
Pennsylvania Electricity Deregulation – Residential Consumer Awareness and Perceptions

Final Report

June 3, 2004

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Background and Objectives

- Reliant Energy is interested in supporting Pennsylvania PUC's decision on the future of Electricity Deregulation for residential consumers.
- To do so, Reliant Energy conducted consumer research among residential consumers in Pennsylvania to assess their opinions and perceptions of electricity deregulation and its benefits.

Research Methodology

A random telephone survey was conducted from May 9 to May 15, 2004 with the following criteria:

- Contacted household decision makers who pay their electricity bill.
- Reached 400 electricity decision makers in Duquesne Service territory (Pittsburgh) and 400 from the rest of Pennsylvania. Data was weighted to be representative of all Pennsylvania electricity consumers.
- Produce results with a sampling error of + / - 3% or better at 95% confidence level.

Deregulation

As you may or may not know, Pennsylvania consumers now have a choice in who supplies their electricity, local telephone service, and natural gas. The electricity and local telephone markets were deregulated in 1996, with gas following in 1999. It is important for all Pennsylvanians to understand that competition is intended to provide them with more choices for their utility suppliers. Competition does not mean that companies will have to install new telephone lines, gas pipes or electricity lines to your home or business. What is new is the fact that you now can choose the company that supplies your telephone, natural gas or electric service.

More Competitive Electricity Model

The Pennsylvania Public Utility Commission is currently considering changes to the competitive electricity market in order to further stimulate competition. One of the proposals being discussed is what I will call a more competitive market. This will allow prices to go up or down based on market competition. Experience has shown this competition will give you many more electricity providers to choose from. Also, these providers will compete for your business in other ways besides price with additional services and options like electricity from environmentally-friendly sources.

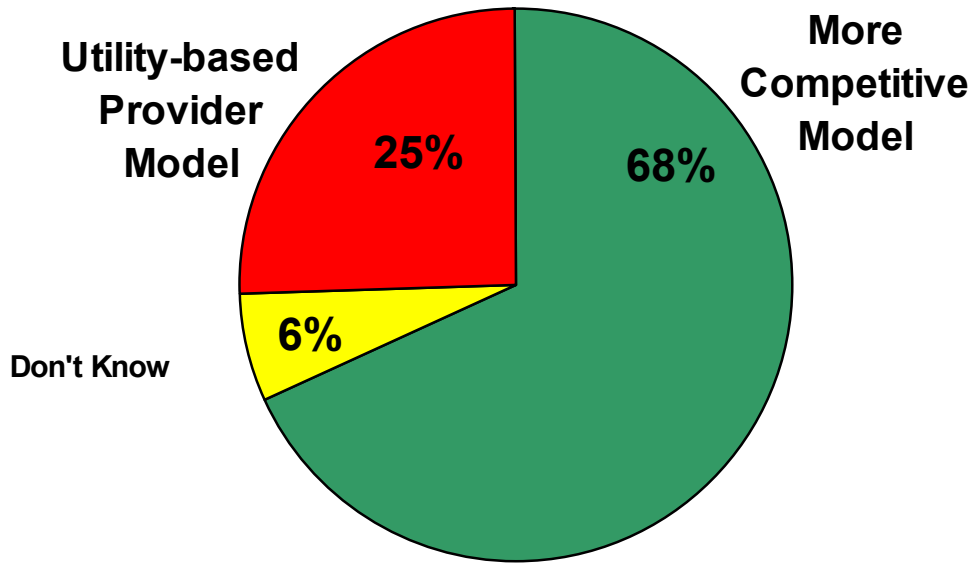
Utility-based Provider Electricity Model

Now I am going to ask you some questions about the current electricity industry in your area, which I will call a utility-based provider market. Essentially, you primarily have one large regulated provider of electricity. This provider prices their electricity based on Pennsylvania PUC government rulings that determine your price for electricity. This market design may limit your choice of electricity providers and the number of different pricing plans that you could have to chose from.

