



The Regulatory Assistance Project

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**Information Disclosure for Electricity
Sales**

**Consumer Preferences from Focus
Groups:**

West Coast

The Consumer Information Disclosure Series

by

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The National Council on Competition and the Electric Industry

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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

Information Disclosure for Electricity Sales: Consumer Preferences from Focus Groups - Rocky Mountain West

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

Contents

About the Authors

Forward

Executive Summary

I. Background/Objectives

II. Methods

A. Number, location and segmentation of groups

B. Discussion topics and props used

C. Strengths and limitations of qualitative research

III. Findings

A. General level of awareness and understanding

B. What information do consumers want?

C. Reactions to the environmental displays

D. Opinions about Hydro

E. Reactions to the California Logos

F. Reactions to product versus supplier displays

G. Expectations about environmental change

H. Cost of information

I. Preferred methods for obtaining information

J. Other information desired

IV. Conclusion

Attachment A: Participant Screeners

Attachment : Focus Group Moderator Guide

Attachment C

Attachment D

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Forward

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 on the heels of 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 result of the research, will be prepared for each of the tasks. 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. (Available 6/1/97)

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. (Available 6/1/97)

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 current draft 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. (Available 6/1/97)

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 will also 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 of the disclosure related research and make final recommendations including model state statutes and regulations.

The National Council's home page address is: <http://eetd.lbl.gov/NationalCouncil>

Executive Summary

Six focus groups were held in two West Coast states on the subject of consumer information preferences for choosing a competitive electricity service provider. Four groups were held in California--two in Fresno and two in Santa Clara--and two groups were held in Tacoma, Washington. At the time of the focus groups neither state had yet initiated customer choice of electricity service provider, but California had adopted restructuring legislation nine months earlier, announcing plans to introduce customer choice beginning in 1998. Washington has not adopted restructuring legislation but some utilities in the region had retail access pilot programs in various stages of consideration by state utility regulators.

The objectives of the research were to learn: 1) what information residential consumers want 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.

A. General awareness and understanding

Focus group participants were largely unaware of the changes that will soon be confronting them in electricity supply. This is not so surprising in Washington, but electric restructuring issues have received significant media coverage in California. Although all participants could name their electric utility, both the California and Washington participants were uncertain or misinformed about what resources are used to generate their electricity.

B. Types of information desired

The focus groups were relatively consistent in their information desires. In general these desires were consistent with results from the New England focus groups. Price was very important to everyone in the focus groups. Environmental attributes (specifically fuel mix) was volunteered as an important piece of information. A desire for information about the supplier track record and reputation came through more strongly than in the New England focus groups. This was sometimes expressed as supplier reliability, not to be confused with service reliability which was also mentioned. Consumer protection was an issue for several groups, which wanted to know who would be accountable if something went wrong. Finally, participants expressed the belief that, although suppliers have the right to advertise their companies any way they want, someone should be responsible for providing comparative information in standardized information displays so they could easily compare offers.

C. Reactions to environmental displays

As with previous focus groups, the fuel mix, or how the power is generated, was important, or of interest, to most participants. When considering different fuel mix displays, participants preferred to see an explicit breakout of all power sources and did not want to see generic categories such as “system power” or “renewable.” Most people did not know the meaning and significance of the technical air emissions terms, such as sulfur dioxide, but most participants seemed comfortable with the idea of an organization such as the Environmental Protection Agency setting arecommended reference level.

In terms of presentation, almost all focus group participants liked the graphical presentation of the fuel and emission facts panels (Fuel Facts as a pie chart and Emission Facts as a bar chart). When asked whether they would prefer the Fuel Facts or the Emission Facts, most participants wanted both. Further, participants preferred having the fuel and emission facts information presented over any type of simplified environmental certification.

D. Sensitivity to hydropower in the Northwest

The Tacoma participants were asked their opinions about hydropower because it is widely used in the Northwest. While expressing concerns about the impacts of hydropower on salmon, these consumers continue to see the benefits of hydro as a generating resource, but they did not support building more dams. When asked to choose between hydro and natural gas as a source of electricity, most chose hydro because it is renewable.

E. Reactions to California logos

The California groups viewed several logos intended to represent environmentally preferred power. Participants felt that most of the logos shown did not suggest environmental attributes. The logos could be improved with additional text or numbers that explained their meaning.

