

**ELECTRIC CUSTOMER CHOICE
AND
COMPETITION ACT OF 1999**

**CONSUMER EDUCATION PROGRAM
FUNDING REPORT**

**THE MARYLAND PUBLIC SERVICE COMMISSION
September 2000**

I. INTRODUCTION

In 1999, the General Assembly enacted the Electric Customer's Choice and Competition Act ("the Act"). The Act authorized the Governor to submit a budget amendment of \$6 million for fiscal year 1999 and required the Public Service Commission ("the Commission") to use the funds to conduct a Statewide consumer education campaign describing the changes in retail electric service within Maryland. (Public Utility Companies Article, § 7-505.) The Act provided for a consumer education program lasting up to three years, concluding with the fiscal year ending June 30, 2002. The Act also provided for a maximum funding level of \$18 million for the entire life of the education program.

Pursuant to this mandate, the Commission awarded a contract to Noble Steed Associates (the contracting agent for the consortium of High Point - Franklin/Noble Steed) to implement a three-year Statewide Electric Consumer Education Program ("Program"). Under the terms of the contract, the funding levels were \$5.6 million for the first year, \$2.8 million for the second year, and \$2.67 million for the third year. Thus, the costs of program for the entire three years will not exceed \$11.07 million. The contract requires a media plan for all three years.

The Act also provided for annual reports to the Governor and the General Assembly by the Commission regarding certain aspects of the Program. The first such report was submitted in September 1999. The Commission is now submitting the second of the required reports. The Act requires the report address:

1. The recommended funding level between \$3,000,000 and \$6,000,000, for the consumer education program for the fiscal year ending June 30, 2002;

2. The recommended method of funding for the program;
3. If applicable, the impact that the funding method will have on customers' costs for electricity; and
4. The content of the media used in the program.

II. RECOMMENDED FUNDING LEVEL

The Commission recommends a funding level of \$3 million for the third year of the Program. This funding level is slightly higher than the contract amount with Noble Steed Associates. The incremental amount will provide the Commission with the flexibility to adjust to the evolving marketplace during the third year of the consumer education campaign.

The Commission anticipates that the electric retail market in Maryland will continue its evolution. At the recommended level, the funds will be utilized to further educate consumers about the choices they have in a competitive market. Residential and small commercial customers view the Commission as a neutral, reliable source of information and materials that will enable them to learn about the evolving electric market and customer options as Maryland moves from regulated to competitive electric retail services. Ultimately, the Commission intends that the Program will help customers make informed choices. Therefore, year three of the campaign will focus on:

- Advertising in radio, television, and print;
- Public relations activities to leverage free news coverage, stories and interviews; and
- Availability of the toll-free answer center.

During the current year, year two, the campaign will continue to build upon the awareness levels established in year one. In addition, it will emphasize substantive information so that consumers can become equipped to make informed decisions as the market matures and competitive offers become available. As the market becomes more competitive, the Commission intends to be in a position to address anticipated consumer confusion by providing neutral, unbiased information.

To sustain awareness during year two, the campaign will continue to:

- Advertise using electronic media as well as print media;
- Leverage free news coverage, stories and interviews to sustain awareness of electric competition and provide important information to consumers via the press;
- Work with community-based organizations across the state to ensure they are able to communicate information on electric choice to their members or constituents (Attachment 1); and
- Offer the availability of the toll-free answer center.

In addition, the Commission will consider direct mailing the consumer guide to all consumers if the market matures sufficiently to warrant this activity and additional cost.

III. RECOMMENDED METHOD OF FUNDING

As noted in the September 1999 Consumer Education Report, the Commission originally considered three possible methods of funding, ultimately recommending the general fund as the source for funding the Statewide electric Program. The Commission again recommends that the most appropriate funding

mechanism for the Program is the general fund and specifically the Dedicated Purpose Fund - State Reserve Fund, a general fund account. This is the same fund source identified for this purpose in the Fiscal Year 2001 State Budget. Consistent with the rationale for initially selecting the general fund, continued use of this funding methodology avoids the customer confusion or dissatisfaction that may result if a line-item customer surcharge is created on the monthly electric bill in order to fund the program. Similarly, increasing the Commission's budget would result in the unfair consequence of requiring non-electric companies regulated by the Commission to contribute to this fund and could violate statutory caps on the Commission's assessments.