Consumers prefer the More Competitive Electricity Deregulation Model than the Utility-based Provider Deregulation Model

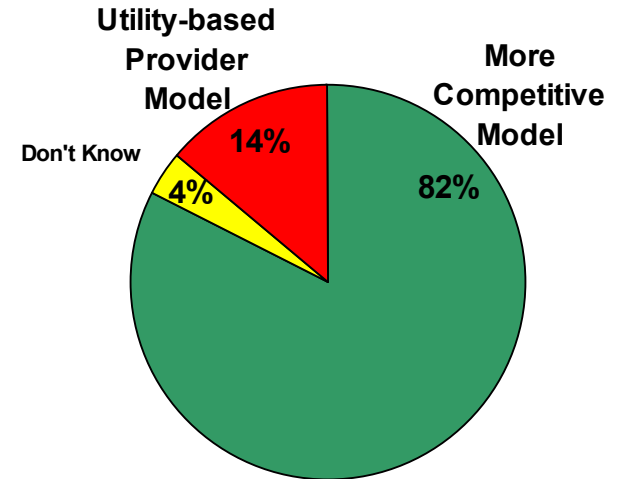
In Pennsylvania¹, when consumers are asked to show their preference between the two models, ...

- 7 out of 10 consumers prefer the proposed More Competitive Electricity Model.
- 3 out of 10 prefer the Utility-based Provider Model.



Furthermore, **the preference** for the More Competitive Electricity Model **is even more pronounced** when the opinion of those who have actually switched and experienced the benefits of competition is examined.

- 8 out of 10 prefer the More Competitive Electricity Model.

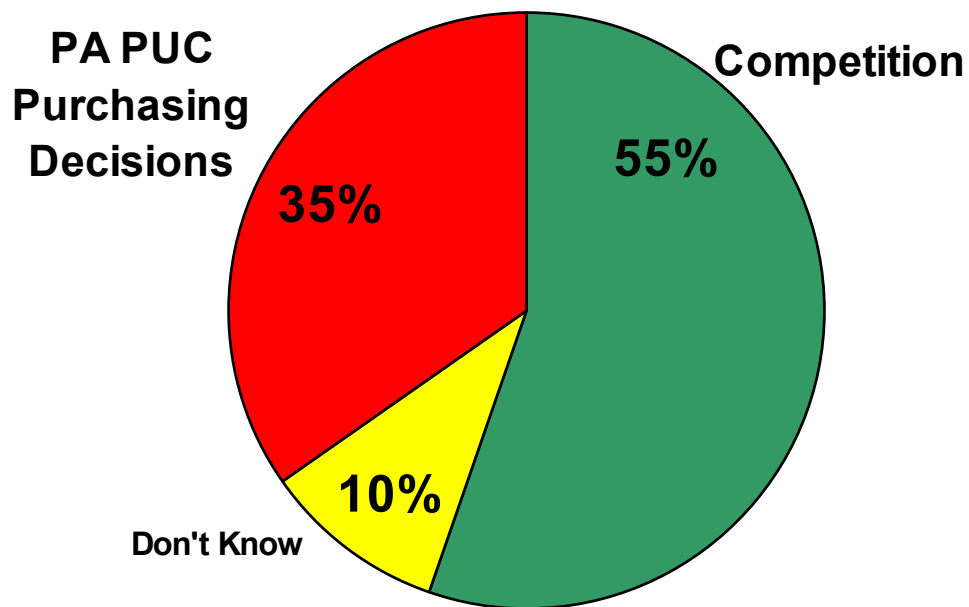


¹ Perceptions in Duquesne Service Territory are similar. Please see appendix for details.

Consumers would rather have prices set by Competition than set by PA PUC Purchasing Decisions

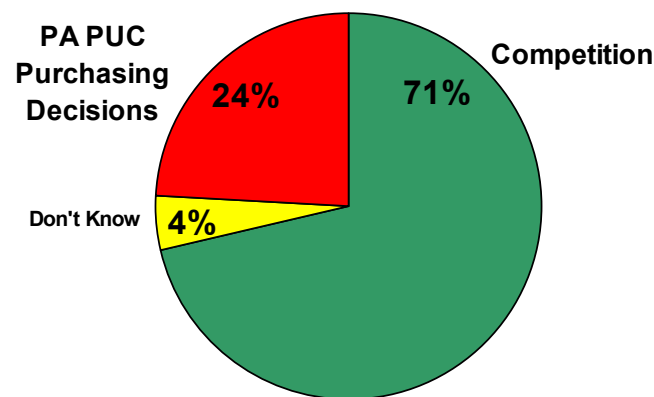
In Pennsylvania¹ ...

