. In other words, the launch phase may be delayed, as needed, to accommodate the approval process in Case No. U-12133 and the activity of alternative energy suppliers.

The Council will not authorize mass media or other Program expenditures without evaluating whether the timing is appropriate. The Council will continually monitor any local market indicators that are readily available and, in addition, bring together grassroots intelligence provided by the Council, media reports, and analysis of customer communications via the call center and the Web site.

Message Placement and Development: The communications challenge is to place choice messages that inform and educate customers in anticipation of alternative energy supplier marketing activities. In developing this Program, the Council acknowledges two geographic factors affecting the placement of Michigan Energy Choice communications:

1. The unpredictability of retail access activity that exists within the participating utilities' territories.
2. The service area territorial differences that exist among the participating regulated electric and gas utilities.

The Program messages may also need to deal with customer perceptions resulting from coverage of California's electric crisis and stories about the looming national energy crisis.

This Program includes exploratory research to assess the nature and extent of existing consumer knowledge and attitudes regarding natural gas and electric restructuring that needs to be conducted prior to developing messages.

Program Implementation: Three phases: "Preparation," "Launch" and "Maintenance."

	2001		2002				2003				
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Research											
Creative Development											
Material Production											
Infrastructure	DEV.		IMPLEMENTATION								
Mass Awareness			LAUNCH				MAINTENANCE				
Targeted Education			FOCUSED AND/OR INTENSIFIED IN EMERGING MARKETS								

The Program is anticipated for completion in 2½ years, and proposed to begin in the summer of 2001 and end in December 2003. If, however, the Program begins at a later date, the implementation schedule will be changed accordingly to reflect the four months needed to develop materials, and conduct baseline research, and prepare for the campaign implementation of a Web site, grants and phone center; and, the remaining nine quarters to launch and maintain the infrastructure, mass media campaign, grassroots efforts, and continued research. Also, if the program launch date changes or the alternative energy suppliers enter markets slower than expected, the program may go beyond this time frame.

Program Phases:

Phase 1 – Preparation (3rd Quarter 2001 or earlier, if ordered) will be an intensive period of development: conducting customer baseline research from which to craft mes-

sages, define education criteria and objectives, and establish quantitative baseline measures from which to track progress toward attainment of communications objectives. The research will help communications be responsive to the public and will allow communications to adjust to changing public needs and concerns. This period will also be spent establishing a responsive infrastructure that includes a Web site, toll-free number and call center, and producing materials to answer the information requests of customers.

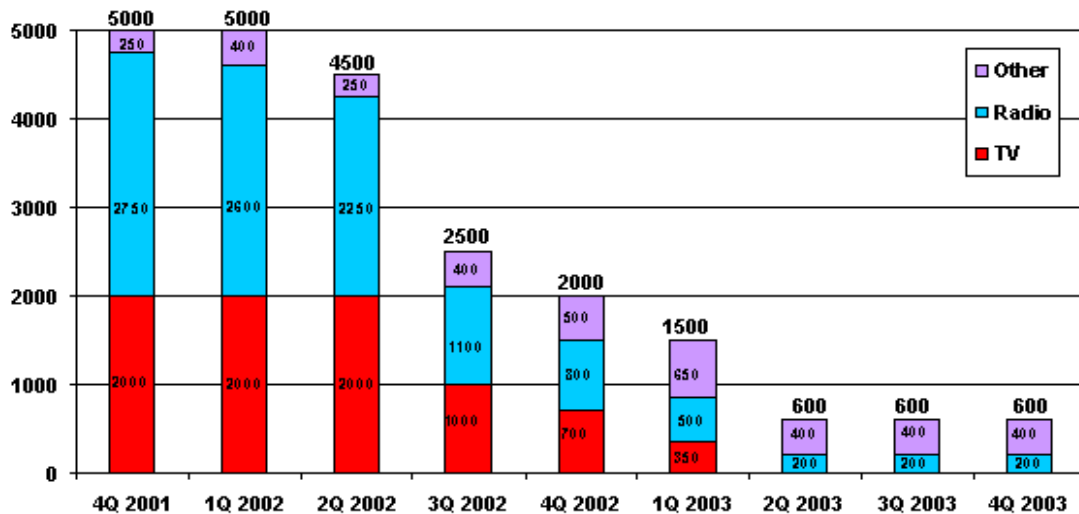
Phase 2 – Launch (4th Quarter 2001 through 2nd Quarter 2002) will be a period of proactive broadcast media awareness communication. Simultaneously, education communication in print media and grassroots activities will be placed in markets where customer attitudes or market conditions warrant. Particular attention will be accorded those markets where alternative energy suppliers have begun to actively solicit customers.

Phase 3 – Maintenance (3rd Quarter 2002 through 2003) will continue awareness and education media advertising but at a level calculated primarily to maintain the awareness and education levels established earlier.

At the end of the Program, the Council may continue grassroots activities at a modest level. Also, the Commission will examine ownership of the Web site address and call center toll-free number.

Media Selection – The customer mass communications efforts will be concentrated in these media: **Television, Radio, Print**, and **Out-of-Home** (Outdoor Media).

Mass Communications Media Buying: The following chart displays the TRPs (Target Rating Points) that will be achieved each quarter:



Note: Target Rating Points (TRPs) are the sum of all ratings for all programs in a schedule based on Average Target Audience Rating. The Average Target Audience Rating is the percentage of target audience population viewing a TV/Radio program during an average minute. The difference between the total TRPs less the TRPs for TV/Radio is the amount from print media. For example, in the 2nd Quarter of 2002, our media reach and frequency will generate 4500 Target Rating Points; 2000 from television, 2250 from radio and the remaining 250 from print.

Measures of Success: To assure attainment of awareness and education objectives, this Program includes a comprehensive multi-faceted measurement plan with up-front baseline research from which 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 a Quantitative study. Each will be addressed separately. The contractor conducting the survey and focus group efforts will be required 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 and attitudes regarding electric and gas restructuring.

Creative Development Research: Message testing of creative concepts among a sample of residential and business customers is the next step in the creative process. At least six focus groups will be conducted with residential and commercial/industrial customers to gauge their reaction to proposed messages.

Quantitative Research: Being aware of “Michigan Energy 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 reaches its awareness and education objectives. This recommended design is structured to track both "awareness" as well as slower-growing "knowledge" on a quarterly basis throughout the entire campaign. Special questions will be asked to assess depth and knowledge for both gas and electric choice programs.

Budget: The proposed budget for the Program on “Michigan Energy Choice” is about \$33.3 million over 2½ years (2001-2003), or an average of \$11.1 million per year. This proposed budget represents a 24.27% increase from the electric choice customer education budget proposed in 1999. This increase is primarily attributable to three factors: 1) changes in consumer sentiment created by California’s electricity crisis, and growing national energy concerns; 2) addition of natural gas choice communications; and 3) compression of the time period in which to create awareness and education.

Budget Detail: Michigan Energy Choice Customer Education (Gas and Electric)

	2001	2002	2003	Energy Choice	Electric Choice	Increase
Research	\$ 262,000	\$ 408,000	\$ 408,000	\$ 1,078,000	\$ 930,000	15.91%
Collateral	\$ 860,000	\$ 1,500,000	\$1,500,000	\$ 3,860,000	\$ 1,930,000	100.00%
Grants	-0-	\$ 150,000	\$ 150,000	\$ 300,000	\$ 150,000	100.00%
Phone Center	\$ 200,000	\$ 600,000	\$ 600,000	\$ 1,400,000	\$ 1,000,000	40.00%
Web Site	\$ 160,000	\$ 100,000	\$ 100,000	\$ 360,000	\$ 175,000	105.71%
Paid Media	\$6,700,000	\$14,624,000	\$4,928,000	\$ 26,252,000	\$ 22,572,000	16.30%
Totals	\$8,182,000	\$17,382,000	\$7,686,000	\$ 33,250,000	\$ 26,757,000	24.27%

The Council subcommittee will maintain oversight of the budget and reallocate spending based on market reality. Simply because the money is budgeted does not mean it will be spent automatically. Also, money will be retained for use at later dates when choice opens up in markets that are initially not competitive.

Comparison to Other States: The scope and budget of the Michigan-proposed program compares favorably with programs implemented in other states. For example, the state of New Jersey operates a combined campaign for natural gas and electric educational efforts. The cost for the campaign was \$13.5 million in the first year of a multi-year effort. This compares to the proposed Michigan program of \$11.1 million per year. New Jersey's program costs are higher due, in part, to higher media costs. New Jersey has a population of 8.1 million (1999) versus Michigan with a population of 9.9 million. The Michigan combined campaign program reflects spending of about \$1.12 per person based on the average annual spending budgeted for the three years 2001-2003, compared to New Jersey's cost of \$1.67 per person.

Funding Mechanism: The Council members agree all customers will need and benefit from awareness and education information on natural gas and electric choice. Such an effort is important to create the momentum necessary to build a competitive market and will encompass the entire state of Michigan. The Council recommends funding the Program through a small charge applied to the natural gas and 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 energy supplier. The program will encompass the entire state of Michigan.