F. Reactions to product versus supplier information

California participants did not offer a clear preference for environmental information about the *product* they buy or about the *company* they buy from. Some were unable to voice an opinion because they were skeptical that electricity could be differentiated. One group felt that buying different products would make no environmental difference because the EPA regulates all power sources to the same standard.

G. Expectations about environmental change

Most participants stated that they expected their preferences for clean power would be reflected in the investment decisions of suppliers in the future, rather than causing an immediate impact.

H. Cost of information

Generally, participants assumed that all consumers would end up paying for the cost of providing standard information. Most thought that a cost of 3-4 cents per month seemed reasonable.

I. Preferred methods for obtaining information

Many focus group participants thought direct mail was the best way to get standard, comparative information on all suppliers to consumers, and some suggested utility bill inserts. Some pictured sample ballots or catalogues that would be sent to everyone. Others agreed that the information should be mandatory but felt it should be disclosed in other venues such as monthly newspaper inserts, libraries, and web-sites.

J. Other information desired

When participants were pushed to identify additional information, the most important items related to price variability, customer satisfaction or complaints, and other environmental factors.

K. Conclusions

In general, most of the main findings reported here are consistent with the results of the New England focus group research. Participants wanted standardized information 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 the frustration associated with choosing their telephone company without standardized information.

I. Background/Objectives

This report documents the results of focus group research evaluating the perceived information needs of electricity consumers. The results reported here are based on the second of a set of focus groups performed as part of the overall study. The first set of focus groups were performed with participants from two New England states which have already experienced electricity marketing in retail access pilot programs. The participants in the focus groups described in this report have not yet experienced electricity marketing.

The most distinctive feature of the New England focus group participants is that they had direct experience with the deregulated marketing of electricity. In addition to being different in terms of experience, the New England participants may have been more motivated consumers (the New England participants were motivated to volunteer for the pilot marketing programs). The research design purposely targeted these experienced consumers to understand the problems they faced in making their electricity supplier decision. As a result, the previous research provided a valuable understanding of the

information problems faced by experienced consumers. Attachment D is a summary of the New England focus group research. However, because the New England participants were of similar socio-economic backgrounds and were a self-selected sample of motivated consumers, the results from that research may not hold for inexperienced, unmotivated consumers, or consumers in other regions of the country.

Although the topics and methods used to elicit responses were different across the two sets of focus groups, there was some overlap in consumer understanding of the issues and consumer desires for information. Where appropriate, similarities in responses between this set of focus groups and the New England focus groups will be pointed out.

There are several objectives to this research. First, we wanted to learn what information consumers would like to have when they are asked to evaluate competing offers from electricity suppliers. Second, we wanted to learn how these consumers would like that information to be presented. Finally, we wanted to learn if the findings from the first set of focus groups were unique to those experienced, more motivated, New England participants.

II. Methods

A. Number, location and segmentation of groups

We conducted a series of six focus groups: four at two sites in California (Fresno and Santa Clara, May 6 and 7), and two at one site in Washington state (Tacoma, May 8) during May 1997. The California participants were recruited through the use of a phone screener (Attachment A). The California participants 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 Washington participants were selected on the above criteria with the additional requirement that they answered positively to five of ten questions aimed to reflect the respondents' level of environmental concern. In essence we tried to recruit individuals who indicated some level of environmental market sensitivity.

Due to regional differences, the California and Washington focus group participants were more ethnically diverse than the New England focus groups. The New England participants were primarily Caucasian whereas the California and Washington groups contained a greater mix of African-, Asian-, Hispanic- and Native-Americans.

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

B. Discussion topics and props used

Although the actual discussions varied from group to group, the general topics discussed were the same. The first part of the focus group discussion centered upon determining

consumers' knowledge of how their electricity is currently produced, followed by a discussion of whether they had heard about electricity deregulation and if they had any knowledge of what might occur as a result of deregulation.

This first part of the discussion stimulated participants to think about: what they currently knew about electricity production and about their current supplier, what factors may be important in making a supplier decision, and what information about the suppliers would be needed to make an informed decision.

After the introductory discussion, the moderator provided a brief explanation of the status quo situation and what may occur under electricity deregulation. Following the presentation participants were encouraged to think about what may occur as a result of deregulation and to think about what types of information would be useful to them so as to make an informed electricity supply decision.

