THE TARRANCE GROUP

Pennsylvania Utility Research

Conducted by The Tarrance Group on behalf of Direct Energy
October 4 and October 6, 2011

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Research Methodology

Two (2) evenings of focus groups were conducted for Direct Energy on October 4 and October 6.

October 4: Harrisburg, PA

6pm: 11 Females

8pm: 12 Males

October 6: Philadelphia, PA

6pm: 12 Females

8pm: 12 Males

Respondents in Harrisburg and Philadelphia met the following criteria:

•Homeowners.

•Primarily responsible for paying the bills for their home.

•Ages 30 or older with at least four (4) ages 55+.

•Five (5) recruits per group owned a small business that operates in an office outside of their home.

•Each group had a mix of respondents who 1: were aware of the option to purchase electricity from a company other than their local utility, or 2: were not aware of the option to purchase electricity from a company other than their local utility.

•No respondents were permitted to be recruited who indicated that they had already decided to switch from their local electric provider to a competitive retailer.

•Nearly all respondents were residents and/or own a small business in the PPL and PECO territories.

Awareness of Energy Competition

- Soft awareness in both Harrisburg and Philadelphia that energy could be purchased from a company other than the public utility.

- Respondents in both cities cited knowledge of acquaintances "selling utilities" (e.g. Multilevel Marketing).

- The Harrisburg respondents cited recent contact from competitive suppliers. Several indicated they have received direct mail and telemarketing in recent months

- There was a similar level of soft awareness among the Philadelphia groups, but a lower response rate regarding direct mail and telemarketing solicitations. They indicated they were contacted more when prices "initially went up a few years ago."

- Respondents in both cities noted that the local utility was also making consumers "aware" of the opportunity to switch providers. This prompted a series of questions in each focus group: "Why would they do this?" "What is in it for them?"

- The focus groups in each city noted that the electric utility in Pennsylvania was "de-regulated," comparing this to the recent de-regulation of telephone service.

Impressions of Energy Competition

- **Impressions of the public utility are satisfactory. Respondents in Harrisburg and Philadelphia are very pleased with service. Respondents in Harrisburg are unhappy with price, noting a recent increase of approximately 30%. Respondents in Philadelphia were not as aggravated about the price from their local utility.**

- **The economic environment provides a unique opportunity for "competitors" to enjoy a favorable impression. Particularly with the promise of rates below the public utility pricing.**

- **Respondents in both cities think competition should exist, also creating a built in favorable impression for those who are bringing "competition" to the electric market.**

- **The level of cognition about the process of how a competitive retailer will work (where will the electric come from, changes, etc.) is an important piece of better defining the competitive retailers and assisting in positive growth of the impression of these companies among consumers.**

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Key Consumer Questions

- Is switching to a competitive retailer financially worth the switch?

- Is switching to a competitive retailer worth the hassle?

- Can consumers trust a new company?

- Will the new competitive retailers have longevity?

- Will there be a change in service or change in response to outages? (The health and well-being of consumers often depends on the consistency of electrical service.)

- Will consumers be locked into a contract? What are the ramifications of the new contract?

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Reaction to “Opt-In Auction”

UNINFORMED REACTION

•The uninformed response about the “Opt-In” concept among all groups: “Who is participating in the auction – the consumer or the provider?”

•There was a sincere level of skepticism in Philadelphia about switching to a competitive retailer or participating in the “Opt-In Auction.”

•INFORMED REACTION

•Nearly all of the focus group respondents indicated they were willing to consider participation in the Opt-In Auction after learning the details of the plan.

•A number of respondents responded favorably to the Opt-In Auction because it is a “one stop shopping effort.”

•There were a number of enticing aspects of the auction: primarily the rebate check, promise of no disruption in service, no cancellation fee and receiving a single bill.

•Participants felt comfortable that the PAPUC is overseeing the auction.

While the majority of respondents in both markets are open to the idea of participating in the auction, it is necessary to provide more clarification about the process of this program.

Delivering the Message to "Opt-In"

•The focus group respondents reacted positively to PAPUC overseeing the "Opt-In Auction" and delivering the message that consumers should participate in this process.

It would be helpful for the PAPUC in any messaging or solicitation to explain why they are supporting the Auction. In addition, it is necessary to explain that the local utility is precluded from receiving a profit on commodity sales.

•The respondents indicated a desire to hear about the Opt-In Auction from the PAPUC in conjunction with their local utility/utility executives.

Respondents were "comforted" by the idea that the local utility supports the Opt-In Auction because of the level of concern regarding a potential change in service or response to outages.

•There were also a number of respondents who indicated they would like to hear about the Auction through testimonials from consumers who have switched to a competitive supplier.

•It is important to be aware that there is a level of distrust with elected officials and government run agencies. The current political environment has affected consumers to question any government-run entity.

What to Call the "Opt-In Auction"

- The title "auction" received mixed feedback. As noted, respondents question who is doing the bidding. There needs to be clarity on how is process works regardless of the name, but "Opt-In Auction" certainly requires more explanation due to a level of confusion among consumers.

- Indeed, there are respondents who assume "auction" means "to the highest bidder."

- The Philadelphia market was particularly less enthused about the title of "Opt-In Auction" because this sounded like something that is not "concrete," would "fluctuate" and has "too much uncertainty."

- Respondent recommendations in naming this program include versions of "option" language, such as "alternative energy option" or "elective energy option" citing that the "option" language emphasizes "choice."

- An additional recommendation for the "auction" title is "compete for your business."

What to Call the Rebate Check

•Respondents were more comfortable with the “rebate check” language, unlike the “opt-in auction” title.

•The choice of either “rebate check” or “signing bonus” was satisfactory among respondents in both Harrisburg and Philadelphia.

•As expected, the focus of this discussion was about the “size” of the check.

Size of the Rebate Check

- The research determined that the "rebate check" or "signing bonus" is one of the top tier selling points of this program. The economic environment has certainly created a set of circumstances where consumers are extremely receptive to "pocketbook messaging."
- Given that we tested a range of rebate size, it is important for consumers to know the level of the rebate prior to "opting-in."
- The respondents initially wanted the largest amount possible, but understand the size of the rebate check would ultimately affect the monthly pricing.
- Business owners prefer a larger amount than the strictly residential respondents.

  Homeowner-only respondents were settled on the idea of a $10 a month/$120 a year in the form of a rebate check.
- Respondents prefer the rebate come in the form of a check that can be cashed, as compared to a credit card "gift card" or a deduction from the consumer bill over time.
- Respondents want to be automatically enrolled for the rebate check upon signing up with a competitive retailer. They do not want complicated forms to complete.
- Customers want clarity on when they can expect to receive the rebate check.