The Council recommends that, in consideration of various factors, customers of electric companies, including rural electric cooperatives, should be assigned 60%, or about \$20 million, and customers of gas companies assigned 40%, or \$13.3 million, of the total \$33.3 million Program costs. Natural gas utilities should allocate the costs to their customers on a meter basis similar to what was approved by the Commission for electric utilities in Case No. U-12133.

The Council also recommends two options for budgeting the costs needed to implement an Electric Supplier Communications Initiative, estimated to cost \$730,000. One option could be to consider the Initiative program costs separately, or as an added cost beyond the \$33.3 million budgeted for the proposed Program. A second option might be to include the Initiative program costs as part of the Program budget. However, this option is not preferred because it would reduce some of the proposed communications objectives and educational activities. The electric customers should be responsible for the costs of the Initiative due to the focus being on the development of the electric industry as required in electric Case No. U-12133 (see Appendix C).

Program Management: The Council will review the implementation of the Program. The members will: 1) distribute choice program education materials to interested groups; 2) publicize the Speaker's Bureau and provide presentations using program scripts and materials; 3) develop materials such as explaining consumer rights and how to resolve disputes and information on energy assistance to low income customers; and 4) develop mailing lists of organizations that may be interested in applying for a Michigan Energy Choice grant.

On March 16, 2001, Staff recommended for Commission approval a Council subcommittee consisting of eleven persons (chaired by a member of the Staff, including five industry representatives and five consumer representatives), as requested in the order in Case No. U-12133. However, the Council recommends adding two additional members to the subcommittee, including

one representative of Michigan Consolidated Gas Company and one representative of ratepayer interests to reflect the natural gas component of this Program.

The purpose of the subcommittee is to oversee and administer all energy choice Program activities. The subcommittee will: 1) ensure the program activities are competitively neutral, objective and not promotional in nature and consistent with the Commission-approved program and budget; 2) review the contracts between utility companies and the contractors to ensure consistency with program objectives; 3) verify the expenditures of funds for project activities and submit invoices to companies for payment, including disbursements, to organizations receiving program grants; and 4) follow the program management procedures approved by the Commission in the “Agreement of Understanding.”

Electric Supplier Communications Initiative: In the Commission’s March 7, 2001 order in Case No. U-12133, the Commission requested the expansion of the Statewide Customer Education Program Proposal to promote the development of competition in the supply side of power markets. In response, the Council recommends implementation of the Electric Supplier Communications Initiative program as outlined in Appendix C.

Promoting the development of competition in the supply side of power markets is a very different task than educating consumers about the opportunity to choose among alternative electric suppliers. Unlike the consumer audience, the supply side audience is a relatively small, highly sophisticated target motivated by business concerns. Further, this audience is aware that restructuring of the electric industry is taking place in Michigan. Therefore, a communications initiative directed to this audience must be considered separately from the Statewide Customer Education Program, with its own parameters of development and execution.

Contents

Introduction	1
Background.....	3
Program Overview.....	6
■ Program Identity	6
■ Communications Objectives	6
■ Customer Audiences	7
Communications Strategy	8
■ Three Aspects.....	8
■ Program Timing.....	8
■ Message Placement.....	9
■ Message Development.....	10
■ Program Implementation	10
Program Phases	12
Mass Communications Media Buying	17
Measure of Success	21
■ Exploratory Research	21
■ Creative Development Research.....	21
■ Quantitative Research	21
Budget.....	23
■ Budget Detail	23
■ Budget Categories.....	24
■ Comparison to Other States	25
Funding Mechanism	27
Program Management	29

Appendix A: Electric Utility Service Areas

Appendix B: Gas Utility Service Areas

Appendix C: Electric Supplier Communications Initiative

Introduction

The purpose of the Statewide Customer Education Program Proposal (Program) on Michigan Energy Choice is to respond to two Michigan Public Service Commission (Commission) orders issued on electric and natural gas choice, and to provide a more efficient program approach that offers a combined natural gas and electric choice statewide customer education effort.

On October 13, 2000, the Commission issued an Opinion and Order in Case No. U-12550 adopting, with certain modifications, uniform terms and conditions for voluntary/permanent gas customer choice programs offered in Michigan. The order directed Commission Staff (Staff) to involve interested stakeholders in the development of a customer choice education program for the natural gas business similar to the program developed by the electric CHOICE Advisory Council (Council) in Case No. U-12133.

In January 2001, Staff held several meetings with the Council that was expanded to include regulated natural gas companies, gas marketers and other organizations representing customer groups. The Council members agreed to move forward on the development of a combined natural gas and electric (energy) choice Program. Council members agreed this approach was reasonable because: 1) natural gas and electric are both energy sources; 2) a combined campaign is more efficient and lower cost than implementing two separate and almost identical campaigns; and 3) it minimizes customer confusion about choice.

On March 7, 2001, the Commission issued an Opinion and Order in Case No. U-12133 addressing the proposal of the Council for a Program on electric choice, as presented to the Commission through contested settlement proceedings. The Commission commented favorably on the overall structure of the Program and its use as the appropriate framework for conducting educational programs required by law. However, the Commission reopened the case to allow parties to reach agreement on some limited revisions to the program in response to changes in circumstances related to choice.

The Commission requested revisions to the Program, as follows:

1. Provide ideas on coordinating gas and electric educational programs.
2. Change the timing of expenditures and program activities.
 - a. The education program must defer some activities beyond the 2002 end date identified in the original proposal;
 - b. Educational programs must be in place to assist customers prior to January 1, 2002; and
 - c. The Program activities are anticipated for completion within 2½ years from beginning to end.
3. Ensure the flexibility to intensify or refocus educational efforts as supply markets develop and customers move toward choice.

4. Expand the Program to promote the development of competition in the supply side of power markets.
5. Expand the Council subcommittee from seven to eleven members who will oversee program implementation and expenditures. On March 16, 2001, Staff recommended to the Commission subcommittee candidates representing: The Detroit Edison Company, Consumers Energy Company, Michigan Electric & Gas Association, Michigan Electric Cooperatives Association, Nordic Energy, AARP, Michigan Manufacturers Association, Small Business Association, Michigan Community Action Agency Association, Michigan Attorney General, and MPSC Staff.
6. The Commission found it unnecessary to include alternative electric suppliers in the program funding mechanism, but interpreted Public Act 141 to say the suppliers must participate and cooperate in the educational programs.

The Council's combined Program on "Michigan Energy Choice" is in response to the Commission's requests identified in the orders in Case No. U-12133 and U-12550. The Program on energy choice is proposed to cost about \$33.3 million, or 24% more than implementing a separate electric choice education program. If there were stand-alone education programs for natural gas and electric choice, the total costs for education programs are projected to exceed a total of \$50 million (assuming each Program costs \$26.7 million). By combining the natural gas and electric education efforts into one campaign, the synergistic savings are estimated to reach \$20 million.

Background: Chronology of Events Leading to this Proposal

On June 5, 1997, the Commission 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 customers may need about the supplier."¹

A report filed by the Commission 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, competitively-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, 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, environmental and low-income advocates, and state agencies.

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

The working group completed several activities to move forward on educating customers on electric choice, including:

- Selecting CHOICE Advisory Council as the official name of the working group;
- Designing a program logo;
- Developing a set of commonly-used terms (found on the Commission Web site); and
- Developing frequently-asked questions and answers on electric choice (found on the Commission Web site).

On March 8, 1999, the Commission 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."

On June 3, 1999, the *Statewide Customer Education Program Proposal* on electric restructuring was submitted to the Commission. The Commission issued an order and Notice of Hearing in Case No. U-12133 to recommend a funding mechanism for the Program.

Public Act 141 of 2000 passed the Michigan Legislature and was signed by Governor John Engler on June 3, 2000. The law states that before January 1, 2002 the Commission shall establish a funding mechanism for electric utilities and alternative electric suppliers to carry out an educational program for customers to do all of the following:

1. Inform customers of the changes in the provision of electric service, including, but not limited to, the availability of alternative electric suppliers.
2. Inform customers of the requirements relating to disclosures, explanations, or sales information for alternative electric suppliers.
3. Provide assistance to customers in understanding and using the information to make reasonably informed choices about which service to purchase and from whom to purchase it.

On August 4, 2000, in Case No. U-12550, the Commission initiated a collaborative process to develop uniform terms and conditions for a voluntary permanent natural gas customer choice program for customers in Michigan. The Commission asked Staff and other interested parties to consider the knowledge gained from the gas customer choice pilots that had been conducted by Consumers Energy Company, Michigan Consolidated Gas Company (MichCon) and SEMCO Energy Gas Company. At the end of the collaborative process, the Staff was directed to file a

report that identified the issues that remained in dispute and set forth recommendations for resolution of those issues.

Staff held a series of meetings during August and September 2000. Many parties attended meetings and submitted written comments during that process. The Staff filed its report on September 22, 2000. Interested parties had 14 days to file comments on the report. On October 13, 2000, the Commission issued an order in Case No. U-12550 that adopted the Staff Report subject to modifications that were set forth in the order.

The Staff Report indicated that there was a consensus on the development and implementation of a statewide natural gas customer choice education program that should be similar to the program developed by the electric choice Council. The Commission agreed and assigned the task of developing a natural gas education program to the Staff in conjunction with other stakeholders. Staff asked the electric choice Council to assist with this task. The Council, with the addition of some natural gas stakeholders, agreed to do so. The expanded Council has worked with Staff to develop a combined electric and gas customer choice education program.