The next part of the discussion covered pricing information. Here we wanted to know how important price information was to consumers and how they wanted this information presented.

In Washington, the pricing discussion was followed by a brief explanation of energy efficiency services. The groups were asked whether they would find this type of information useful, whether cost savings information should be provided, and whether they would need to know the impact on their price of electricity.

The next part of the discussion centered on environmental information and used several props which differed across focus groups. First, a "Fuel Facts" table was displayed to the participants. Discussion of this prop concerned whether the information included in the table was important, whether the information was understandable, whether they understood the term "system power," whether they preferred the components of system power to be disclosed, whether they understood the term "renewables," and whether the detailed disclosure of renewables was important.

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 were then asked to indicate to the moderator which product they preferred and the reasons behind their preference. Once this section of the discussion was complete, emissions information was added to the prop. In the "Emission Facts" displays, the emissions were stated in technical terms (e.g., Carbon Dioxide) and the emission levels were stated as deviations above or below a reference level set by the Environmental Protection Agency. The emissions information was presented in graphic form (bar charts). Again participants were asked to indicate their preferred product and the reasons behind their preference.

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/least confusing, and what information on the displays was most/least useful. In the Washington focus groups the participants discussed their views on hydroelectric power.

In the California groups we tested participant reactions to several logos proposed by the California-based Center for Resource Solutions for use as an indicator of environmentally preferred power. Discussion of the logos concerned appropriateness and understanding.

In the Washington focus groups we presented an environmental certification statement and asked participants whether this type of information statement was useful and understandable. We also asked whether participants preferred the certification statement or the fuel and emission facts displays.

We finished the environmental discussion by asking participants whether they thought that choosing an environmentally preferred energy source would have significant environmental benefits, and if so, would these benefits occur immediately or over time.

In the California focus groups there was a discussion about whether the information provided should relate only to the product being offered for purchase or to the broader scope of the supplier's electricity supply. In all the groups we prompted participants to discuss what additional information they would want in a standardized disclosure form.

Finally, several groups included a discussion about the cost of providing this information to consumers, and how participants thought it would be paid for.

C. Strengths and limitations of qualitative research

The primary strength of qualitative research is that it can identify issues of concern to specific populations, and 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."

III. Findings

A. General level of awareness and understanding

Given the significant media coverage in California over the coming electricity market restructuring, it is remarkable how little the participants in California seemed aware of the topic and its implications. The Fresno participants in particular seemed uninformed about the choices that they will soon be asked to make. The Santa Clara groups seemed more willing to confront the changes on the horizon when shown the headlines about deregulation in that day's *San Francisco Chronicle* and the *San Jose Mercury*. One participant explained his ignorance by saying, "Well, I think we didn't worry about it too much because we didn't have a choice. There's only one supplier and that's it."

Both the California and the Tacoma participants were uncertain or misinformed about their existing energy resources. When asked how their electricity is now generated, most California participants thought the source is primarily hydropower, and that power supply in California is quite clean. "I was under the impression that PG&E was fairly environmentally conscious," said a Santa Clara participant.

Tacoma participants also mentioned hydropower, which is a significant resource in the Northwest, but several asserted that there is no coal and no nuclear power. While one nuclear plant in the Northwest did close several years ago, one remains running. There is also a large coal plant operating in western Washington not far from Tacoma, which only one participant seemed aware of, and energy is imported from several Montana-based coal plants.

B. What information do consumers want?

The focus group participants were relatively consistent in their information desires. In general these desires were consistent with results from the New England focus groups.

Price was very important to everyone in the focus groups. Almost everyone, even those with an appreciation for non-price attributes (e.g. environmental or social considerations) felt that the bottom line was the most important to them. "If they're all going through the same wires," said one person, "I want the cheapest one." Participants were pretty insistent that they wanted the price information standardized. They particularly wanted prices stated in terms of unit price (price per kWh). "So long as they're all the same," said a participant from the Fresno groups. "I don't have any examples. But they have a way of phrasing things or telling you things in a different way. I mean, like it's such and such cents per kilowatt hour and everybody's the same. Instead of offering -- like, you'll get so much in a week -- per week or per month, keep it all the same."

