

Background and Objectives

This report documents the results of focus group research to evaluate the perceived information needs of electricity consumers. These results are based on the third of a set of focus groups performed as part of the overall study. The first set was performed with participants from two New England states that already have experienced electricity marketing in retail access pilot programs. The second set of focus groups was conducted in California and Washington among consumers with no prior exposure to competitive electricity marketing.¹ The participants in the focus groups described in this report also have not yet experienced electricity marketing.

The New England focus groups, having experienced customer choice in pilot programs, wanted standardized information by which to compare offers. They wanted information about prices in cents per kWh, and they wanted disclosure of all costs, not just electricity generation costs. Although many participants stated that environmental attributes were not too important to them, they wanted some environmental information. Most preferred the fuel and emission facts information to an environmental certification statement. Reference levels were important to the emission facts displays as an aid to interpretation, and graphical displays were preferred over table formats.

The West Coast focus groups, although lacking experience with customer choice of supplier, generally confirmed the main findings from the New England research. Participants wanted standardized information to be included as part of electricity deregulation because without standardized information, participants felt they would be unable to make informed electricity supply decisions. Participants could readily identify with the frustration associated with choosing their telephone company without standardized information. Price continued to be the most important factor in choice, but environmental attributes also were important to many of these participants. Presentation format preferences were consistent with those from New England.

There are several objectives to this research. First, was to learn what information consumers would like to have when they are asked to evaluate competing offers from electricity suppliers. Second, was to learn how these consumers would like that information to be presented. The final objective was to learn what similarities, if any, exist between the responses in these focus groups and the previous focus groups conducted in New England and the West Coast.

Methods

Number, location and segmentation of groups

Two focus groups were conducted in Denver on June 3, 1997. The participants were recruited randomly through the use of a phone screener (appendix A). They were screened to obtain as much diversity as possible, and to eliminate consumers who are employed by a utility or electric power provider, a market research company or an advertising company. The screener asked a series of questions about environmental behavior but did not select participants based upon their answers. Instead, the screening questions were used to engage potential participants prior to asking if they would like to participate. Due to an interest by the Colorado Office of Energy Conservation, an additional question was asked to try to identify small business owners or key personnel, but only one was so identified.

The two groups were comprised entirely of customers of Public Service Company of Colorado, an investor-owned utility. Both groups were diverse as to race or ethnicity, age and gender. When participants introduced themselves, the first group included several participants who reside within the city of Denver, while the second group, for the most part, were residents of Denver suburbs. This difference may help to explain the different results from the two groups.

All groups were audio taped. Audio tapes were transcribed to provide written records of the focus groups, for the purpose of this summary.

Discussion topics and props used

Although the actual discussions varied between the groups, the topics discussed were the same.² New topics from those covered in previous focus groups dealt with prior knowledge about how much electricity participants use and how it is generated, preferences for historical or projected data, the role of government in providing information, and how consumers prefer to receive information about their electricity choices. Some previously covered topics were emphasized to a greater degree (the display of price information, consumer expectations about what change they are causing by purchasing renewable energy), while others were dropped entirely.

In the first part of the focus groups, the moderator described the coming changes in the electric industry, and contrasted this with the current situation. Then, participants were asked to describe what factors may be important in making a supplier decision, and what information about the suppliers would be needed to make an informed decision.

The next part of the discussion covered pricing information. Researchers were particularly interested in how consumers want this information presented—whether as a typical monthly bill, average price, price table or price structure. Props were used to illustrate possible pricing displays.

As in previous groups, the next part of the discussion focused on environmental information and used several props. First, a “Fuel Facts” table was displayed to the participants. Discus-

sion of this prop concerned whether the information included in the table was important, whether the information was understandable, whether participants understood the term renewables and whether the detailed disclosure of renewables was important.

Participants then were asked how their electric utility generates power, to learn whether they have accurate knowledge about this aspect of their current supply.

After the above discussion, a prop was displayed that showed the fuel mixes (as pie charts) for two different products. Participants were told to assume both products were the same price and then were asked to indicate to the moderator which product they preferred and the reasons for their preference.

In the first Denver group, emissions information was added to the prop for the two products and participants were asked which product they would choose and why. Researchers were interested in knowing whether emissions information, if it contradicted their preferred fuel mix in terms of environmental expectations, would change their expressed product preference. In the second group, the two fuel mix pie charts and one “Emissions Facts” display were presented as though they represented three different products and participants asked how they would compare and choose among the three products. In both groups, participants were asked which type of information—fuel mix or emissions—they preferred.

There was also some discussion about the format of the fuel facts and emission facts displays. The moderator probed to determine which components of the displays were the most and least confusing, and what information on the displays was most or least useful.

Researchers then presented an environmental certification statement and asked participants if this type of information statement was useful and understandable. Researchers also asked whether participants preferred the certification statement or the fuel and emission facts displays.

In a new line of questioning, researchers then asked participants if they preferred historical (the past year) or projected (this year) information for the factors that had been discussed. Then the same question was asked for cost information, for fuel mix and for emissions, to see if participants would discriminate depending on the attribute. Researchers made clear the trade-off between having more accurate (but historical) data and less certain (but current) information for the product they would buy.

To further understand consumer thinking about electricity products, participants were next asked if they would rather buy electricity from new or existing power plants, and the reasons for their preferences. Researchers asked some other questions to try to understand how they would interpret the marketing and sale of renewable energy.

In a segment similar to previous focus groups, researchers solicited participants views on other information that might be useful to them in selecting an electricity provider. Participants were encouraged to express their views about who should provide the information that had been discussed, and how it should be made available to consumers. The cost of providing information to consumers also was discussed.

Although the sequence varied, the groups also discussed participants' views about the role of government in the provision of information and in improving environmental quality generally. One group also discussed the desirability of the changes proposed for the electric industry as it would affect them as consumers.