- 6 out of 10 consumers prefer their prices set by Competition.
- 4 out of 10 prefer their prices set by PA PUC Purchasing Decisions.



Furthermore, **the preference** for prices set by Competition rather than by PA PUC Purchasing Decisions **is even more pronounced** when the opinion of those who have actually switched and experienced the benefits of competition is examined.

- 7 out of 10 consumers prefer their prices set by Competition.

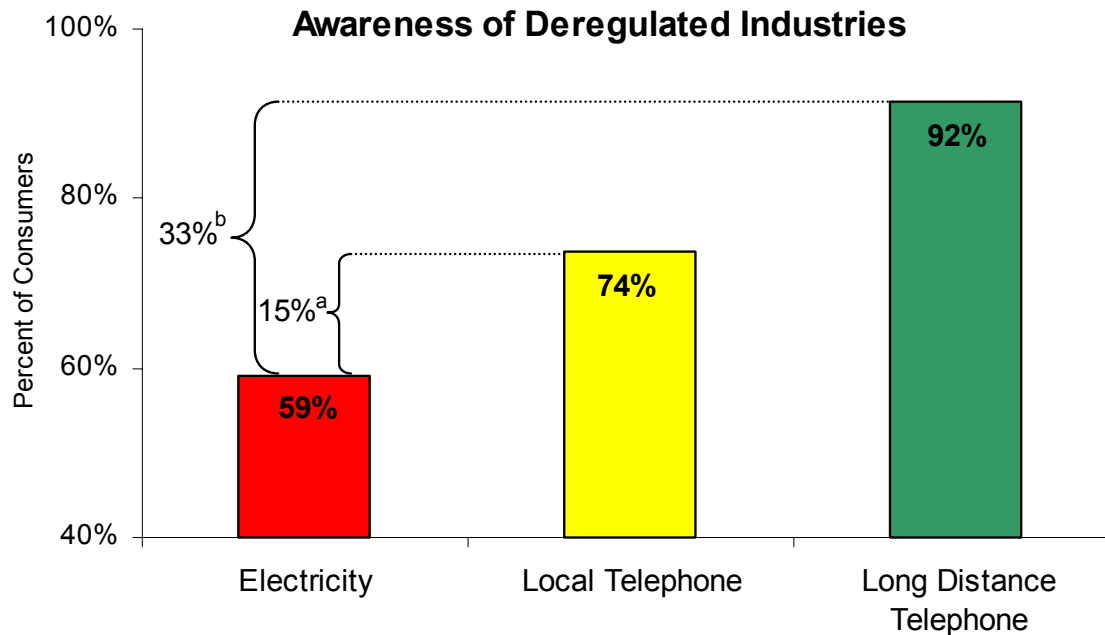


¹ Perceptions in Duquesne Service Territory are similar. Please see appendix for details.

Deregulation of the electricity industry suffers from low consumer awareness compared to local and long distance telephone deregulation

In Pennsylvania¹ ...

- 9 out of 10 consumers are aware of long distance telephone deregulation.
- 7 out of 10 are aware of local telephone deregulation.
- 6 out of 10 are aware of electricity deregulation.



¹ Perceptions in Duquesne Service Territory are similar. Please see appendix for details.