Environmental attributes (specifically fuel mix) was volunteered as an important piece of information. Many of the focus group participants felt that the environmental attributes were important in their energy decision and they felt that this type of information should be included as a part of mandatory disclosure. Typical of their comments was this statement from a woman in Fresno: "I'm concerned about things like, you know, tearing up areas that are precious. You know, like a rain forest and so on and so forth, those kinds of things. I don't want this service at the cost of destroying different areas like that." A participant in one of the Santa Clara groups said, "I mean, a lot of people don't

want a nuclear power station in their neighborhood, either. And building these kinds of things is tearing down the redwoods.”

When prompted, Tacoma participants liked the idea that energy efficiency options could be included as part of the pricing disclosure. Participants also understood that energy efficiency services may affect their unit price for electricity but may reduce their overall bill through reductions in consumption. But it would be helpful only “If all the companies are required to provide the same information in the same manner.”

A desire for information about the supplier company history or reputation came through more strongly than in the New England focus groups. A Tacoma participant said, “How are we going to make an educated decision when we don’t know anything about these companies? We don’t know what they’re doing out there, really.”

In California, several participants emphasized the company track record. “I don’t want a little fly-by-night that I’m going to have trouble with six months and be going through it again,” said one in Santa Clara. “I’d want to know, financially, how stable they are; how many people they’re serving, whether they’re just a broker for the power or they’re actually generating it.”

Consumer protection was an issue for several groups. “Well, what I’d be interested in is, who’s going to control these companies? Right now, I do have access to the California Utilities Commission and I can complain about the kind of service I’m getting and things like that. I don’t see any provision in here for complaining against one of these companies, other than by switching who I’m buying from,” was one such comment in Fresno.

A Santa Clara participant voiced a similar concern. “One question I would have is accountability. If something goes wrong, who are they accountable to?” Another added, “Like the PUC or something like that, that oversees...It’s like the insurance commission. You can’t sell insurance in California unless they approve you and watch over you.”

Participants also expressed the belief that, although companies have the right to advertise their companies any way they want, someone should be responsible for providing comparative information in standardized information displays so they could easily compare offers. “I think companies have the right to advertise their stuff in any way they like,” said a Santa Clara participant. “But I also think, as I said, the legislative analysts should do a comparison on them. If you were going to give me papers from different companies, more than likely I’d just shuffle them and take one.”

Participants were skeptical of advertising claims. A Fresno participant said, “You just shouldn’t take people’s word just because: ‘Yeah, we’re environmentally sound, we’re blah, blah, blah, use us.’ They might put a lot of frosting -- too much frosting on the cake.” A Tacoma participant, referring to what information should be provided under deregulation, was more blunt when he said, “Every company should talk through a great big lie detector.”

Several other criteria were mentioned in each group as factors in choosing an electricity supplier, including stability of supply, service reliability, customer service and quality of service. These criteria may be interrelated, and suggest concern about the frequency and duration of electrical outages, or whether their lights will stay on.

C. Reactions to the environmental displays

As with previous focus groups, the fuel mix, or how the power is generated, was important, or of interest, to most participants. One person in Tacoma expressed it well. “I think, maybe for some people, it would be important where the power comes from; if it’s hydroelectric, if it’s nuclear... Some folks might not like nuclear power plants. [Or] They may be salmon lovers and not like hydroelectric power.”

For one participant, at least, the fuel mix was not enough to make a good decision. “Well, it’s giving me figures that really don’t mean anything. How is the coal being used? Where is the hydroelectric power being done from? How efficient are these processes that they’re using? How safe are they? Where is the natural gas coming from? How is that being processed? There’s a lot more information you need, other than just that.”⁹⁴

Focus group participants did not know what “system power” meant. When it was explained to them that system power could include a mix of fuel sources that were not explicitly contracted for, participants preferred a breakout of the system power. When asked whether knowing the sources of system power was important to them, one participant said, “It would be to me.....because, number one, the coal is very bad for the environment. Then, your systems -- you don’t know what you’re going to be using. So you could be putting atomic energy in there, which you don’t like anyhow. So that would be a strike against you.” Several participants noted that the term system power could be used to hide “dirtier fuel sources.” As a result, participants felt that a list of the components of system power was important. Most focus group participants liked the detailed breakout of the renewable fuel sources although this level of detail was viewed as less crucial than a detailed breakout of system power.

The technical terms used for the emissions facts panel (sulfur dioxides etc.) were not liked because most people did not know what these terms meant. “If you’re doing emissions facts... at least explain what the sulphur dioxide and everything does to the air...”