Strengths and limitations of qualitative research

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

It is important to note that results from focus groups and other qualitative research methods cannot be generalized to a given population because a focus group is not a statistical representation of the population. Focus group participants are selected from the population being studied, but the group is too small for statistical significance. It is therefore important that the interpretation of qualitative data not be misrepresented in quantitative terms. For example, a statement that "six of the nine participants in the focus group agreed on a particular point" should not be interpreted as "67 percent of the population agrees on that point."

Findings

General level of awareness and understanding

When asked about how their electricity is generated, the members of the first group were uncertain; “No idea,” was the first comment. Natural gas was tentatively put forward by one participant, while another said, “I think we get a lot, some hydro.” One participant said, “In the wintertime, the public service plants generate a lot of steam. So you see a lot of steam coming from the plants.” Finally, one participant suggested, “I bet there’s a lot of coal.”

But when told that their utility uses about 98 percent coal, one participant said, “That doesn’t surprise me.”. One participant expressed the opinion that “Ninety-eight percent coal wouldn’t bother me if the particulates are in line.” Two other participants also found coal acceptable because of environmental regulation. One of them noted, “Public Service has to get the permits,” and one was aware of tradeable allowances, which he called “deviances.” “I understand—I don’t know if this is true—you could buy permits. If the company wants to spend the money, you could say, well, I could go this much over and buy from another company that’s below the requirement because they can sell from other areas where they have more arguent (sic) power, for example. I’m not quite sure how it all works, but I believe there’s a system out there now for that.”

The second group guessed that coal is the predominant fuel, though there was some uncertainty in their voices. One participant said “I have no idea,” but thought there is not much difference among hydro, nuclear and coal (in terms of pollution or environmental impacts) “because it’s all regulated.” Another person observed, “You know why we don’t know? Because we don’t have a choice.”

Participants in both groups could say how much electricity they use per month, and participants do not read their bills closely unless it is high. As one participant commented. “I have to pay it anyway so I don’t pay much attention.”

What information do consumers want?

In terms of information needs, both Denver focus groups were consistent with previous focus groups. They both volunteered cost or price, how the power is generated, supplier stability (“how long they’ve been in business,” and “financial condition of the supplier”), the reliability and continuity of service (“who would back up the power?”) and environmental concerns (“pollution”). One participant said that the distance of the generating unit from her home would make a difference in her decision, suggesting that if it was too far away she would have a hard time heating her house. Researchers interpret this comment as a concern about reliability of supply.

One participant summed up the majority view: “What’s most important to me is cost, environment, service and reliability.”

Reactions to Cost Displays

The two Denver groups differed in their preference for how the electricity cost is presented to them, and the first group differed from all previous focus groups, which wanted to see a price per kWh. This group preferred information to be presented to them as a typical monthly bill. "I like it [typical monthly bill] because it's simple. People just want to know the bottom line." But they also wanted the monthly bill shown for different types of users: for a one bedroom apartment, for example.

One participant, who expressed an interest in the fuel source, was also insistent that the bill show the portion (in dollars per month) for each fuel source component: "What is the typical monthly cost to me for the wind portion, for the coal portion, etc."

When presented with a table that showed the average price per kWh at different levels of use, most said they wanted to know the total or final cost. "I don't want to calculate it."

This preference may stem from their with their bills and lack of knowledge about how much they use. "To the average person, kilowatts is Greek unless you're an electrician or you know what they're talking about."

In contrast to the first group, the second group generally preferred to see an average price, and liked to see it for several levels of use, although some interest also was shown in the display of rate structure that showed time-of-use pricing. "I think it's helpful, too, because if your bill is high and then you want to readjust it for yourself, you'll know if during the daytime you're using too much electricity, or what time of day there's too much electricity being used," suggested one person. One person who wanted to see the time-of-use rate structure also wanted to know what is typical for different types of homes or businesses.

One participant in the second group said the average price is less useful than the typical monthly bill, but then expressed a preference for the display that showed average price at different levels of use "because it breaks it down."

Another thought a combination of the rate structure and the average price at different usage levels would be most helpful.

Because the tables showed a lower average cost as electricity use increased, participants in both groups expressed negative comments about the declining rate. "People shouldn't get to pay less for using more." It was thought unfair to small homes or apartments. Another participant noted, "The more you use the less it costs...I don't like that because of all the pollution in Denver."

Both groups also were interested in the other parts of the bill, even though they will not have a choice over those parts and the cost will not vary. "No matter who you buy from the other charges are the same," they acknowledged, but they still want the entire cost to be displayed.

Understanding and relative importance of fuel mix information

As in the other focus groups, the Denver participants all preferred the pie chart display of fuel mix to a table with percentage listed beside the fuel types. But the two groups differed as to the importance of the fuel mix information in their decision.

The first group was less informed than the second group about the meaning of renewable energy. Two participants said they hadn't the slightest idea. Another said, "Sounds like recycling." Another guessed "Natural resources that are reusable?" One person offered wind power as an example and another thought it meant wind and hydro.

When shown a fuel mix that included biomass, participants in both groups asked for the meaning of biomass. Other participants in both groups answered, "Garbage." "Is it renewable?" asked one participant. "Well, it *is* a constant source!" was the response.

The first group was divided over whether they wanted a breakdown of the renewables in the fuel mix, but the second group was adamant in its interest in the breakdown. "They're not being clear, because renewable could be hydro dams."

When asked whether some renewables are better or worse, the first group commented that some are more expensive than others. "Probably wind and solar are less expensive than hydro."

When asked about the relative importance of cost compared to fuel mix in their choice of a supplier, the first group was generally more oriented to cost. "Fuel mix is useful but not important." Still, two members of the group suggested that they would weigh cost against the environment. When presented with the fuel mix display, one participant in the first group said, "This is good, but I want more. I want to know what each costs. I didn't think about this until I had children. Can we change the percent so it's more environmentally safe?"