Three general contractors assisted in the development of this Program: Ken Peterson & Associates, Inc. in Southfield; McCann-Erickson Detroit in Troy; and JankowskiCo. in Detroit. 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, creative 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; and
- Michigan-based operations, perspective and commitment.

Program Overview

As the ability to choose an alternative natural gas or 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 energy choice offers and how to consider and select a supplier. This competition is the most significant change in energy markets in many years and customers need to understand these changes and how they will be affected. The success of customer choice in energy services will depend on a comprehensive customer education program that is well planned and properly implemented. A 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 energy choice education.

Customer education is clearly an important priority in the implementation of electric and gas 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 creative message development.
4. Ability to reach a mass audience in an unbiased manner.

Program Identity: The Council proposes that the Michigan education program be labeled “Michigan Energy Choice” – to encompass both natural gas and electric choice program messages under a single, memorable name for which communications will build awareness (i.e., recognition) and education (i.e., understanding and knowledge to choose).

Communications Objectives: The objectives and measures of success proposed by the Council are:

1. *Awareness Objective* – inform Michigan citizens they will soon have a choice of suppliers for electricity and gas.
 - Measure of Success – 80% unaided awareness of “Michigan Energy Choice” among target audiences by January 1, 2004, or the end of the Program.
2. *Education Objective* – Ensure Michigan citizens have the knowledge necessary to exercise choice, if they so desire.
 - Measure of Success – 55% education of both electric and gas choice programs by January 1, 2004, or the end of the Program.

In tactics to achieve these objectives, the Council will:

- Involve community/organization-based groups to distribute program materials.
- Position the Commission as the most neutral and knowledgeable resource concerning the emerging competitive energy marketplace.
- Work cooperatively with regulated utilities and suppliers to ensure their communications programs complement statewide education efforts.
- Include activities completed by Council members through in-kind contributions, i.e.,

Speaker's Bureau presentations, mailing energy choice materials, etc.

Customer Audiences: The Council recommends focusing communications on the following customer subgroups:

Residential – Citizens who make or research the energy purchase decisions for their households.

- Special emphasis will be placed on disadvantaged or vulnerable groups: the elderly, communications challenged, poor, etc.

Commercial and Industrial (small and medium sized) – Persons who make or research the energy purchase decisions for their businesses.

Audiences have been prioritized based on their information needs. In other words, initial focus will be on those audiences who lack the information resources and expertise available to large commercial and industrial customers. The large commercial and industrial customers will receive primary communications from their own on-staff energy experts.

Communications Strategy

Three Aspects: The Council proposes an integrated three-part communications initiative. Key to its design is the establishment of a strong foundational base of awareness of "Michigan Energy Choice" among the target audience. This base of awareness is crucial to preparing all potential customers for supplemental educational messages, which may vary in intensity, timing and geography as alternative energy suppliers open specific local markets to choice. These foundational awareness messages are also intended to positively influence receptiveness to the issue itself by positioning "Michigan Energy Choice" in a distinctive and deliberate way.

1. *Mass Communications:* Launches statewide in the 4th Quarter of 2001 and continues through the 4th Quarter of 2003.
 - a. Awareness, in mass communications broadcast media (television and radio),
 - b. Education, in more targeted print media (newspapers, business publications).
2. *Infrastructure:* Beginning prior to mass communications and continuing for the next 2½ years, an infrastructure will be established to respond to public inquiries. Included will be a toll-free telephone number and call center, a Web site, and a fulfillment center to distribute materials to those requesting information.
3. *Grassroots:* All customers need electric and gas choice information and education. Some types of customers will be harder to reach or may respond to different messages. Therefore, this Program incorporates a grassroots component designed to involve these difficult-to-reach audiences using local civic and business organizations. Supporting mass communications in all phases will be a comprehensive grassroots, community involvement program that initially provides materials to Council member organizations and alternative energy suppliers and then unfolds in 2002 to include a speaker's bureau and small-scale grants to organizations that facilitate dissemination of information.

Program Timing: In its March 7, 2001 order, the Commission acknowledged the originally developed Council education program proposal that envisioned a series of coordinated educational activities to be implemented in stages, building awareness and education over a four-year period ending in 2002 after the opening of markets to competition. But, since that time, there have been several developments, not the least of which is the restructuring legislation, Public Act 141 of 2000, that created a statutory basis for educational programs and imposed a timetable for retail open access. Also, the Commission established a schedule for expanded natural gas choice programs that begin April 1, 2001 for Consumers Energy Company, and April 1, 2002 for Michigan Consolidated Gas Company, SEMCO Energy Gas Company, and Michigan Gas Utilities. Moreover, more than two of the four years covered by the Program have passed, but the Council's educational program has yet to begin.

The Commission also acknowledged that the emergence of the power markets necessary to make customer choice effective, both in Michigan and nationwide, has progressed at a somewhat uneven pace. At this time, it is difficult to project with reasonable certainty when the development of those markets will reach a point that optimizes the benefits of natural gas and electric choice

for all customers. Thus, it may become necessary to intensify or refocus educational efforts as supply markets develop and customers move toward energy choice.

The Council recognizes the following Program timing issues:

1. A broad-reach, high-frequency, mass media launch throughout Michigan is required to set the stage for education – to develop wide-spread receptivity to the idea of “Michigan Energy Choice” and its more-targeted (and more-detailed) education messages.
2. Before a mass media launch, a minimum of four months will be needed for development of program infrastructure and creative messages.
3. The regulatory process involved in arriving at a final order in Case No. U-12133 may delay development and delay the start of communications beyond the planned 4th Quarter of 2001 media launch.

Therefore, the timeline developed for this Program builds in flexibility for both media commitment and media placement to meet changing regulatory and marketplace conditions. In other words, the launch phase may be delayed, as needed, to accommodate the approval process in Case No. U-12133 and the alternative energy suppliers entry into those markets. The Council will not authorize mass media expenditures without evaluating whether the timing is appropriate.

To determine which markets warrant communications emphasis or a refocusing of media or other Program expenditures, the Council will continually monitor any local market indicators that are readily available and, in addition, enlist the Council’s membership in obtaining grass-roots-level insights.

Information sources to monitor the market may include:

1. Analysis of calls received at the “Michigan Energy Choice” call center;
2. Similar analysis of calls received by utility members of the Council;
3. Local market media reports of alternative energy suppliers advertising (or reports from a monitoring service);
4. Competitive marketing activity reports from the membership of Council organizations;
5. Contracts with alternative energy suppliers reported by utility members of the Council; and
6. Market entry plans voluntarily provided by alternative energy suppliers.

The process will bring together grassroots intelligence provided by Council members, media reports and analysis of customer communications via the call center and the Web site. All of this information will be made available to the Council subcommittee to aid in determining when and where to emphasize local market communications.

Message Placement: The communications challenge is to place choice messages that inform and educate in anticipation of alternative energy supplier marketing activities. In developing this

proposal, the Council acknowledges two geographic factors affecting the placement of “Michigan Energy Choice” communications:

1. The unpredictability of retail access activity that exists within the participating utilities’ territories, i.e., although electric choice begins January 1, 2002 and a phased-in, permanent gas choice begins in 2001, there is uncertainty as to when alternative energy suppliers will enter a market.
2. The service area territorial differences that exist among the participating regulated electric and gas utilities (see Appendix A and B).

Message Development: The program messages to be communicated may now need to deal with customer perception obstacles. In its March 7, 2001 order, the Commission acknowledged that there may be a perception among some segments of the public, based on news accounts unrelated to circumstances in Michigan, that energy restructuring has been ineffective elsewhere. National news coverage of California’s electric crisis and the stories emanating from Washington, D.C. about the looming national energy crisis have heightened concerns and raised anxiety among Michigan customers.

Though exploratory research was conducted in the 4th quarter of 1999, research must be done to obtain a more up to date picture of customer attitudes and predispositions toward energy market restructuring. We already know that customers have “restructuring” concerns influenced by their telecommunications experiences – from intrusive telemarketing to abuses such as cramming, slamming, inexplicable bills, and hidden charges.

This Program includes exploratory research to assess the nature and extent of existing consumer knowledge and attitudes regarding natural gas and electric restructuring – to be conducted before developing messages.

Program Implementation: Three phases: “Preparation,” “Launch” and “Maintenance.”

	2001		2002				2003				
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	
Research											
Creative Development											
Material Production											
Infrastructure	DEV.	IMPLEMENTATION									
Mass Awareness		LAUNCH					MAINTENANCE				
Targeted Education		FOCUSED AND/OR INTENSIFIED IN EMERGING MARKETS									

Phase 1 – Preparation (3rd Quarter 2001 or earlier, if ordered) will be an intensive period of development: conduct 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 communications objectives. This research will help communications to be responsive to the public, and will allow communications to adjust to meet changing public needs and concerns. This period will also be spent establishing a responsive infrastructure and producing materials to answer the information requests of customers.