Most focus group participants seemed comfortable with the idea of an organization such as the Environmental Protection Agency setting a recommended reference level. While some were content to leave that to the scientists, several focus group participants said that they also wanted to see the reference level stated on the label, and one went further, “Why did they set it at that particular [level] for the standard?”

In terms of presentation, almost all focus group participants liked the graphical presentation of the fuel and emission facts panels (Fuel Facts as a pie chart and Emission Facts as a bar chart).

In general, the focus group participants liked the fuel mix disclosure and many liked the emissions information. Most did not like the eco-label (environmental certification statement) because it did not convey any important information. Basically all participants preferred having the fuel and emission facts information presented over any type of environmental certification. "I want more than just one line saying 'This is certified environmentally friendly.' I want to know exactly what they did and who did it."

Interestingly, when participants were provided fuel facts displays for two different products they consistently chose the product that they felt was "cleaner," indicating that fuel mix is being used as a way to identify the environmentally preferred option. 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, *all* focus group participants switched their choice. This seems to indicate that emission facts information can override the fuel mix as an indicator of the "environmentally preferred" option. Thus, a supplier selling coal-generated electricity may still be able to market coal if the combustion technology is efficient and relatively clean.

One caveat regarding this exercise is that some participants did not believe that the "cleaner" emissions could be associated with the "dirtier" fuel mix. It was only through efforts by the moderator that all participants accepted that it was possible. This may indicate that firms that have a fuel mix that is perceived as being dirty, yet have relatively clean emissions, may need to educate potential customers as to how the emissions are reduced.

When asked which information they would prefer, the Fuel Facts or the Emission Facts, most participants wanted both. One cited the two different sets on information in food labeling. "It's like food values on a can or a bag of groceries that tells the ingredients, which is at the top, and then the value--the protein and calories and the fat, the saturated--and stuff like that. So, I mean, they do it there; why not do it here?" This suggests that the two types of data are not completely interchangeable and convey different information.

D. Opinions about Hydro

Because hydroelectricity is so important in the Northwest, the Tacoma groups were asked their opinions about hydro. Also, the Tacoma participants were screened to be more sensitive to environmental issues than a random selection of consumers, so we thought that if anyone would have strong opinions about hydro, these two groups would. In general, while acknowledging the environmental impacts, these consumers continue to see the benefits of hydro as a generating resource, but they do not support building more dams.

Participants were quite aware of the impact of hydroelectric dams on salmon. "Salmon like to spawn in a running stream...[T]he Columbia River, today, is nothing but a series of lakes. There is practically no running streams in the Columbia River. That is what wiped out the salmon."

Another participant said, "I'm a little concerned about some of the dams. The salmon runs have declined greatly in the last few years and some of them are endangered. And a lot of the little fry -- I guess the fish get chewed up in the turbines when they're trying to go back to the sea. It's something that I'm concerned about, especially in this area, because it's a big part of the economy around here."

However, when asked to choose between hydro and natural gas as a source of electricity, most chose hydro "because it doesn't run out."

"Well, with hydroelectric, I think it's basically a fairly clean form of getting electricity. But, again, there is an environmental impact. If we deactivate all the dams, then we have no flood control. Our flood control and irrigation were one of the main...reasons why the dam system was put up, and not so much for hydro electric. But with hydro electric, I would probably prefer it over coal or natural gas because it is a renewable resource."

But another participant reserved judgment. "I can't make an educated thing on that because I really don't know what natural gas may be doing to the environment. We know what hydroelectric is doing in eliminating the salmon and so on. But what's natural gas doing out there?"

In a statement that seemed to summarize the groups' feelings, one participant answered the hydro - natural gas tradeoff, saying "I'd choose the hydroelectric from existing dams, but I wouldn't want to see any more dams built."