The second group placed much more importance on fuel mix and environmental attributes. One participant stated, "Price doesn't matter." Another said, "I think you might be surprised how many of us would choose the cleaner stuff over the cost." One participant stated, "Even if there were a significant difference (in cost), if some people—for example, like me—would think, 'I'm still going to take my power from the cleaner source.' What I'm going to do, though, is stop drying my clothes in the clothes dryer. I'm going to take them out to the clothesline and dry them by natural solar power. And the result of that is going to be that I don't have to use so many kilowatt hours per month." One participant used the following analogy: "I'm a vegetarian, so grocery shopping is now a lot more expensive than before when I ate all that other junk. To me, I'd rather pay more because in the long term, I know I'm going to be a lot healthier...so that benefits me in the long run."

Still, one participant stated, "The bottom line is cost," and another said, "If they [competing offers] were very close in price, I'd go with the cleaner."

Reactions to emissions displays

Both groups agreed that the “Emission Facts” information was important to their choice of a supplier. The first group preferred it to the exclusion of fuel mix, while the second group argued that both types of information are important.

These groups did not express much difficulty with the technical terms in the emissions displays. They quickly comprehended which of two products was better for the environment by looking at the bar charts.

As in the West Coast focus groups, the first Denver group was shown side-by-side fuel facts displays (pie charts) for two different products. One contained a large proportion of coal, while the other contained a large proportion of natural gas; nuclear was not a part of either product. When they were asked to choose one or the other product, the group chose the product with the large share of natural gas because they felt it was “cleaner.” However, when the emission facts panels (which indicated that the initial “dirty” option was, in fact, cleaner in terms of air emissions) were added to the display, the participants switched their choice. “What is going out into the atmosphere is more important than the fuel mix.”

If this first group had to choose one or the other, they would prefer the emission information “Because there is so much pollution. We need to keep the environment clean.”

The second group was simply presented with two fuel mixes (pie charts) and one emissions display (bar chart), and told they represented three different products. Then they were asked how they would compare these products and choose.

“I wouldn’t have a clue how to compare emissions and fuel mix.” “You can’t compare them because you don’t know how the coal is burned, if it’s a new plant or an updated plant or whatever.” This group agreed that the displays are totally different. “We need them both.”

Both focus groups also were shown an eco-label (environmental certification statement). Because it would simplify the information display, participants were asked for their reactions. The opinions of the first group were mixed. Some said it was not helpful because it was not specific enough, but one participant said, “This is enough because I don’t have time to go through charts and charts,” and another participant agreed with him.

The second group was more unified in its reactions. They wanted more information than the logo provided. But one participant observed, “People are busy, that’s why I think a certification logo would be good.”

Participants also expressed skepticism about the validity of the certification. “Who’s going to set the standard?” and “Cellmark Lab certified DNA but O.J. wasn’t convicted!”

Historical or projected environmental data

Participants in both groups were asked if they preferred to see information based on historical data (the past year) or on projected data (this year). Again, the two groups differed in their opinions. The first group preferred information projected for the coming year. “The past is gone.”

One participant in this group said, “I would rather have projections even if they’re a little iffy.”

The second group preferred historical data because “it’s more concrete,” and it did not believe that suppliers would be held accountable for projected information. “If they gave you projections you’ll never know what they actually did.”

Several people in both groups asked for both historic and projected information. One participant in the second group expressed skepticism about whatever claims would be made. “They will choose data to put other companies down and build themselves up.”

New or existing power plants

Participants were asked if they had a preference for buying electricity from new or existing power plants. Most did not see an environmental connection at first. Both groups agreed that it would depend on cost and service, but a few comments made a link to the environment. “If the environmental standards are met, what difference would it make?”

“I guess I would prefer to have an older plant, unless there’s an excess of demand and a new plant is required to provide the supply,” said a participant in the early group.

One participant in the later group voiced an emotional and personal opinion. “I want to know what they’re putting into the air. My daughter has asthma. Three-quarters of my nephews and nieces have asthma, and I know it’s because of the air they breathe. Period. And if they had cleaner air, they wouldn’t need the machines they need.”

The groups were asked if it would matter to them if their neighbors bought all the wind in a supplier’s portfolio, leaving them with the coal and natural gas; and if it would matter to them if they bought all the wind so that their neighbors were using only coal and natural gas. The groups seemed not to care. “I’m not that deeply into it,” said one participant.

When asked what it means when a supplier advertises that 50 percent of the energy is generated by renewable resources, the first group thought it means that the supplier cares about the environment. Some participants in the first group question the credibility of the claim. “I don’t think it’s possible to say that in some regions.”

As to implication about the remaining 50 percent of the supply mix, the first group was not interested. They wanted only the emissions data, or they came back to price. “People care less for the environment than they care for their pocket books.” “If all things are equal, then you start looking at these other things.”

The second group thought that the 50 percent renewable claim implied different things about cost. “The cost could be cheaper,” said one. “There’s not a whole lot of cost to wind and solar.” But another participant disagreed. “It’s costly to devise the widgets that convert the sun or wind, compared to a coal train or mining.”

As to the remaining 50 percent, “I assume the other 50 percent is coal or natural gas. But it could be nuclear. So I want to know what the other 50 percent is. I’d want to know what’s in that.”

Other information

Participants were presented with a list of other possible information items, and were asked to name the three that were the most important. Most of the categories were mentioned without apparent significant distinction. Among categories mentioned were contract terms, fixed or variable pricing, consumer rights, customer satisfaction and other environmental information, but no one category stood out above the others.

Information sources and channels

Generally, participants felt that the companies that are vying for their business should mail the information to them directly. “I don’t want to have to call eight [companies]. I want them to send it out.”

“The information should be supplied to each person using that company,” said one participant. “Enclosed with their bill, like a little three-page booklet,” added another. “But not just on the company that you’re using,” said a third, recognizing the importance of the information in advance of choosing a supplier.

There was some sentiment for an independent agency to compile the information. “A chart...Get every company to write some certain information and send it to someone—Greenmark—and they put it together.”

Other information channels were thought to be useful but only as a supplement to standard information from each company. Examples included newspapers and other media, 1-800 numbers for each company, World Wide Web sites, or an information line with extensions for each company.