IV. EFFECT ON CUSTOMERS' BILLS

The Commission's recommendation for funding the Program through general funds would have no impact on the rates paid by electric consumers.

V. CONTENT OF THE MEDIA

The Commission's selected contractor, Noble Steed Associates, will continue to focus on radio and outdoor advertising as the primary paid media to effectively communicate the Program's message. In the first year of the campaign, radio reached over 80 percent of adults (age 18 and over) and outdoor billboards and transit bus cards averaged between 81 and 91 percent in their respective market area.

The multi-media campaign has, in the Commission's view, been successful:

- Maryland residents are turning to the Commission for information at a pace of nearly 200 calls and 14,000 website hits a day.
- Seventy-nine percent of residents and 87 percent of commercial customers said that they have seen the Consumer Education Program advertisements.
- The number of people reporting they have heard a great deal about electric competition has nearly doubled from last year, jumping from 17 percent to 32 percent.
- Media efforts correlate directly with the 1.3 million page hits on the website and almost 17,000 consumers calling into the answer center.

Noble Steed Associates will also continue to run television commercials on the major network affiliate stations. (Attachment 2.) On average, television reached from 95 to 98 percent of adults, aged 18 and over, across the market area. These commercials have and are expected to continue to air on morning and evening news shows throughout the duration of the campaign. Newspaper advertising has been used to a degree. (Attachment 2.) Over 80 newspapers were used throughout the State, including senior, small business and ethnic minority publications to extend the messaging throughout the State. Noble Steed intends to continue advertising in county as well as Statewide papers. Ethnic publications will also continue to be utilized to reach specific segments of the population and business publications that target small businesses will continue to be used.

Content in free media activities involve topics of specific interest to the interviewer or the audience being addressed. These topics tend to focus on actual and potential savings, how electricity and services will reach customers and who to call when problems arise. Other topic areas which typically arise are whether there are new or additional charges in the reformatted electric bills, whether governmental

revenues will be adversely impacted by associated changes in taxes, and what happens to a customer if an electricity seller does not provide electricity as contracted.

The media component of the education strategy focused on three substantive objectives: generating awareness of the MPSC's Electric Choice Consumer Education Program; identifying the Call Center, website and consumer guide as sources of unbiased information; and, encouraging initiative to take action to seek information on electric choice.

Media buys implementing the multi-media strategy were negotiated to reach the highest number of residents the most number of times. Careful planning also ensured exposure among multiple hard-to-reach populations including the elderly, low-income, and ethnic minority populations

The multi-media/Statewide strategy of the paid media component of the Program has been effective in generating public awareness by identifying the Call Center, Website, and Consumer Guide as important sources of information, motivating consumers to get the facts, and reinforcing the Maryland Public Service Commission's credibility as an unbiased source of information on Electric Choice. The Commission has noticed changes in call volume correlating to increases and decreases in advertising activity. Less than 2 percent of the calls received have been critical of the electric competition process.

This Program, like any quality education campaign, is fluid and allows for adjustments as circumstances warrant. In June 2000, the Commission, recognizing that electricity supply competition is developing slower than anticipated, adjusted the focus of the Program's media effort. Specifically, the media message was altered from solely an awareness message to one that also provides information on

market development. This modification continues to engage consumer interest in electric restructuring and manage consumer expectation.

The Commission intends to continue to use the same strategy into the third year of the Program, subject to adjustments which may be necessary to achieve the public education goal. The media content will also continue to evolve as necessary to educate both the general population and such targeted audiences as may be necessary.