E. Reactions to the California Logos

In the two Fresno groups participants were shown four logos (A, B, C, and D in Attachment C). Participants were pretty universal in their initial reactions, disliking all four logos. "I don't like 'plug boy,'" said one participant, which was greeted by laughter from the rest of the group. When asked, participants stated that the logos did not suggest any environmental attributes. The logos were then replaced with similar logos that had numbers incorporated within the display. The moderator explained that the numbers would indicate the percent of the fuel mix represented by renewable sources. Participants stated that the numbers were a helpful addition but indicated that the logos were still confusing because, without education, most people would not know what the logos meant. Participants felt that the logo would be acceptable if there was some additional text explaining the meaning of the logo. One participant felt that an EPA rating would be more helpful than a logo. I would rather see something like a rating from the Environmental Protection Agency or something that really means something. I don't buy this little symbol because I'd be real skeptical. It's sort of like the term 'natural food' on the box of every other package. And it's like, What does it mean? It doesn't mean anything."

"I'd rather have more information," agreed another participant.

In the two Santa Clara groups participants were shown the original four logos; participants again stated that the logos did not suggest any environmental attributes. Three of these logos were then presented, slightly modified and with a statement “50% renewable energy content.” This additional information was thought helpful. One point mentioned was that if the logos did not have numbers associated with them then a minimum standard should be set so that a supplier could not use the logo as a part of their marketing strategy if they were only selling electricity made with low levels of renewables.

F. Reactions to product versus supplier displays

The product versus supplier labeling discussion explored two issues: 1) Was it believable that one company might offer different products? and 2) Which perspective did the participants prefer, information about the product or brand they were purchasing, or information about the entire company? This discussion, which was pursued only in the California focus groups, achieved mixed results.

For this topic the moderator used a drawing to describe the process of providing power from various sources and compared de-regulation of the electrical power industry to de-regulation of the long distance telephone industry in the past. Given this explanation, all groups seemed to understand that they could buy electricity from several different suppliers over the same wires, but some participants found the concept of a company selling multiple products confusing.

A few participants stated a preference for information on the product they buy. “I’d just want to know where I’m getting it.” One participant preferred information on the company’s environmental performance. “I would want to know about the company because that’s -- if I’m paying the company, I’m paying [for] everything they’re producing, whether it’s going to her or whether it’s going to her or whether it’s going to me.” Several people were unable to voice an opinion. They were skeptical that the electricity could be differentiated. “I can understand how people can offer different products to different people and have them cost different prices and everything. But with energy, I think it’s a little bit different. It’s coming through the same lines... I don’t think you can break it up that way.” One of the Fresno groups felt that the Environmental Protection Agency regulates all power sources to the same standard, so buying different products would not make any difference.

G. Expectations about environmental change

When participants were asked, “What environmental benefits do you think you would get if you buy the environmentally-preferred product,” most struggled to answer the question. One participant said, “My one decision? Probably not a great deal. But you have to do what you can. I mean, if everybody does that...” Another observed, “They have to listen. They’ll go out of business if nobody’s choosing their power because it’s something that the majority don’t believe in. They’ll have to change the method of operation.”

When they were asked more directly if the benefits would be immediate or might occur sometime in the future, most participants stated that they expected their preferences would be reflected in the investment decisions of suppliers in the future. "Very few things have an impact right now," said one of the Santa Clara participants. "But they start a trend and they start other people thinking about it." Change takes a long time.

H. Cost of information

Generally, participants assumed that all consumers would end up paying for the cost of providing standard information. "It's in their cost overhead of doing business, anyway. And we all know that when you have a company you're dealing with and they have an overhead, you're paying for their overhead, just as you're paying for their product." Most were uncertain about how much they felt the information would be worth, but when it was suggested that the cost might be 3-4 cents per month, most thought that seemed reasonable. "We're going to pay for it anyway," said one person. "But in the long run, it might be a price that we can live with both ways -- money and environment."

I. Preferred methods for obtaining information

For the most part, focus group participants would like to see the information packaged and available in one location for them to compare suppliers. Tacoma participants, for example, are accustomed to a voter's pamphlet prepared for elections. "When this deregulation comes, have [the information]...sent out to us in a pamphlet form or a booklet form. Something that either can be sent out to us and that is understandable to everyone or -- and, after that, maintain these things....Keep those up to date. But send the initial one to us and make the ones that come up or every subsequent one after that -- make it available, someplace that is available. I mean, not everybody can use the Internet." Another Tacoma participant compared the information summary to a catalogue of college courses received before each school term.

Others suggested direct mail to consumers, an added monthly insert in newspapers, utility bill inserts, and five minute television reports.

A Fresno participant was also supportive of a summary. "I'm picturing sort of a sample ballot, even more condensed, but have all of the suppliers on one sheet; not getting stuff at different times in the mail from different people."