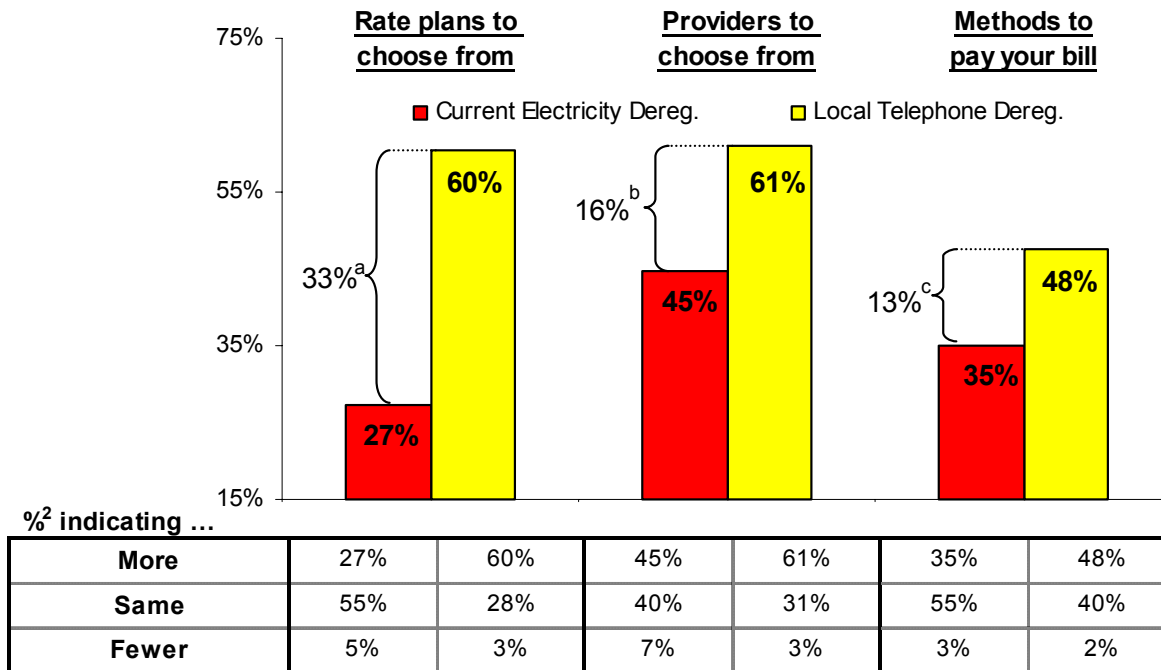
^{a, b} Differences are statistically significant at a 95% confidence level.

Local Telephone Deregulation is perceived to have brought more rate plans, providers, & bill payment methods than Electricity Deregulation

In Pennsylvania¹ ...

- Only 3 out of 10 consumers said there are more electricity rate plans with electricity deregulation, compared to 6 out of 10 who said there are more telephone rate plans with local telephone deregulation.
- Only 5 out of 10 said there are more electricity providers, compared to 6 out of 10 who said there are more local telephone providers
- Only 3 out of 10 said more electricity bill payment methods, compared to 5 out of 10 who said more telephone bill payment methods.

Percent of Consumers Indicating "More ..."



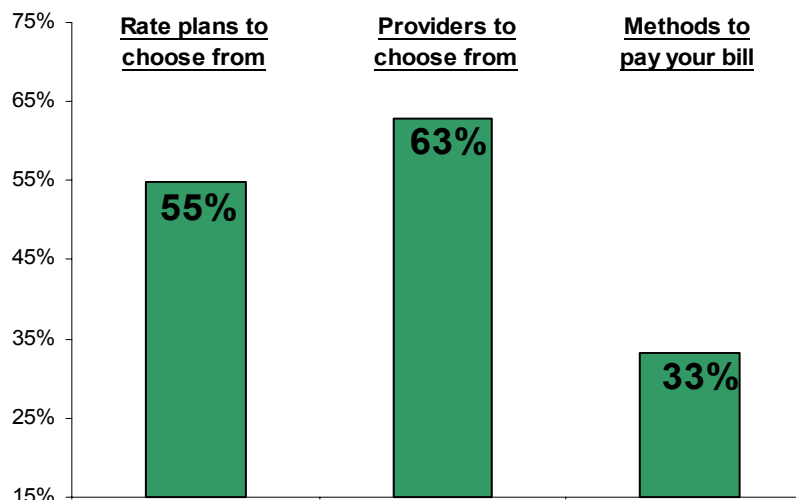
¹ Perceptions in Duquesne Service Territory are similar. Please see appendix for details.
² Percents in a given column may not add to 100% for "Don't Know or Refused" responses.
 a, b, c Differences are statistically significant at a 95% confidence level.