Phase 2 – Launch (4th Quarter 2001 through 2nd Quarter 2002) will be a period of proactive broadcast media awareness communication. Simultaneously, education communication in print media and grassroots activities will be placed in markets where customer attitudes or market conditions warrant. Prior to launch, market participation by suppliers will be evaluated. Communications intensity and/or messaging will be reassessed to avoid creating false expectations that won't be fulfilled by the market place.

Phase 3 – Maintenance (3rd Quarter 2002 through 2003) will continue awareness and education media advertising, but at a level calculated primarily to maintain the awareness and education levels established earlier.

The Program is anticipated for completion in 2½ years from beginning to end. The Program is proposed to begin in the summer of 2001 and end in December of 2003. If, however, the Program begins at a later date, the implementation schedule will be changed accordingly to reflect the four months needed to develop materials, conduct baseline research, or prepare for the campaign implementation of a Web site, grants and phone center; and the nine quarters to launch and maintain the infrastructure, mass media campaign, grassroots efforts, and continued research. Also, if the Program launch date changes or the alternative energy suppliers enter markets slower than expected, the program may go beyond this time frame or 2003.

Program Phases

Phase 1 – Preparation (3rd Quarter 2001): This will be a period of development – conducting customer research from which to craft messages and to establish baseline measures from which to track progress toward attainment of awareness and education objectives, building a grassroots program, establishing a responsive infrastructure, producing collateral communications materials and developing creative content for subsequent placement. Information will be delivered on the "five W's" of restructuring: 1) What is “Michigan Energy Choice?” 2) Why is choice taking place? 3) When will it begin? 4) Who will it affect? 5) Where will it affect my daily life, and how can I receive more information?

Baseline Research – 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 on-going tracking study to measure progress toward the Program's objectives.

Infrastructure – Three components:

1. *Michigan Energy Choice Web Site* – A stand-alone, consumer-friendly Web site will be designed for sharing information and assuring widespread availability of energy choice customer information. This Web site will have links to the Commission and utility "Choice" Web pages. All Web site activities, design, hosting, updating and reporting will be conducted by a third-party contractor with oversight by the Council and Commission Staff.
2. *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, a third-party call center will be established and personnel will be trained by contractors and Staff before the start of mass media communications, planned for a 4th Quarter 2001 launch date. Based on other states' experience, call volume is expected to increase as awareness increases. The toll-free number and Web site will be promoted in all communications materials developed (media placement, brochures, news release materials, etc.) and a distribution point for literature requests.
3. *Fulfillment Capability* – A third-party fulfillment facility will stock materials and respond to requests from media representatives, individual citizens and organizations for printed and video materials.

Collateral Materials – The Council anticipates synergies and economies in building awareness for “Michigan Energy Choice” as a combined gas and electric choice program and, where appropriate, the following educational materials will be developed as joint communications materials, serving both the gas and electric choice audiences.

The Council recommends development of gas and electric choice educational tools to include:

- Frequently-asked questions and a glossary of terms that will be distributed through Council member organizations, alternative energy suppliers and other interested parties;
- Newsletter articles and brochures 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 for low-income, elderly, the physically-challenged and other population segments with special needs;
- A "how to shop" information guide, e.g., questions to ask, criteria to consider and consumer protections.

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

Individual Fulfillment Kits will be mailed to those individuals or organizations requesting information and proactively distributed among media contacts as appropriate.

- “How to Shop” brochure
- Glossary of Terms
- Frequently-Asked Questions
- News Releases
- Reprints of relevant news articles
- Video
- Rate calculator (to enable customers to compare suppliers' offers)

Grassroots Kits will be distributed primarily to customers through Council member organizations until a speaker’s bureau initiates community appearances. An informational packet will be prepared to assist speakers in their presentations and will include the following:

- PowerPoint slide presentations
- Script and Meeting Leader’s Guide
- Pocket brochures (for handouts) that include:
 - Glossary of Terms
 - Frequently-Asked Questions
 - Posters
 - Rate calculators (to enable customers to compare costs)
 - Attendees' response card (to measure attendance and helpfulness of each session)

Call center and mail fulfillment activities will peak during the mass communications period. Knowledgeable representatives who will be able to respond to general choice inquiries generated by a mass communications campaign will staff the call center’s toll-free number network. This toll-free number may also serve as an indicator of the education program's effectiveness. The contractor responsible for the toll-free call center and Web site will be asked to assure the confidentiality of the individuals contacting the center or Web site and information requested by individuals. Electronic mail or other information obtained by the call center or Web site will remain

confidential unless the Council subcommittee determines an appropriate purpose for which to use the information to further the educational efforts of the Program.

Phase 2 – Launch (4th Quarter 2001 through 2nd Quarter 2002) and Phase 3 – Maintenance (3rd Quarter 2002 through 2003): Phases 2 and 3 will be a period of proactive mass communications designed to simultaneously build statewide awareness and education, particularly in those markets where alternative energy suppliers have begun to actively solicit customers.

At this time, the program activities are anticipated to end at the conclusion of the 2½-year campaign unless activities are extended to respond to program delays or other factors. The Commission will determine ownership of the Web site domain address and call center number after the Program ends to ensure no company or consultant will be able to use it to their unfair benefit.

Media Selection – The customer mass communications efforts will be concentrated in these key media outlets:

- Television – Spread media weight over all day parts, with emphasis on news and prime
- Radio – Focus radio weight primarily during AM/PM drive times and weekend sports/programming
- Print – Concentrate on major daily newspapers (full, half-page and inserts); business and special interest publications (diversity, seniors, college, farm, etc.)
- Out-of-Home (*Outdoor Media*) – Build frequency/reminder impact for the education message

Media Strategy – Mass communications will utilize a combination of broadcast and print media that will begin at launch levels for the first four quarters and taper off for the remaining five. During launch, media levels will be concentrated to reach audiences six times or more. "Reach" refers to the number of different homes/people exposed at least once to a program or commercial across a given time period. It is also known as the cumulative or unduplicated audience. Reach builds quickly, while frequency builds more slowly over time.

Media Selection Rationale – Television 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 in length, so more information can be relayed. The lack of a visual image is a disadvantage of radio. Therefore, radio can be more educational in nature.

Newspapers round out the media mix. It is a very strong medium that facilitates the delivery of more detailed information that can be retained by the customer for future reference.

Outdoor media is planned to provide reminder messages – Web site address and a toll-free number to call with questions.

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

- Comparative pricing information and service terms from various suppliers;
- 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;
- Charts of published data available on the environmental impact of electricity production by the supplier, i.e., air emissions;
- Summaries of consumer complaint statistics including the types handled and resolved by suppliers, aggregators, distributors, and the Commission (complaint statistics will be indexed to provide a relative basis for comparison).

Tracking Research – Ongoing studies will show progress toward the awareness and education goals established for the Program. This research will also indicate where corrective or emphasis action is required.

Grassroots Program:

Outreach Grants – Creative avenues beyond newspapers, news releases, etc. will be used to distribute information about “Michigan Energy Choice” to hard-to-reach or unique audiences. These customers may be isolated, unreceptive or unable to understand and may benefit from information about energy choice by means other than, or in addition to, the overall statewide communications 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 Program recommends that special needs organizations be provided funds to use in disseminating "off-the-shelf" choice information among their members, reinforcing the 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 the Council subcommittee. Prerequisite to receiving a grant is agreement to use pre-printed 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 Michigan Energy Choice Grant Program is recommended to be a function of the Council subcommittee and contractors. It is predicted that 20 to 30 grants ranging in value from \$2,500 to \$10,000 will be administered annually during 2002 and 2003. 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 energy choice. Also, smaller amounts

will be reserved for organizations that do not represent targeted groups, but who demonstrate their program will have a positive effect 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.

Speaker's Bureau – A list of speakers from the Council and other interested parties will be available to interested community and business groups on the topic of “Michigan Energy Choice.” A videotape and brochures will be developed and made available for use in presentations to educate the public on issues related to choice. The Speaker's 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 Michigan Energy 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 Council members and alternative electric suppliers will develop lists and distribute education materials to interested groups for dissemination among members/clients (e.g., brochures, frequently-asked questions and answers).

Consumer Protection Materials – Council members will develop materials, such as explaining consumer rights and how to resolve disputes, and information on energy assistance programs for low-income customers that will be placed on the Michigan Energy Choice Web site and issued in program materials.

The final phase of the Program will provide strategies for ensuring that customers understand and take full advantage of the restructured energy 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.

Mass Communications Media Buying

Effective Frequency – In developing the Michigan Energy Choice mass media buying plan, the contractors employed a planning system proprietary to McCann-Erickson Detroit for establishing media frequency goals – that is to say, the number of times a member of the target audience will be exposed to a “Michigan Energy Choice” message within a single quarter.

Recommended goals are based on an analysis of the marketing (i.e., economic situation), creative and media factors affecting communications. Within each of these major categories, subset criteria are each assigned values that would drive to more or less frequency.