At the same time, one participant wanted the information to be condensed. "Simple terms. Keep it short and concise; not too drawn out. Because you get off work and you want to eat dinner and you've got to go to the grocery store. You're not going to sit there and read two pages of script that you've got to put your glasses on for."

An alternative point of view to direct mailings was expressed by some participants. These participants felt that the information should be mandatory but disclosed in other venues (e.g., libraries, newspapers, web-sites). "I don't think that we should necessarily have the companies provide it for every consumer," stated a Santa Clara participant. "If you do

that, you just wind up with this huge....everybody just, you know, they get their bill, it's got all this information in there and they throw it into the garbage." A participant in one of the Tacoma groups expressed a similar sentiment: "They shouldn't just send out these big old booklets like that to everybody. I mean, there's a lot of people sitting at this table that wouldn't have the time to read it."

J. Other information desired

The two Tacoma focus groups made an effort to enumerate other desirable information for informed decision-making. Before a prop listing possible additional information was presented, participants said they would like more information about who the suppliers are, such as where they are located and how long they have been in business.

When a list of additional information options were displayed to them, there were generally positive responses to some and mixed responses to others. When probed for the most important items, participants mainly emphasized information relating to price variability, customer satisfaction or complaints, and environmental factors (e.g., waste disposal sites, environmental violations, NRC "watch list").

IV. Conclusion

In general, most of the main findings reported here are consistent with the results of the New England focus group research. This is a strong finding given that the New England and Western focus group participants differed in terms of their experience with electricity marketing and in terms of their demographic characteristics. In addition, the New England participants may have represented a relatively more motivated segment of consumers.

Participants wanted standardized information 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 the frustration associated with choosing their telephone company without standardized information. Where possible, participants felt that information should be validated or certified by independent organizations.

In general, price was the most important attribute to participants. Given this fact, it is not surprising that most participants wanted detailed price information. Participants were particularly insistent on wanting prices presented as a price per kWh.

Participants stated that environmental attributes were important to them and they wanted some presentation of the environmental attributes. Most participants did not like the environmental certification statement but preferred the Fuel and Emission Facts information. Participants voiced a need to have emissions information interpreted for them, however. Reference levels were seen as important to the Emission Facts displays, and several participants felt that the reference level should be stated explicitly. Graphical displays of the environmental information were preferred over table formats.

Attachment A

Participant Screener for California/Tacoma 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.
- Persons who work in the following occupations shall be excluded: persons working for advertising companies, market research companies, or utilities companies.
- Participants should respond positively to 5 of the 10 environmental questions provided

Scheduling

The schedule for the groups follows:

May 6, 1997 - 6PM & 8PM

Fresno, CA

Nichols Research, Fashion Fair Mall, 557 E. Shaw, Fresno, CA 93710, (209)226-3100

May 7, 1997 - 6PM & 8PM

Santa Clara, CA

San Jose Focus, 3032 Bunker Hill Lane, Suite 105, Santa Clara, CA 95054, (408)988-4800

May 8, 1997 - 6PM and 8PM

Tacoma, WA

Market Data Research Corporation, 955 Tacoma Avenue South, Tacoma, WA, (206)383-1100

- 12 participants recruited per group, with 9 to participate
- Participants will be paid \$40 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 - California/Washington

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. Now I'd like to read several statements to you and have you rate them based on the extent you agree or disagree with each statement. You may give each statement any number between 1 and 4, where 4 means you strongly agree, 3 means you somewhat agree, 2 means you somewhat disagree, and 1 means you strongly disagree with the statement.

	STRGLY AGREE	SMWHT AGREE	SMWHT DISAGREE	STRGLY DISAGREE
A. I donate <u>money</u> to environmental causes.	4	3	2	1
B. I donate <u>my time</u> to environmental cause.	4	3	2	1
C. I walk, ride a bike, take a bus or carpool to work <u>because I know it helps the environment.</u>	4	3	2	1
D. I buy products that come in packages that can be recycled.	4	3	2	1
E. I vote for political candidates who take tough stands on protecting the environment.	4	3	2	1
F. I recycled household items like cans, glass or newspaper <u>before</u> curbside pickup was available.	4	3	2	1
G. I buy or make an effort to buy foods grown without the use of chemicals.	4	3	2	1
H. I buy products that are environmentally friendly even though they may cost more.	4	3	2	1
I. I avoid using chemicals on my lawn or garden because I am concerned about the environment.	4	3	2	1
J. I am a member of an environmental group.	4	3	2	1

Recruit those respondents who answer a “4” or “3” to at least five of the ten statements.