The proposed More Competitive Deregulation Electricity Model will bring to consumers more rate plans, providers, and bill payment methods

In Pennsylvania¹ ...

- 6 out of 10 consumers think there would be more rate plans to choose from with the proposed deregulation model. 4 out of 10 think that there would be the same number of rate plans.
- 6 out of 10 think there would be more providers to choose from. 3 out of 10 think there would be the same.
- 3 out of 10 think there would be more bill payment methods. 6 out of 10 think there would be the same.

Percent of Consumers Indicating "More ..."



² %² indicating ...

	<u>Rate plans to choose from</u>	<u>Providers to choose from</u>	<u>Methods to pay your bill</u>
More	55%	63%	33%
Same	36%	29%	61%
Fewer	2%	3%	1%

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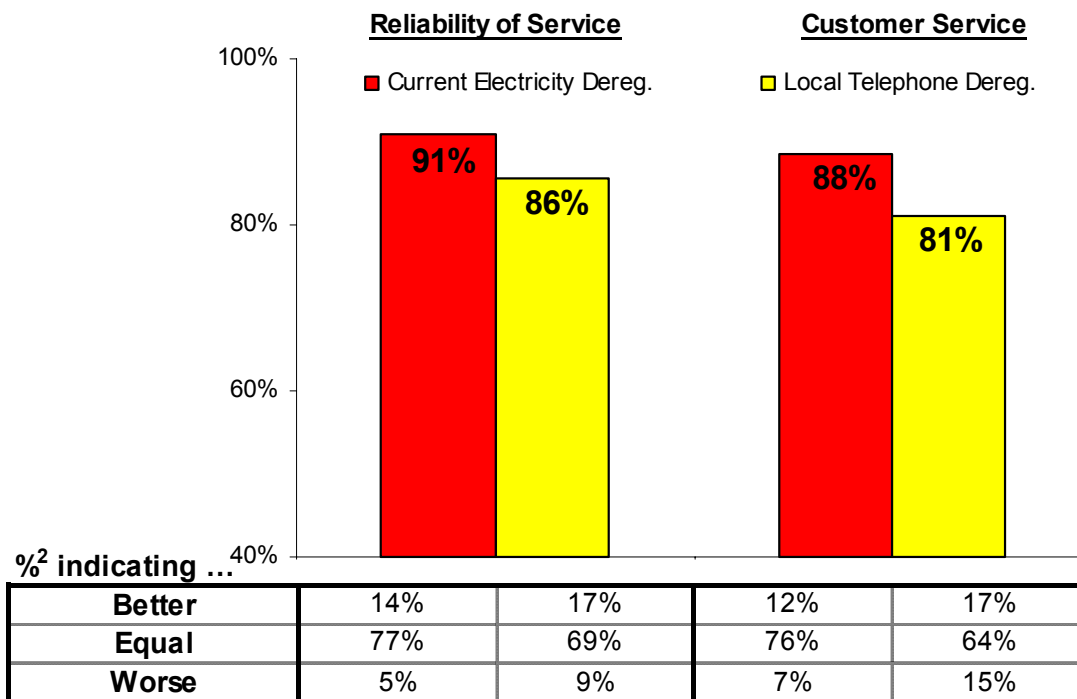
² Percents in a given column may not add to 100% for "Don't Know or Refused" responses.

Deregulation of Electricity and Local Telephone has not affected reliability and customer service according to the majority of consumers

In Pennsylvania¹ ...

- 9 out of 10 consumers said deregulation has offered the same or better reliability in both industries.
- 8 to 9 out of 10 said deregulation has offered the same or better customer service in both industries.

Percent of Consumers Indicating "Better or Equal ..."



¹ Perceptions in Duquesne Service Territory are similar. Please see appendix for details.