Some thought the government could be helpful, but others disagreed. “Some government information would be helpful—EPA if dealing with the environment.” Another participant thought that was thinking too narrowly. “We have a PUC. The environment is just one factor.”

One participant suggested, “Maybe the government should have the Greenmark, ” but another said, “You can’t trust the government,” and a third chimed in, “If the government requires it, soon we’ll be getting 30-page booklets.”

Mandatory disclosure and the role of government

Participants in both groups clearly wanted standard or uniform information to help them make choices. The thought of competition was daunting for many participants. “When this all happens are we going to get barraged by all those companies? Because its going to be very hard for me to compare. That’s going to be mind-boggling. I want a similar format from all suppliers. I’ll be trying to compare apples to oranges if one company shows me Display A and another shows me Display B.”

Both groups explored the idea that uniform information might be provided voluntarily. “I don’t think you’ll see companies doing standard format because that’s how they make money—by keeping the consumer confused. And you’ll choose based on the logo colors!” Another participant stated, “There should be a standard but I don’t think they would [comply with it].” One participant suggested, “These companies can get together and decide to send out one summary table or one brochure, but it would have stuff about each of the energy companies in it—a comparison.”

Her opinion was somewhat formed by awareness of mutual fund disclosure statements. “I’ve noticed in mutual funds the prospectuses and the standard information. I don’t think the government told them to do this. Companies will figure it out that they need to be uniform.” Another participant was more emphatic. “It’ll never happen!” he responded.

The groups also discussed whether the information should be required. The two groups differed on this question. When asked whether the information should be required, the first group initially said “Absolutely!” But then one participant suggested that requiring information would constrain how the companies market their products. “Deregulation means that companies should be free to market however they want. But we can ask for information we want.” This swayed several other members of the first group to change their position, so that most agreed that the information should be provided voluntarily. “I think competition will end up providing that information, not the government. This is deregulation.”

However, one concluded, “If I were making a recommendation to Public Service in order to maintain me as a customer, I would want them to provide me with the emissions facts. If they chose to do that, I think that would be smart marketing. If they chose not to do that and Enron or some other company like that provided me with the emissions facts, I would think that there’s some reason why Public Service was not doing that. You know, if they don’t have anything to hide, why wouldn’t they want to give you the information?”

The second group was generally supportive of regulating this aspect of competition. “I’d like to think that the industry could regulate itself but we found, through history, that doesn’t happen because industry cares only about industry. I guess government although none of us trusts the government anymore. There’s the PUC. Whatever you think of them, that’s the only thing we’ve really got to rely on to regulate the industries now.” Another participant said, “It should be required, with someone to oversee.”

Others agreed that regulation might be desirable but wondered if that was feasible if the industry is being deregulated. One participant responded, “The telephone company’s been

deregulated and it's still regulated, substantially, by the government." Another person in the group continued, "I do think that some government involvement especially with different companies (is necessary) to prevent monopolies. I do believe in some government intervention and regulation." Still another person compared the situation to regulation of the stock market. "The SEC out there does a heck of a job regulating the stock market and I think certainly some government oversight is worthwhile."

This group recognized that if consumers want the information on all companies, it will likely have to be required of them. One participant said, "I want the information from all companies, because they might be hiding something." Echoing this idea, another participant commented, "If some don't tell us [the same information] that will affect whether I will buy from them."

One participant argued that "It should be required because a lot of companies play on the ignorance of the American people." She also wanted the information to be required "because most people won't ask, but most people would use it if they had it."

Another believed that "Companies are more likely to be honest and not cut corners" if the information is required. Agreeing, another participant said, "I would like all the information I can possibly get because I think we live in a country where there are too many schemes and cons and I want all the information I can get so I can make an informed decision."

Cost of information

Participants recognized that all consumers would end up paying for the cost of providing standard information. "This information costs money. The consumer always pays." Another participant said, "It will be built into their cost per kWh." Still another said, "I wouldn't pay an extra \$5 per month, but if it's built in I won't notice."

How much would they pay? The first group settled on cents per month, not dollars. "Two or three cents, yeah, they do it anyway," and another offered, "Half a cent is plenty."

In the second group, one participant offered to pay \$2 per month. Another participant suggested that the PUC require, as a condition of selling electricity in the state, that marketers or suppliers put some money in a special fund to pay the cost of developing and disseminating standard information.

Should the electric industry be deregulated?

At the end of the discussion, the second group was asked, "Do you want deregulation?" The group expressed a lot of trepidation, but in the end concluded that they could support companies competing for their business. One participant liked the idea of being able to choose different types of power.

One participant was leery of the proposed change. "Power is so important to us as a country and as individuals."

Another said, "I don't think it should change, it can get to harassing on the phones. A lot more hassle."

A third participant said, "I think it's okay the way it is. But they're not going to listen to me."

A fourth participant observed, "I like the way things are, but as far as I can tell, there's no reason why Public Service of Colorado has to start shifting to wind and solar energy. I think this pressure from competition might make them shift. On the other hand, I, too, picture that we're going to be getting more of these telephone harassment calls at dinnertime because of this kind of stuff. I resent that intrusion."

A fifth said, "I think it's a buyer beware situation...But the thing I'm concerned with is, you're going to get a minimum capability or minimum amount of service. And anything above that in a tier or plateau level is going to be fee-based so it's going to be cost-prohibitive."

Conclusion

The Denver focus groups were different from each other; the first group was different from the 12 previous focus groups in other regions, while the second focus group confirmed the findings from the previous focus groups. In general, the first focus group wanted less detailed information about electricity suppliers. Like all the other focus groups, it wanted uniform information to make informed comparisons of competing suppliers, but it was less inclined than any of the other groups to require that such information be made available to them.

Focusing on the different attitudes expressed by the first Denver focus group, however, should not obscure the fact that the second group reinforced what researchers learned in 12 other focus groups in different regions, with different market experiences, and served by a variety of electric utilities.