The chart below shows the values assigned to the subset criteria in each category for the “Michigan Energy Choice” communications program:

	FACTOR	VALUE	MINIMUM LEVEL - 1	MAXIMUM LEVEL - 9
MARKETING FACTORS:	Brand life stage	9	Established	New
	Brand share	2	High	Low
	Brand loyalty	3	High	Low
	Brand purchase cycle	9	Long	Short
	Category interest	7	High	Low
CREATIVE FACTORS:	Message communicator	5	Simple	Complex
	Campaign	9	Continuing	New
	Selling posture	7	Product	Image
	Ad pool size	5	Single	Many
	Ad unit	3	Dominant	Fractional
MEDIA FACTORS:	Media noise level	5	Uncluttered	Heavy clutter
	Editorial environment	5	Complementary	Neutral
	Media intrusiveness	3	High	Background
	Schedule continuity	3	Continuous	Flighted

Based on the analysis above, the recommended frequency level for “Michigan Energy Choice” is:

- First Four Quarters: Effective Frequency Goal – 6+ (launch level)
- Remaining Quarters: Effective Frequency Goal – 5+ (sustain level)

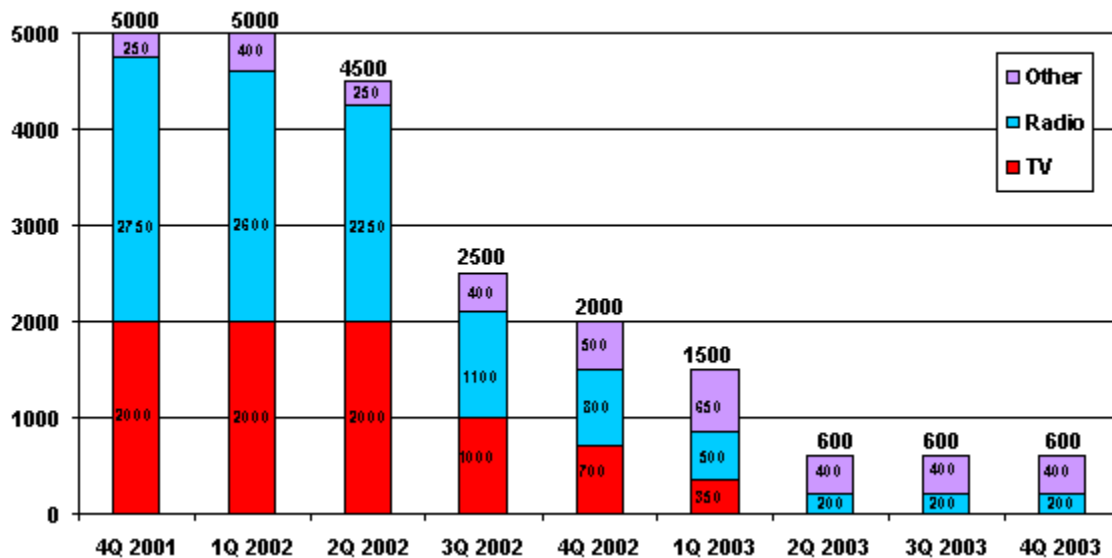
Communications Reach and Frequency Goals – To achieve the specific communications awareness and education goals, the Council will need to aggressively launch the campaign at maximum effective frequency levels and broad reach to produce the needed target (audience) rating point levels:

Quarter	% Reach	Effective Frequency	Estimated TRPs
1	90%	6+	5000
2	90%	6+	5000
3	80%	6+	4500
4	75%	6+	2500
5	75%	5+	2000
6	60%	5+	1500
7	30%	5+	600
8	30%	5+	600
9	30%	5+	600

Broadcast Day Parts – 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. The radio and television media concentration is summarized in percentages below:

<u>Television</u>		<u>Radio</u>	
Morning News	10%	Morning	40%
Evening News	20%	Mid Day	15%
Prime Access	10%	Afternoon	30%
Prime/Sports	30%	Evening	15%
Late Night	20%		
Late Fringe	10%		

Mass Communications Media Weights: The following chart shows the TRPs (Target Rating Points) that will be achieved each quarter.



Note: Target Rating Points (TRPs) are the sum of all ratings for all programs in a schedule based on Average Target Audience Rating. The Average Target Audience Rating is the percentage of target audience population viewing a TV/radio program during an average minute. The difference between the total TRPs less the TRPs for TV/radio is the amount from print media. For example, in the 2nd Quarter of 2002, our media reach and frequency will generate 4500 Target Rating Points; 2000 from television, 2250 from radio, and the remaining 250 from print.

*Proposed
Media In-
vestment by
Quarter*

Quarter One	4Q 2001	Quarter Two	1Q 2002
Total Media-	5000TRP's	Total Media-	5000TRP's
TV-	2000 TRP's	TV-	2000 TRP's
Radio-	2750 TRP's	Radio-	2600 TRP's
Newspaper-	4 insertions	Newspaper-	4 insertions
Bus. Magazines-	2 insertions	Bus. Magazines-	2 insertions
Outdoor-	0 months	Outdoor-	0 months
6+ Eff. Reach-	90%	6+ Eff. Reach-	90%
	\$4.2 MM		\$3.9 MM
Quarter Three	2Q 2002	Quarter Four	3Q 2002
Total Media-	4500TRP's	Total Media-	2500TRP's
TV-	2000 TRP's	TV-	1000 TRP's
Radio-	2250 TRP's	Radio-	1100 TRP's
Newspaper-	4 insertions	Newspaper-	4 insertions
Bus. Magazines-	2 insertions	Bus. Magazines-	2 insertions
Outdoor-	0 months	Outdoor-	0 months
6+ Eff. Reach-	80%	6+ Eff. Reach-	75%
	\$3.9 MM		\$2.4 MM
Quarter Five	4Q 2002	Quarter Six	1Q 2003
Total Media-	2000TRP's	Total Media-	1500TRP's
TV-	700 TRP's	TV-	350 TRP's
Radio-	800 TRP's	Radio-	500 TRP's
Newspaper-	4 insertions	Newspaper-	4 insertions
Bus. Magazines-	2 insertions	Bus. Magazines-	2 insertions
Outdoor-	3 months	Outdoor-	3 months
5+ Eff. Reach-	75%	5+ Eff. Reach-	60%
	\$2.1 MM		\$1.8 MM
Quarter Seven	2Q 2003	Quarters Eight/Nine	3Q/4Q 2003
Total Media-	600TRP's	Total Media-	600/600TRP's
TV-	0 TRP's	TV-	0/0 TRP's
Radio-	200 TRP's	Radio-	200/200 TRP's
Newspaper-	2 insertions	Newspaper-	2/2 insertions
Bus. Magazines-	2 insertions	Bus. Magazines-	2/2 insertions
Outdoor-	3 months	Outdoor-	3/3 months
5+ Eff. Reach-	30%	5+ Eff. Reach-	30%/30%
	\$0.9 MM		\$0.9 MM/\$0.9MM

Cumulative Total for all quarters = \$21 Million

Media Flight Schedule

2001

	1st QUARTER			2nd QUARTER			3rd QUARTER			4th QUARTER		
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
TV												
Radio												
Newspaper												
Business Magazine Pg. 43B												
Outdoor Magazine Pg. 100A												

2002

	1st QUARTER			2nd QUARTER			3rd QUARTER			4th QUARTER		
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
TV												
Radio	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
Newspaper	Sec 1, FS	FS, FS	FS, FS	FS, FS	FS, FS	FS, FS	Sec 1, FS	FS, FS	FS, FS	FS, FS	FS, FS	FS, FS
Business Magazine Pg. 43B	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS	FS
Outdoor Magazine Pg. 100A												200

2003

	1st QUARTER			2nd QUARTER			3rd QUARTER			4th QUARTER		
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
TV												
Radio	150	150	150	150	150	150	150	150	150	150	150	150
Newspaper	Sec 1, FS	FS, FS	FS, FS	FS, FS	FS, FS	FS, FS	FS, FS	FS, FS	FS, FS	FS, FS	FS, FS	FS, FS
Business Magazine Pg. 43B												
Outdoor Magazine Pg. 100A		200										200

Measures of Success

To assure attainment of awareness and education objectives, this Program includes a comprehensive multi-faceted measurement plan with up-front baseline research from which 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 a Quantitative study. Each will be addressed separately. The contractor conducting the survey and focus group efforts will be required 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 and attitudes regarding energy restructuring. The Council recommends research be conducted to establish baseline measures before any mass communications efforts. To draft an effective creative strategy, a better understanding is needed of the depth of current knowledge as it relates to gas and electric restructuring and the prevailing attitudes toward restructuring. Groups of residential and small to medium sized 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 before any creative message development. Research findings will help determine how much information customers need to know regarding choice and what attitudinal obstacles need to be overcome in presenting the “Michigan Energy Choice” Program.

Six groups are recommended with residential consumers and business customers in geographically dispersed markets.

Creative Development Research: Once customers have been queried in depth and their attitudes and existing knowledge base have been determined, a creative strategy can be developed. Message content copy can then be written to communicate the coming availability of energy choice in Michigan and to educate customers on how they can expect to participate in the “Michigan Energy Choice” Program.

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 focus groups will be conducted with residential and small and medium sized business customers to gauge their reaction to proposed messages. This research will determine which creative approach will best communicate the unique attributes and customer benefits of the “Michigan Energy Choice” Program.