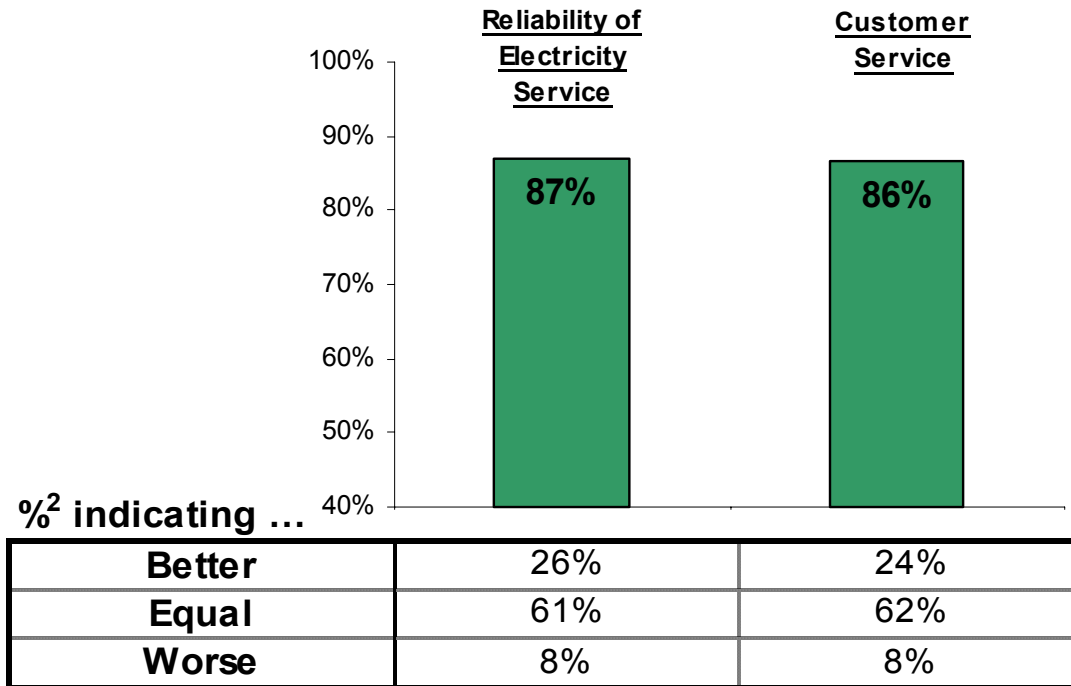
² Percents in a given column may not add to 100% for "Don't Know or Refused" responses.

The proposed More Competitive Electricity Deregulation Model will not affect reliability of electricity service and customer service

In Pennsylvania¹ ...

- 9 out of 10 consumers think reliability of electricity service and customer service will be the same or better with the proposed More Competitive Electricity Deregulation Model.

Percent of Consumers Indicating "Equal or Better ..."



¹ Perceptions in Duquesne Service Territory are similar. Please see appendix for details.

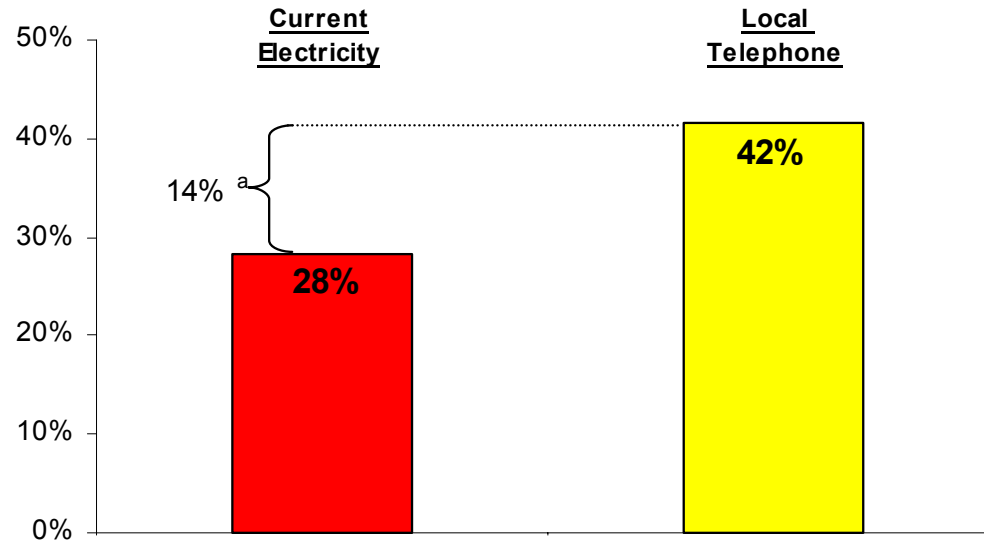
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Competition has been more beneficial in the Deregulated Local Telephone Industry than in the Deregulated Electricity Industry

In Pennsylvania¹ ...