Participants wanted standardized information included as part of electricity deregulation because without standardized information participants felt they would have difficulty making an informed electricity supplier decision. Participants could readily identify with the frustration associated with choosing their telephone company without standardized information. The groups were divided, however, about whether standard information should be required by government or regulators. The first group may have been less supportive of a requirement because they were somewhat less interested in the information.

As in previous focus groups, price was the most important to participants. Given this fact, it is not surprising that participants wanted standard information about price. But the groups were split about how this information should be displayed. The first group preferred a typical monthly bill for different types of customers, while the second group wanted a price per kWh display at different levels of use.

Environmental attributes were important to a few of the participants in the first group, and to most of the participants in the second group. Most participants in the first group wanted only the emission facts display, although a few would prefer the simpler certification statement. The participants in the second group wanted both the fuel and emission facts information. Graphical displays of the environmental information were preferred over table formats.

The groups also were divided about whether they preferred to see historical or projected environmental data. They agreed that they preferred to have the supplier companies provide the information directly to them via mail, supplemented by other channels of access to information. Both groups recognized a cost of information that they accepted they would bear as part of the electricity price. They thought, generally, that a few cents per month should be adequate to cover this cost. Finally, local observers felt that socio-economic strata differences between participants might account for the variance in opinion.

Appendix A—Participant Screener for Denver Utilities Focus Groups

Recruiting Goals

- The participants shall be the person in the household responsible for paying electricity bills.
- The participants shall be adults in a range of ages (18-65+).
- The participants shall be a mix of men and women.
- The groups shall include people from several cultural or ethnic backgrounds (e.g., Caucasian, African American, Hispanic, Asian, etc.). [“Group” refers to the group of 12 respondents]
- All participants must be able to read and understand English.
- People who work for advertising companies, market research companies or utilities companies shall be excluded.
- Participants should respond positively to five of the 10 environmental questions provided.

Scheduling

The schedule for the groups follows:

June 3, 1997—6 p.m. and 8 p.m.

Denver, Colo.

Fieldworks, Denver

- Twelve participants recruited per group, with nine to participate.
- Participants will be paid \$40 each for their participation.
- A deli tray will be offered to the 6 p.m. groups; light refreshments will be offered to 8 p.m. groups.
- The identity of the participants will remain confidential.

Hello Mr./Ms. _____, my name is _____ and I’m calling from _____. We are presently working with Macro International, a research and consulting firm, on a research project about consumer choice of products and services among people in your area. We are not selling or promoting any product or service, but are simply interested in your opinions. Could I ask you a few short questions for this survey?

Screening Questions—Colorado

1. Are you the person in your household who is responsible for paying the electricity bills?
 - Yes
 - Not responsible—*request to speak with the person who does (if not available, terminate)*
2. I’m going to read a list of age groups to you. Could you please tell me which group you are in? (*Mix of ages*)

- 18-25—continue
 - 26-35—continue
 - 36-50—continue
 - 51-65—continue
 - over 65—continue
3. We are trying to make sure we reach a representative sample of the community. Could you please tell me how you would describe your ethnic background? (Include a mix of ethnic groups representative of the local population.)
- African American
 - Asian
 - Caucasian
 - Hispanic
 - Native American
 - Other (please specify)
4. Are you currently employed?
- Yes—*continue*
 - No—*proceed to question 6*
5. Could your employer be described as any of the following?
- A utility company or electric power provider—*terminate*
 - A market research company—*terminate*
 - An advertising company—*terminate*
6. Are you the owner or a key employee (such as a vice president, manager or chief financial officer, for example) of a small business?
- Yes
 - No
7. Now, I'd like to read several statements to you. Please answer "true" to those statements that apply to you and "false" to those that do not apply.
- | | | |
|--|------|-------|
| A. I donate money to environmental causes | True | False |
| B. I donate my time to environmental cause. | True | False |
| C. I walk, ride a bike, take a bus or carpool to work because I know it helps the environment. | True | False |

- | | | |
|---|------|-------|
| D. I buy products that come in packages that can be recycled. | True | False |
| E. I vote for political candidates who take tough stands on protecting the environment. | True | False |
| F. I recycled household items like cans, glass or newspaper before curbside pickup was available. | True | False |
| G. I buy or make an effort to buy foods grown without the use of chemicals. | True | False |
| H. I buy products that are environmentally friendly even though they may cost more. | True | False |
| I. I avoid using chemicals on my lawn or garden because I am concerned about the environment. | True | False |
| J. I am a member of an environmental group. | True | False |
8. Have you or a member of your immediate household participated in a focus group or consumer survey at anytime during the past year?
- Yes _____ (Polite terminate)
 - No _____ Continue
9. Have you ever participated in a focus group?
- Yes _____
 - No _____ (go to question 10)
10. What were the topics of those groups? (Terminate if they have ever participated in a group on an environmental topic.)
11. We would like to invite you to participate in a group discussion with a researcher from Macro about utility services. The discussion will take place on [day], [date] at [facility name and location]. It will last about two hours, and during the discussion you will be asked to read and comment on some information. You will be paid \$40 in cash for your time. Would you like to participate?

- No—*terminate*
- Yes

I would like to schedule your interview and send you a confirmation letter and directions to the facility. In order to do so, could you please tell me your mailing address and give me a phone number where you can be reached?

NAME: _____
ADDRESS: _____
CITY: _____ STATE: _____ ZIP: _____
PHONE: (H) _____
(W) _____

Which time is convenient for you?

DATE OF INTERVIEW: _____ TIME: _____

We are inviting only a few people, so it is very important that you notify us as soon as possible if for some reason you are unable to attend. Please call _____ at [phone] if this should happen. We look forward to seeing you on [date] at [time]. If you use reading glasses, please bring them with you to the interview.

Appendix B—Focus Group Moderator Guide: Consumer Information for Electric Retail Access

Denver, Colorado, June 3, 1997

Explanation of focus groups—standard, moderator introduces herself, rules of conduct.