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 “Michigan Energy Choice” is only a first step. Knowing how to choose is critical. Consumer awareness and knowledge of both gas and electric choice must be closely monitored to be sure the program is effective. This recommended design is structured to track both “awareness” as well as slower-growing “knowledge” on a quarterly basis throughout the entire campaign. Special questions will be asked to assess the depth of knowledge for both gas and electric choice programs.

The goals of the proposed tracking study are to:

- Assess unaided,² aided³ and total awareness⁴ of the “Michigan Energy Choice” program;
- Measure recall of specific “Michigan Energy Choice”-related messages and communications;
- Evaluate the depth of understanding of the gas and electric choice programs, including how to participate;
- Identify unmet informational needs regarding the gas and electric choice program; and
- Explore topical issues that may arise throughout each phase of the communications effort.

A baseline survey will be conducted prior to the introduction of 4th Quarter 2001 mass communications. Subsequent to the baseline study, the tracking survey will occur on a quarterly basis in 2002 and 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 survey interviews be conducted with residential customers and 400 interviews among smaller commercial and industrial customers. To achieve statistical reliability, a minimum number of interviews must be conducted. In this circumstance, it is estimated that 80% 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 the head-of-household who is responsible for household energy decisions. Random digit telephone dialing will be used to achieve a representative sample.

Among the commercial/industrial sample, customers will be randomly sampled from Dunn & Bradstreet's database. At the first stage of sampling, smaller commercial/industrial 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 or gas utility manager has been assigned to their account. This screening process will ultimately determine whether a commercial/industrial 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 closed-end and open-end questions and will require approximately 15 minutes to administer. Results for each quarter will trail by one quarter.

² 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.”

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

⁴ Total awareness – The net (or combined) percentage of people aware of the subject either unaided or aided.

Budget

The proposed budget for the combined natural gas and electric Program is \$33.3 million over 2½ years (2001 through 2003), or an average of \$11.1 million per year. This proposed budget represents a 24.27% increase from the electric choice customer education budget that was estimated to cost \$26.8 million over four years, or an average of \$6.7 million per year. This increase is primarily attributable to three factors:

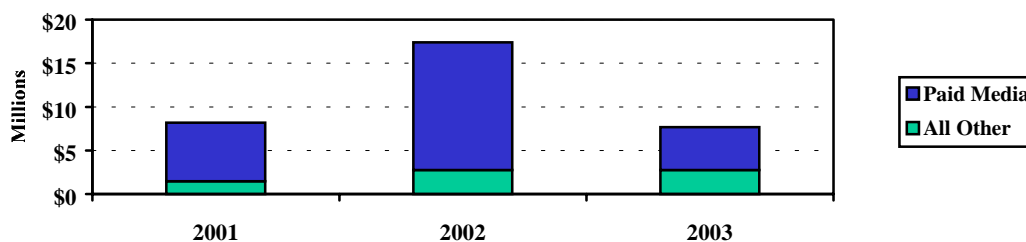
- 1) Changes in consumer sentiment created by California’s electricity crisis and growing national energy concerns that are creating obstacles to effective communications in Michigan.
- 2) Addition of gas choice communications – though more economical and cost efficient than a stand-alone communications effort, it still produces an increase from the electric-only program that was contemplated in 1999.
- 3) Compression of the time period in which to create awareness and education – the electric choice program proposal of 1999 spanned four years and allowed for a slow build up of both awareness and education.

In 1997, Michigan residents and businesses spent \$6.8 billion on electricity and \$4.2 billion on natural gas, or a combined total of \$11 billion. The proposed total education program annual costs are one tenth of one percent of total expenditures. Given the size of the electric and natural gas markets, 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.

Budget Detail: Michigan Energy Choice Customer Education (Gas and Electric)

	2001	2002	2003	Energy Choice	Electric Choice	Increase
Research	\$ 262,000	\$ 408,000	\$ 408,000	\$ 1,078,000	\$ 930,000	15.91%
Collateral	\$ 860,000	\$ 1,500,000	\$ 1,500,000	\$ 3,860,000	\$ 1,930,000	100.00%
Grants	-0-	\$ 150,000	\$ 150,000	\$ 300,000	\$ 150,000	100.00%
Phone Center	\$ 200,000	\$ 600,000	\$ 600,000	\$ 1,400,000	\$ 1,000,000	40.00%
Web Site	\$ 160,000	\$ 100,000	\$ 100,000	\$ 360,000	\$ 175,000	105.71%
Paid Media	\$6,700,000	\$14,624,000	\$4,928,000	\$ 26,252,000	\$ 22,572,000	16.30%
Totals	\$8,182,000	\$17,382,000	\$7,686,000	\$ 33,250,000	\$ 26,757,000	24.27%

Proposed Spending By Budget Component



The table above shows the details of the proposed budget for the combined natural gas and electric customer education effort. The budget detail also shows the budget proposed for the electric only campaign. The incremental amount of \$6.5 million includes the natural gas component of the Program, however, some of the costs for the basic Program infrastructure will also be used to support the gas program. This approach is less costly than running two separate programs. This proposal addresses all audiences throughout the state, including the Upper Peninsula. Paid radio, television and print media costs comprise 79 percent of the budget total. The remaining 21 percent includes supporting educational printed materials, grassroots activities (including grants), the toll-free telephone number and call center, and development of a Web site. It also provides funding for research on customer awareness and knowledge levels resulting from the Program efforts.

The Council subcommittee will maintain oversight of the budget and reallocate spending based on market reality. Simply because the money is budgeted does not mean that it will be spent automatically. Also, money will be retained for use at later dates when choice opens up in markets, which are initially not competitive. The Council will work to assure that there are monies available for targeted activity late in the program.

Budget Categories:

Research – These costs include baseline research and 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 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 materials to customers who request them through the call center and/or Web Site is also included in this category. Included in these costs are the development of posters, flyers, brochures and training materials (kits) that are tailored to the residential and small and medium sized commercial/industrial audiences to accommodate requests. These costs also provide special assistance needed by those receiving local community grants and 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 of local grassroots events.

Grants – These costs provide grants to local groups to communicate the 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 Michigan Energy 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 to distribute mate-

rials on energy choice. Inbound calls will be handled by the call center to coincide with the media campaign that is expected to produce a significant number of customer inquiries.

Web Site – Covered in these costs are the design and content of a Michigan Energy Choice Web site, a vehicle for sharing information and assuring widespread availability of customer information. This Web site will also link to the Commission and utility "Choice" Web pages. The proposed costs are for the collection and conversion of information and the later year costs for maintenance and content refreshing.

Paid Media – These costs include all paid media costs as well as production of television and radio spots, paid print media costs, business and special interest publications, and outdoor media.

Comparison to Other States' Combined Gas and Electric Education Programs: The state of New Jersey has operated a combined campaign for natural gas and electric educational efforts. The cost for the campaign was \$13.5 million in the first year of a multi-year effort. This compares to the proposed Michigan program cost of \$11.1 million per year for 2½ years. New Jersey's program costs are higher due, in part, to higher media costs. New Jersey has a population of 8.1 million (1999) versus Michigan with a population of 9.9 million. The Michigan combined gas and electric choice statewide campaign program reflects spending of about \$1.12 per person based on the average annual spending budgeted for the three years 2001-2003, compared to New Jersey's spending of \$1.67 per person.

Comparison to Other States' Electric-Only Education Programs: The scope and budget of the Michigan-proposed combined natural gas and electric program compares favorably with programs implemented in other states on electric choice. To account for differences in market size, the cost per capita can be used.

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
Michigan**	11.1	9.9	\$1.12
New Hampshire	0.8	1.2	\$0.67
Maine	0.8	1.2	\$0.67

*The Ohio Senate passed a bill 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 three years 2001 through 2003, and for a combined education program.

It is important to note the spending experiences 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 pur-

chased media, which is the major component of the Michigan program. By using the 1999 television paid media 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 Council believes this budget is reasonable to assure effective customer awareness and education of both gas and electric choice programs.

Funding Mechanism

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

Since the Program is intended to prepare all customers for the opening of electric choice on January 1, 2002, and phased-in permanent gas choice beginning in 2001, the Council agrees all customers of regulated electric and gas companies are expected to contribute to the Program costs. The Council recommends the Commission determine the allocation of the total Program costs among regulated electric and gas companies and rural electric cooperatives. The regulated electric and gas companies and utility associations participating on the Council discussed several possible options for allocation of Program costs. The Commission found in its order in Case No. U-12133 that it is appropriate to allocate total Program costs among the utilities and their customers on the basis of each utility's respective meter counts (page 18).

Additionally, the Council recommends recovery of Program costs over a three-year period (2001-2003) and recovery is not to exceed the total costs for implementing the Program's activities. In its U-12133 order, the Commission agreed with this concept but found that deferring the funding requirements by recording the program expenditures as regulatory assets on the utilities' books is reasonable and appropriate until such time as the costs can be included in Detroit Edison's and Consumers Energy's rates (page 20). The Council recommends this methodology also be used for natural gas utilities. Through explicit authority and consistent with the orders in Case Nos. U-12550 and U-12133, gas utilities will be permitted to utilize a deferred accounting method.

The recovery of Program implementation costs 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.