7. 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

8. Have you ever participated in a focus group?

- Yes _____
- No _____ (go to question 10)

9. (If yes) What were the topics of those groups? (Terminate if they have ever participated in a group on an environmental topic)

10. 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 2 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.

Attachment B

Fresno and Santa Clara, California, May 6 and 7, 1997

Focus Group Moderator Guide: Consumer Information for Electric Retail Access

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 are generally included on the bill. Are you familiar with this?

The same kind of changes are coming to the electricity industry. In fact, recent changes in State laws will change the way in which 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 is currently 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? [At this point, there should be no priming of the importance of cost or environmental information. It may have come up, but now is the point when we want them to start thinking about information.]

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

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.

Pricing

How would you like to have pricing information presented to you?

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.

First of all, how important is this information to your decision to buy/not buy the product?

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?

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 do you think is meant by system power? Is it important to you what it is? Why?

California logos

[Show slide of four CA logos -no numbers]

CA is developing a logo as a way of identifying the suppliers electricity as being environmentally preferred. The logo could be used like the recycling logo is currently used to identify products made from recycled materials.

Which of these logos do you find preferable? Why?

Do you find these confusing?

Would a statement saying something like "certified by the PUC as containing 40 percent renewable energy sources" be helpful?

[Show slide of four CA logos -with numbers]

Does the addition of numbers make these any more helpful?

Emission Facts

[Show emission facts statements]

First of all, how important is this information to your decision to buy/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?

New v. existing plants (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/technologies?

Product v. 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 one company, like PG and E 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?

Would you be willing to pay 3-4 cents per month for it?

Other information

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

Tacoma, Washington, May 8, 1997

Focus Group Moderator Guide: Consumer Information for Electric Retail Access

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 are generally 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 in which 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 is currently 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? [At this point, there should be no priming of the importance of cost or environmental information. It may have come up, but now is the point when we want them to start thinking about information.]

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

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.

Pricing

How would you like to have pricing information presented to you?

Efficiency

Some energy suppliers may offer you services or products that may not reduce the price of your electricity but would reduce the amount of electricity you use each month (for example, discounts on more efficient appliances, or insulation for your home). The end result could be that your total electric bill may be reduced.

Would these types of services be useful to you?

Should any estimated cost saving be placed in the companies disclosure information?

Should this type of information be certified? By whom?

What if these services reduced your bill but increased the price per kWh?

Would you need to know this?

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.

First of all, how important is this information to your decision to buy/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?

Hydropower

How do you feel about hydropower?

Are there some types of hydropower you find more acceptable than others?

Is hydropower renewable?

System power

Your supplier will either own or have contracts with specific power plants. But to complete their portfolio--or to round out their sources of supply--your supplier may buy some electricity from a *pool*. Power plants that are not contracted to the final consumers will sell their electricity into the pool, and others may buy from the pool at “spot market prices” (the price will depend on that day’s supply and demand). Electricity from the pool is call “system power” and will be a mix of different fuels--nuclear, gas, coal, etc. If suppliers reveal the fuel mix, should they list this power from the pool as system power, all lumped together, or should they list the different components?

Emission facts

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

First of all, how important is this information to your decision to buy/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?

Which product do you prefer? Why?

[Add slide providing 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?

New v. 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/technologies?

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?

Would you be willing to pay 3-4 cents per month for it?

Other information

We've talked 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?

Attachment C

Attachment C consists of items that were on display at the focus group. [Email RAP](#) if you wish to receive hard copies of these items.

Attachment 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 -- currently 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 three 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 are significantly different. 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, 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 evaluate competitive offers and make a decision; and 2) to learn how they would like that information to be presented.

A. How participants viewed their experiences with electricity marketing

The New Hampshire participants were frustrated with their experience because they had to spend a lot of time and effort trying 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.

B. 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.

C. 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.

D. 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).

E. 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.

F. 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.

G. 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 EmissionFacts displays; without some interpretation participants felt the information was meaningless to them. Graphical displays of the environmental information were preferred over table formats.