Most of you are probably familiar with the competition among long-distance telephone companies. How many of you have seen advertisements or have been solicited to change long-distance phone companies?

We didn't used to be able to choose telephone companies because it was a monopoly service. But long-distance was deregulated about 15 years ago so that we now can choose the company that we prefer. Our local carrier still bills us and the long-distance bills generally are included on the bill. Are you familiar with this?

The same kind of changes are coming to the electricity industry. In fact, proposed changes in state and federal laws will change the way electricity production and sales are regulated, and this will change the way you interact with the companies that produce and sell electricity. This is what we will be talking about tonight.

Could you please tell me how you think electricity currently is produced.

Here is a diagram showing how electricity is produced, transmitted and distributed to your home.

[Mass Electric prop used here]

The electric production industry is going to be deregulated, allowing you to buy your power from whomever you want. The transmission of the power will still be regulated. Competing suppliers will be using the same wires to get the electricity to your home.

What kinds of information will consumers need to make intelligent choices? *[No priming. Let them struggle with it. Encourage them to think about it.]*

- What kind of factors would be most important to you in making your electricity decision?
- What kind of information would you like to have to make your decision?

As you can probably tell, I'm interested in what kinds of information and ways of presenting this information will be most helpful to you in making decisions about where you get your electricity.

To help us, I want you to look at some examples of information that a consumer might get from an electricity supplier.

Cost Information

How would you like to have the cost information presented to you? *[After listing their comments, use the following to stimulate further discussion if necessary.]*

There are several possible ways to present cost information. *[Suggest them and ask for reactions.]*

- Typical monthly cost.
- Price structure.
- Average price.
- Average price for different levels of use.

[Show prop if it would help clarify their preferences.]

Energy Efficiency

Some energy suppliers may offer you services or products that may reduce the amount of electricity you use each month (for example, more efficient appliances or insulation for your home). The end result could be that your total electric bill may be reduced.

- Would you be interested in these types of services?
- Should the estimated cost savings on your electricity bill be included in the company's disclosure information?
- Should this type of information be verified or certified? By whom?
- What if these services reduced your bill but increased the price per kWh?
- Would you need to know this?

[Show Energy Efficiency prop if useful, and continue discussion.]

Fuel mix

Another type of information that consumers may want to take into account when they make decisions about their electricity providers are the fuel mix of the different offers (how the energy is produced). Here is an example of information statements that provide such information.

[Show fuel mix table.]

- First of all, how important is this information to your decision to buy or not buy the product?
- What information, if any, seems confusing or hard to understand?
- What do you think is meant by renewable energy? *[Use flip chart for answers]*
- Which of these renewable sources do you prefer? Why?
- Would the breakout of the renewable fuels be important?
- Would it be acceptable to you if this information were provided by some companies and not by others?
- Would it be acceptable to you if this information were provided only by those companies claiming to offer renewable energy and not by those who do not make this claim?
- If you like energy sources that minimize their impact on the environment, who should be

- responsible for providing it?
- Should electricity providers be required to include a minimum amount of renewable energy in the mix that they sell to everyone?
- Do you think it is fairer if everyone has to pay a tiny bit more so that everyone gets more renewable energy, or do you think it is fairer if only those who want it have to pay more for it?
- Does government have a role in ensuring that more renewable energy is developed and produced?

Emission Facts

[Show emission facts statements]

- First of all, how important is this information to your decision to buy or not buy the product?
- What information, if any, seems confusing or hard to understand?
- Are these displays easy or hard to understand? Why?
- Would this display make it easy or hard to compare different products? Why?
- If this type of information was not required, would it be confusing to you if some companies included the information while others didn't?
- What is your understanding of these terms—nitrogen oxide, etc.
- Who should provide reference levels? (EPA, PUC, environmental group)
- Who guarantees the accuracy of these numbers? Who should?

[Show slide providing fuel mix statements for two different products]

- Which product do you prefer? Why?

[Add slide providing fuel mix and emission statements for two different products]

- After seeing this additional information, which product do you prefer? Why?

[Show slide providing green certification statement]

- Which display would make it easier to compare different products? Why?
- If you could only have one, which is more important?

Historical vs. projected data

Thinking about the information that we have been talking about, the information could be presented as historical data, say for the past year, or it could be presented as projected information—what the supplier expects for the coming year. Which would you prefer? Why?

If historical data is more accurate than projected information, but projected information represents what the supplier plans to offer you going forward, which would you prefer?

If any of you are familiar with a mutual fund prospectus, you know that they show how the fund has performed over the last year, or the last five or 10 years, but they always warn that past performance is no guarantee of future performance. The prospectus also tells you about the goals of the fund, what kind of stocks it will invest in and what types of risk are involved. This is similar to historical information and projected information.

When it comes to price information, would you prefer the actual price information for the past year or the projected price information for the coming year?

When it comes to how the electricity is generated, would you prefer the fuel mix as it actually was in the past year, or the planned fuel mix for the coming year? [If for the coming year, would it matter if the actual mix turns out to be different from the projected mix? How much leeway are you willing to accept?]

When it comes to environmental impacts, would you prefer data for the past year or projected impacts for the coming year?

New vs. existing plants (consumer expectations)

- What environmental benefits do you think you would get?
- Do you think the benefits would be immediate or might occur sometime in the future?
- Do you think that by buying this product other dirtier plants are shut down?
- Do you think that by buying this product other dirtier plants may not be built?
- Do you think that by buying this product there will be increased construction and investment in new renewable energy sources or technologies?

Now, at the beginning you suggested that your electricity is generated with (___, ___ and ___). Let's say that it is generated with 70 percent coal, 25 percent natural gas and 5 percent wind. Did you say that having this information was, or was not, desirable to have in making a decision about whether to buy from this supplier?

Now assume further that some other consumers are buying all the wind, so that you are getting just the coal and natural gas. Would you need to have this information to make your decision?