With the inclusion of natural gas education in the "Michigan Energy Choice" education program, the Council had to consider the allocation of the costs between natural gas and electric companies. The Council looked at several different quantifiable methods: revenues, number of customers, number of meters, etc. However, those methods fail to include unquantifiable factors such as the status of natural gas choice (pilots have been in place for several years), the education that gas customers have already received, the number of gas customers who have already chosen an alternative natural gas supplier, and the complexity of gas versus electric choice concepts.

The Council recommends that in consideration of all these factors, customers of electric companies and rural electric cooperatives should be assigned 60%, or about \$20 million, and customers of gas companies assigned 40%, or \$13.3 million, of the total \$33.3 million Program costs.

Natural gas utilities should allocate the costs to their customers on a meter basis, excluding transportation customers, as has been approved by the Commission for electric utilities in Case No. U-12133.

The Council also recommends two options for budgeting the costs needed to implement an Electric Supplier Communications Initiative. The cost for this supplemental Initiative program is estimated at \$730,000. One option could be to consider the Initiative program costs separately, or as an added cost beyond the \$33.3 million budgeted for the proposed Statewide Customer Education Program. A second option might be to include the Initiative program costs as part of the Program budget. This option, however, is not preferred because it would reduce some of the proposed communications objectives and educational activities. The electric customers should be responsible for the costs of the Initiative due to the focus being on the development of the electric industry as required in electric Case No. U-12133. Therefore, the costs for this Initiative should exclude allocations to natural gas companies (see Appendix C).

Program Management

The Council will review the implementation of the “Michigan Energy Choice” Program. The members will: 1) distribute choice program education materials to interested groups; 2) publicize the Speaker’s Bureau and provide presentations using program scripts and materials; 3) develop materials such as explaining consumer rights and how to resolve disputes and information on energy assistance to low income customers; and 4) develop mailing lists of organizations that may be interested in applying for a Michigan Energy Choice grant.

On March 16, 2001, Staff recommended for Commission approval a Council subcommittee structure consisting of eleven persons, as requested in Case No. U-12133. The subcommittee includes:

Sharon Theroux , Michigan Public Service Commission (chairperson)

Representing Provider Interests:

Jim Ault, Michigan Electric and Gas Association

Mike Buda, Michigan Electric Cooperatives Association

Dave Dillon, The Detroit Edison Company

Rick Matteson, Consumers Energy Company

Bruce Schlansker, Nordic Energy

Representing Ratepayer Interests:

Harvey Hollins, AARP Michigan

Doug Carr, Small Business Association

Chuck Hadden, Michigan Manufacturers Association

Phil Thompson, Michigan Community Action Agency Association

Michigan Attorney General, Consumer Protection Division—individual’s name to be provided

The Council recommends including two additional members on the subcommittee to reflect the natural gas side of the Program: one representative of Michigan Consolidated Gas Company and one representative of ratepayer interests.

The purpose of the subcommittee is to oversee and administer all Program activities. The subcommittee will: 1) ensure the program activities are competitively neutral, objective and not promotional in nature and consistent with the Commission-approved program and budget; 2) review the contracts between Consumers Energy, Detroit Edison, Michigan Consolidated Gas and other utilities, and the contractors; 3) verify the expenditures of funds for project activities and submit invoices to companies for payment, including disbursements to organizations receiving grants; and 4) follow the program management procedures approved by the Commission in the “Agreement of Understanding.”

The Council recommends the three contractors who assisted with the development of this proposal: Ken Peterson and Associates, Inc., McCann-Erickson Detroit, and JankowskiCo, should

develop and implement the Program on “Michigan Energy Choice,” with oversight by the subcommittee. Contracts with these three contractors and other vendors will be established through the gas and electric companies and reviewed by the Council subcommittee. The utility companies must consult with the subcommittee prior to issuing any payments to contractors/vendors. The subcommittee may request Commission review and approval of such payments or proposed modification to a program activity if the subcommittee is unable to form a consensus. The subcommittee may ask that an activity be delayed while such reviews are ongoing. Additionally, the subcommittee will develop applications for community outreach grants and take responsibility for review and approval of grant applications, and monitoring of all grant activities.

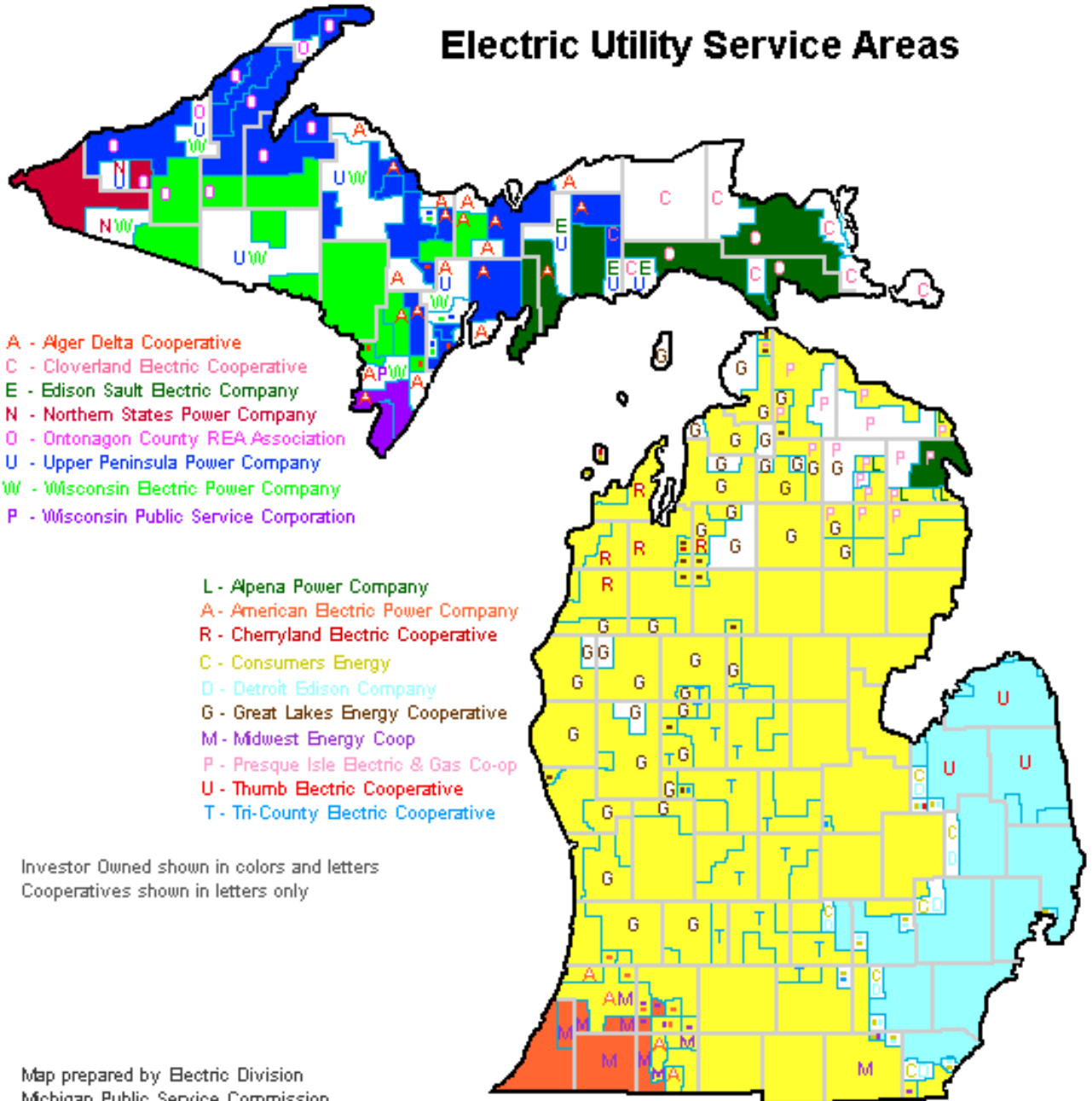
The Council recommends the contractors and vendors meet periodic reporting requirements following guidelines which identify expenditures for program activities completed that, at a minimum, should be conducted quarterly during the duration of the program implementation. The reports will include detailed descriptions of: 1) project activities, 2) problems, 3) actual and budgeted expenses, and 4) such other subjects as may be needed. The initial report will be submitted within three weeks of the date the Commission issues its order approving the Program, and further quarterly reports will be provided on or before the seventh day following the close of each calendar quarter, commencing with the first complete calendar quarter after the date the Commission issues its order approving the Program. Non-inclusive guidelines for such reports are as follows:

- Summarization of progress toward achieving program activities and performance goals during the reporting period, with plans for the next six-month period identified.
- Identification of problems (real or anticipated) that warrant attention, or description of plans to overcome possible problems and notification of any deviation from previously agreed upon program activities and/or budgets.
- An expenditure report that identifies specific costs incurred during each period.
- An invoice for payment of funds for the reporting period in sufficient detail to allow an assessment of project deliverables (e.g., brochures, ads, etc.) that would be included for review.

Periodic presentations will be made to the full Council to preview communications materials and provide an update on progress toward achieving the Program’s objectives. The Council recommends the subcommittee continue to operate until such time as the Program activities are complete and payments to contractors, vendors, and grantees have been made. 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.

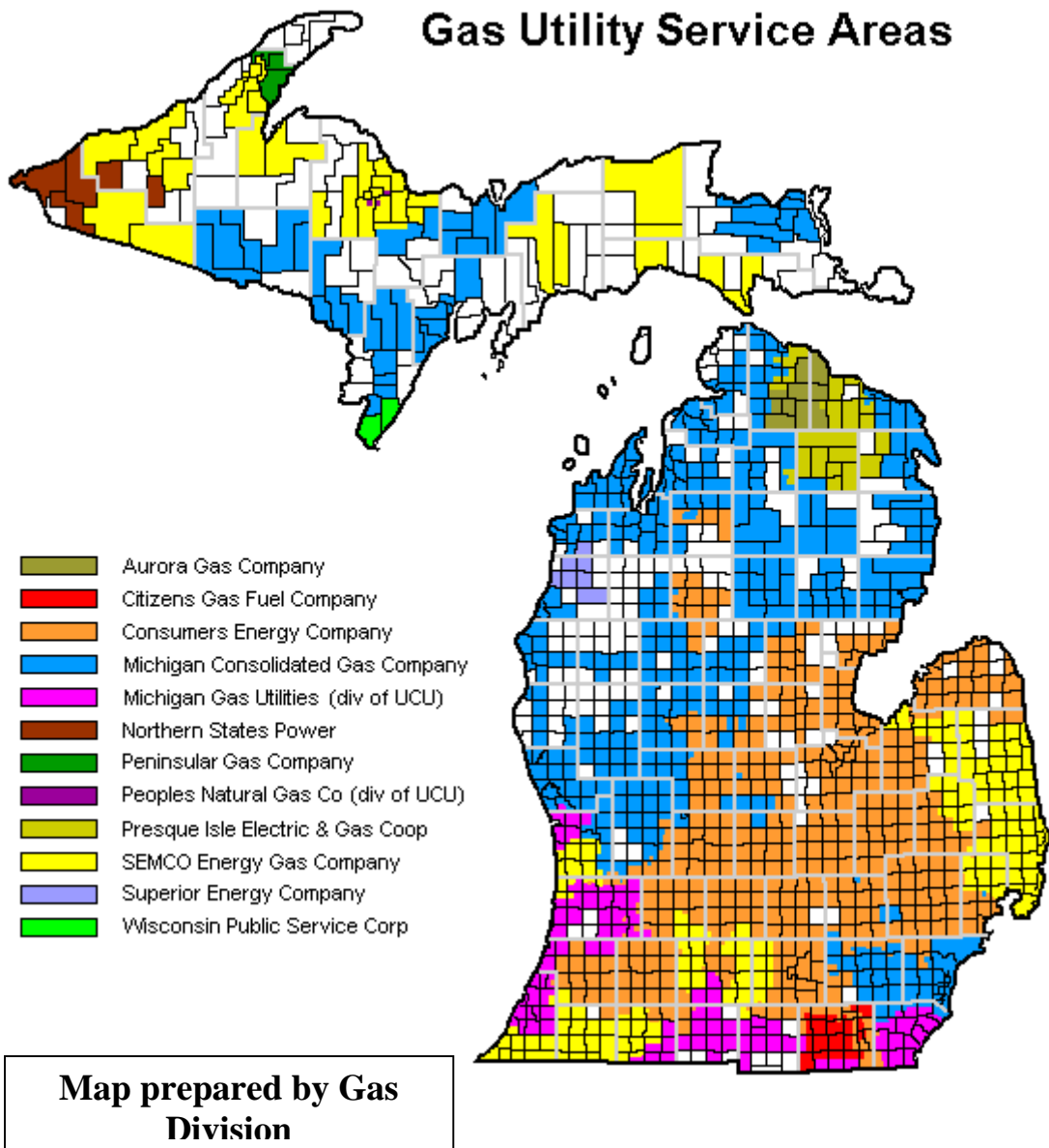
APPENDIX A

Electric Utility Service Areas



February 1999

APPENDIX B



APPENDIX C

Electric Supplier Communications Initiative

Background:

On March 7, 2001, the Commission issued an order in Case No. U-12133 that responded to the CHOICE Advisory Council's electric choice Statewide Customer Education Program Proposal. In its Order, the Commission recognized that "There are also concerns regarding the adequacy and reliability of the generation resources available to meet expected demands for electricity in Michigan. It [the Commission] ... believes that the effectiveness of open access depends in part upon power markets that offer customers a multiplicity and diversity of supply options." Therefore, the Commission requested the expansion of the CHOICE education program to promote the development of competition in the supply side of power markets.

Program Overview:

Promoting the development of competition in the supply side of power markets is a very different task than educating consumers in Michigan about the opportunity to choose among alternative electric suppliers. Unlike the consumer audience, the supply side audience is a relatively small, highly sophisticated target motivated exclusively by business concerns. Further, this audience is aware that restructuring of the electric industry is taking place in Michigan. It is their business to know. Therefore, a communications initiative directed to this audience must be considered separately from the Statewide Customer Education Program, with its own parameters of development and execution. The following outline provides the preliminary parameters in the development of this initiative.

Audiences:

There are a variety of business decision makers that could be targeted in order to attract new power generation to the State of Michigan. These decision makers most likely fall into the following business categories:

- Independent power developers (e.g. Calpine)
- Companies that are expanding Michigan operations or locating here for the first time and have excess generation capacity
- Non-traditional electricity marketers (e.g., ExxonMobil)

Communications Objectives:

There may be a need to create awareness of Michigan's electric restructuring among companies thinking of locating here for the first time. A greater need among other audiences, however, may be increased familiarity and improved opinion about the competitive electricity opportunity in Michigan. The Electric Supplier Communications Initiative is intended to increase awareness, but also to build familiarity and favorable opinion.

Research:

Research is needed immediately to guide development of this initiative. The CHOICE Advisory Council recognizes that supply side issues must be addressed to a sophisticated business audience requiring a very different research methodology than that which is proposed in the State-wide Customer Education Program. There is a need to pinpoint the various audience targets within corporations, understand their proposal development needs, decision-making criterion and decision-making process. It is expected that the members of the CHOICE Advisory Council will facilitate access to this audience in order to garner meaningful insights for program strategy and message development. It is expected that research will be conducted through one-on-one interviews initiated through Council networking.

Further, the CHOICE Advisory Council sees a role to be played by the Michigan Economic Development Corporation (MEDC), in the research and planning phases of this program and, potentially, in its implementation. Involvement of the MEDC is seen as especially important in reaching those companies thinking of locating, for the first time, in Michigan.

Preliminary Communication Strategy:

Though collaboration with the MEDC and audience research is needed to guide final program strategy and message development, some preliminary communication tactics have been agreed upon by members of the CHOICE Advisory Council for further development. These preliminary tactics include an infrastructure for the dissemination of information specifically designed for this audience, a strong third-party public relations resource and a direct mail communications component.

1. Infrastructure

- a. Website: development of a special section of the Michigan Energy Choice Web site to address this audience – with links to the MEDC Web site, and other sites, as appropriate.
- b. Phone Center: designation of a specific phone number – perhaps, at the MEDC, but transferred to Commission Staff for electric-specific issues.
- c. Collateral: development of materials that would provide "nuts and bolts" information of interest to this audience; such as a map of preferred transmission interconnect points in the state, and requirements for participation in competitive electric markets in Michigan.

2. Public Relations Support

- a. Will include on-going media relations to build familiarity among the target audience.
- b. Development of an invitation-only event in Michigan to bring decision makers and business development managers into face-to-face contact with appropriate officials in the state. A new event, such as "The Michigan Electric Summit" could be created, or an existing event such as the Michigan Electric Power Conference could be leveraged for this purpose.

3. Direct Mail

- a. Targeted direct mail and/or e-mail messages to appropriate audiences.

Program Timing: Estimated to be two years, concurrent with the Statewide Customer Education Program.

Message Development:

Research will be conducted to assess audience familiarity and opinion perceptions, decision-making processes, criteria and potential obstacles. Messages will address these obstacles by positioning the distinctive benefits of Michigan in terms of offering a healthy competitive climate for electric power developers.

Measure of Success: Research will establish the baseline awareness, familiarity and opinion measures. Goals will subsequently be developed for changes in awareness, familiarity and opinion reflective of the program duration and budget.

Preliminary Budget Recommendation:

Web site	\$ 50,000
Phone Center	30,000
Collateral	100,000
Public Relations Support	250,000
Direct Mail/e-mail	200,000
Research	<u>100,000</u>
Total	\$ 730,000

Funding Mechanism: The CHOICE Advisory Council recommends two options for budgeting the costs needed to implement an Electric Supplier Communications Initiative. One option could be to consider the Initiative program costs separately, or as an added cost beyond the \$33.3 million budgeted for the proposed Statewide Customer Education Program. A second option might be to include the Initiative program costs as part of the Statewide Customer Education Program budget. However, this option is not preferred because it would reduce some of the proposed communications objectives and educational activities. The electric customers should be responsible for the costs of the Initiative due to the focus being on the development of the electric industry as required in electric Case No. U-12133. Therefore, the costs for this Initiative should exclude allocations to natural gas companies.