What if you were among those buying the wind, and as a result the other consumers were getting all coal and natural gas? Would this matter to you? Would you need to know this to make your selection of a supplier?

If a supplier advertised, "Buy from me, I provide 50 percent renewable energy," what does this mean to you? [*Let them struggle a bit. Probe.*] Does it imply that 50 percent is somehow bad?

Product vs. supplier

- Does it make sense to you that a dozen different suppliers could be selling power to you and your neighbors through the same set of wires?
- Does it make sense that you could choose one of those suppliers to satisfy your preferences?

[*Use the telephone analogy if necessary*]

Now suppose that one company, like Public Service Company of Colorado, were to sell three different brands. Does this make sense to you? Does it make sense to you that you could buy one of the brands to satisfy your preferences?

Now, how would you like the fuel mix and emissions information presented to you? The information about the brand you buy or the information about the entire company?

Cost of information

- Who will pay for the cost of providing all this information?
- Who should pay for it?
- Would you be willing to pay something for it? How much?

[Urge them to suggest some numbers. Remember, there is no right or wrong answer. If they can't come up with a number, suggest something high and work down, e.g.:]

- Would it be worth \$1 per month, if it was part of the bill?
- Would it be worth \$.50 per month?
- Would it be worth \$.25 per month? \$.10 per month?
- Would you be willing to pay \$.05 per month for it?

Information Sources and Channels

Who do you think should provide the different kinds of information, and how should it be delivered to consumers?

- Should the electricity suppliers be responsible for providing the information?
- Should regulators be responsible for providing the information?
- Should government be responsible? Or someone else?
- Should the information be required of all suppliers, or should it be optional to each supplier what information they provide to you?
- Should the information be provided to you only if you request it or should it be provided automatically?

How should the information be provided to you?

- Should it be mailed to everyone with advertising?
- Should it be available only if you want it by calling a toll free, 1-800 number?
- Should it be available only on the world wide web, where you can find it if you want it?
- Should it be published in a big, comparative table in the newspaper?
- Should it be filed at the public utilities commission as public information?

How frequently should the information be updated and made available to you?

Once a year, twice a year, quarterly, monthly?

Other information

We've talked mostly about price information and environmental factors. What other types of information would you like to see in a standardized disclosure statement?

[Show list of alternatives]

Here is a list of other types of information that could be presented to you in a standardized disclosure statement. Could you take a minute and note whether any of this information

would be particularly helpful to you when you decide on your electricity supplier? Could you tell me the three most important items to you?

Appendix C—Mass Electric Brochure

Appendix D—Information Disclosure for Electricity Sales: Consumer Preferences From Focus Groups, Report 1—New England

Executive Summary

A series of six focus groups were held in two states—New Hampshire and Massachusetts—that currently are undergoing pilot programs that have been established to learn about restructuring and consumer response to choice of electricity suppliers. Four groups were held in New Hampshire, where the New Hampshire Public Utilities Commission (NHPUC) is conducting a two-year pilot program for 3 percent of the state’s electricity customers. Two groups were held in Massachusetts, where the pilot program is being administered by Massachusetts Electric Company (Mass Electric). The pilot programs for each state differ significantly. Whereas New Hampshire set few restrictions for supplier participation and marketing to potential customers, resulting in more than 30 suppliers competing for customers in the New Hampshire program, Mass Electric selected six companies that were allowed to offer products in the Massachusetts pilot program, and they prepared an informational booklet comparing the products for consumers in that state.

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

How participants viewed their experiences with electricity marketing

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

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

Reactions to the short and long displays

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

Reactions to the pricing displays

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

Reactions to the environmental displays

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

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

Reactions to supplier versus product displays

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

Other information desired

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

Conclusions

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

Notes

1. The results of the first set of focus groups are described in *Information Disclosure for Electricity Sales: Consumer Preferences from Focus Groups*, (March 19, 1997). The second set of focus groups are described in *Information Disclosure for Electricity Sales: Consumer Preferences from Focus Groups, Report 2 West Coast* (June 1997). Both reports are published by The Regulatory Assistance Project and available from RAP at (207) 582-1135 or e-mail rapmaine@aol.com.

2. The moderator's guide is enclosed as Attachment B. Props used to stimulate discussion are enclosed as Attachment C.

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Edward Holt is an energy consultant based in Harpswell, Maine. He specializes in strategic planning and marketing, policy research and customer choice issues in competitive electricity markets.

Foreword

The National Council and Its Research Agenda

In November 1996, The National Council on Competition and the Electric Industry initiated its Consumer Information Disclosure Project to assist state regulators and legislators address consumer information needs in a competitive electricity environment. This effort followed the National Association of Regulatory Utility Commissioners' November 1996 resolution calling for enforceable, uniform standards that would allow retail consumers to easily compare price, price variability, resource mix and the environmental characteristics of their electricity purchases.

To implement this resolution, the National Council has initiated a multi-part research agenda. The research agenda is designed to identify and provide state regulators and legislators with technical information, consumer research and policy options. The tasks currently being undertaken are described below. A report, describing the research results, will be prepared for each task. Copies will be made available on the National Council's website as they become available.

Task 1—*Full Environmental Disclosure for Electricity: Tracking and Reporting Key Information*. This report identifies mechanisms to trace transactions from generators through sellers, aggregators or marketers to retail buyers to provide consumers with full resource mix and environmental characteristics disclosure.

Task 2—*Disclosure of Fuel Mix and Emissions by Retail Electric Service Providers: Issues of Confidentiality versus the Public Right to Know*. This report identifies the legal and policy considerations involving supplier's requests to keep information confidential versus the public interest in having the information publicly available to consumers and others.

Task 3—*Price and Service Disclosure*. This report will present standard options for comparing price information, risk, important contract terms and conditions, and consumer protection information in an uniform fashion.

Task 4—*Consumer Preferences from Focus Groups*. The first report summarizes the results from consumer focus groups conducted with participants in New Hampshire and Massachusetts retail competition pilot programs; separate focus group reports will summarize interviews with consumers in California, Washington and Colorado.

Task 5—*Baseline Tracking Survey*. This report will describe a survey instrument to gather consumer information, knowledge, attitudes and practices relevant to retail electricity purchasing practices. The report also will summarize the initial, or baseline, data on these issues.

Task 6—*Disclosure Testing*. This report will summarize the results of disclosure testing conducted to measure consumer acceptance, ease of use, comprehensibility and task performance.

Task 7—*Research Synthesis*. This final report will summarize all the disclosure-related research and make final recommendations, including model state statutes and regulations.

The National Council's home page address is: <http://www.erols.com/naruc> (National Council Information is located at the bottom of the page).

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Executive Summary

Two focus groups were held in Denver, Colo., on the subject of consumer information preferences for choosing a competitive electricity service provider. At the time of the focus groups, Colorado was considering what steps to take to restructure the state's electricity industry. The objectives of the research were to learn 1) what information residential consumers want to be able to choose among competing electricity service offers; 2) how they would like that information to be presented; and 3) whether these groups differ from focus groups held earlier in New England and on the West Coast.

General level of awareness and understanding

When asked about how their electricity is generated, the members of the first group were uncertain, while the second group guessed that coal is predominant. When told that their utility uses 98 percent coal, several participants expressed the view that electricity is the same no matter how it is generated because environmental regulations hold all power plants to the same standard.

Desired information

In terms of information needs, both Denver focus groups were consistent with previous focus groups. They both volunteered cost or price, how the power is generated, supplier stability, the reliability and continuity of service, and environmental concerns.

Reactions to Cost Displays

The two Denver groups differed in their preference for how the electricity cost should be presented. The second group generally preferred to see an average price (cents per kilowatt hour (kWh)), and liked to see it for several levels of use. This is consistent with the findings from previous focus groups. Some interest was expressed in seeing the rate structure as well. The first Denver group, however, differed in its preference for a typical monthly bill that avoided the need to calculate their estimated bill. Both groups were interested in the other bill components, such as transmission and distribution costs, even though consumers will not have a choice in these areas.

Reactions to fuel mix information

As in the other focus groups, the Denver participants all preferred the pie chart display of fuel mix to a table with percentage listed beside the fuel types. But the two groups differed as to the importance of the fuel mix information in their decision, with the second group placing more importance on this factor. For this reason, they were more adamant than the first group that the fuel mix show a breakdown of the type of renewable energy used.

Reactions to emissions displays

Both groups agreed that the “Emission Facts” information was important to their choice of a supplier. The first group preferred it to the exclusion of fuel mix, because they believed that what goes into the atmosphere is more important than fuel mix, while the second group argued that both types of information are important.

When they were shown an eco-label (environmental certification statement), some in the first group preferred it because it was simpler than the graphic displays of fuel mix and air emissions data. The second group was more unified in wanting more information than the logo provided. Participants also expressed skepticism about the validity of the certification.

Historical or projected environmental data

Participants in the first group preferred information projected for the coming year, while the second group preferred historical data, in part because they did not believe that suppliers would be held accountable for projected information. Several people in both groups asked for both historic and projected information.

New or existing power plants

Participants had mixed views about buying electricity from new or existing power plants. Both groups agreed that their preference would depend on cost and service, but some thought that new power plants would be more efficient and cleaner, while others thought the choice would make no environmental difference because all plants are held to the same standards. Still others would prefer to buy from existing power plants to avoid the need to build new or additional plants.

Other information

Mentioned among other desirable information were contract terms, fixed or variable pricing, consumer rights, customer satisfaction and other environmental information.

Information sources and channels

Participants generally felt that the companies vying for their business should mail the information to them directly. There was some sentiment that an independent agency should compile the information. A small booklet containing information about all suppliers was mentioned. Newspaper and other media, toll-free telephone numbers and websites were thought to be useful, but only as a supplement to standard information from each company.

Mandatory disclosure and the role of government

Participants in both groups clearly wanted standard or uniform information to help them make choices. Both groups explored the idea that uniform information might be provided voluntarily.

The first group concluded that competition would result in the voluntary provision of this information. Their attitude was that requiring information might constrain how companies can market their products. The second group was more skeptical and concluded that the information should be required, with government or public utility commission (PUC) oversight.

Cost of information

Participants recognized that all consumers would end up paying for the cost of providing standard information, and expected it to be built into the price of service. They thought the information to be worth from half a cent to \$2 per month. One participant suggested the PUC require each electricity provider to contribute to a fund to defray the cost of developing and disseminating standard information.

Should the electric industry be deregulated?

At the end of the discussion, the second group was asked, "Do you want deregulation?" The groups reluctantly concluded that they could support companies competing for their business, but they expressed reservations, including the critical nature of electricity, reduced minimum service levels, the hassle of decision-making, and the annoyance and harassment of solicitations. Some felt powerless to affect the policy decision. Mentioned on the positive side were the ability to choose different types of power and the competitive pressure to shift to different energy resources.

Conclusions

The results from the Rocky Mountain West focus groups are both similar to and different from the previous focus groups. The first group expressed different attitudes from the previous 12 focus groups, while the second group confirmed the findings from the previous groups. The first group generally was less interested in the topic, was not as interested in as much information as the other groups and was less inclined to mandate standard information for consumers. Local observers felt that participants' different socio-economic strata could explain the differences in opinion.

The Consumer Information Disclosure Series

Papers in the Series

Information Disclosure for Electricity Sales: Consumer Preferences from Focus Groups

Full Environmental Disclosure for Electricity: Tracking and Report Key Information

Disclosure of Fuel Mix and Emissions by Retail Electric Service Providers: Issues of Confidentiality vs. Public Right to Know

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Information Disclosure for Electricity Sales: Consumer Preferences from Focus Groups—West Coast



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Consumer Preferences from Focus Groups— Rocky Mountain West

The Consumer Information Disclosure Series

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The National Council on Competition and the Electric Industry

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