- 4 out of 10 consumers said competition has been beneficial with the deregulated Local Telephone Industry.
- 3 out of 10 said competition has been beneficial with the current deregulated Electricity Industry.

Percent of Consumers Indicating Competition has been "Beneficial"



%² indicating competition has ...

... been Beneficial	28%	42%
... had No Impact	58%	39%
... been Harmful	6%	12%

¹ Perceptions in Duquesne Service Territory are similar. Please see appendix for details.
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^a Differences are statistically significant at a 95% confidence level.

Prices Under the More Competitive Model:

The More Competitive Electricity Deregulation Model creates expectations that electricity prices will be the same as or lower than they currently are

In Pennsylvania¹ ...

- 7 out of 10 think prices with the proposed model will be the same as or lower than current prices.
- Nevertheless, only 4 out of 10 think that prices have been the same as or lower than prices before deregulation.

Percent of Consumers Indicating "Same or Lower Prices with ..."



¹ Perceptions in Duquesne Service Territory are similar. Please see appendix for details.
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Appendix

Awareness of Deregulated Industries



Awareness of Deregulated Industries	Pennsylvania	Duquesne Only
Electricity	59%	61%
Local Telephone	74%	83%
Long Distance Telephone	92%	93%
Natural gas	33%	54%

Deregulation of Local Telephone and Electricity



Percent* of consumers indicating ...	Pennsylvania						Duquesne Only					
	Local Telephone			Current Electricity			Local Telephone			Current Electricity		
	More	Same	Few er	More	Same	Few er	More	Same	Few er	More	Same	Few er
Deregulation has led to . . .												
- Providers to choose from	61%	31%	3%	45%	40%	7%	69%	22%	4%	50%	35%	7%
- Rate plans to choose from	60%	28%	3%	27%	55%	5%	61%	25%	3%	28%	53%	6%
- Methods to pay your bill	48%	40%	2%	35%	55%	3%	45%	42%	4%	34%	56%	3%
Deregulation has led to . . .	Better	Equal	Worse	Better	Equal	Worse	Better	Equal	Worse	Better	Equal	Worse
- Reliability of service	17%	69%	9%	14%	77%	5%	17%	67%	11%	14%	77%	5%
- Customer service	17%	64%	15%	12%	76%	7%	19%	55%	21%	11%	73%	11%
Deregulation has led to prices that are . . .	Higher	Same	Low er	Higher	Same	Low er	Higher	Same	Low er	Higher	Same	Low er
	57%	22%	16%	59%	30%	6%	57%	22%	16%	51%	30%	13%
Competition has been . . .	Beneficial	Same	Harmful	Beneficial	Same	Harmful	Beneficial	Same	Harmful	Beneficial	Same	Harmful
	42%	39%	12%	28%	58%	6%	46%	31%	16%	31%	54%	8%

*Percents in a given row may not add to 100% for "Don't Know or Refused" responses.

Proposed More Competitive Electricity Deregulation Model



Percent* of consumers indicating ...	Pennsylvania			Duquesne Only		
	More	Same	Few er	More	Same	Few er
There would be . . .						
- Providers to choose from	63%	29%	3%	65%	28%	1%
- Rate plans to choose from	55%	36%	2%	53%	37%	1%
- Methods to pay your bill . . . (with the new model)	33%	61%	1%	32%	60%	1%
There would be . . .	Better	Equal	Worse	Better	Equal	Worse
- Reliability of electricity service	26%	61%	8%	26%	60%	7%
- Customer service . . . (with the new model)	24%	62%	8%	23%	62%	10%
There would be . . . prices with the new model	Higher	Same	Low er	Higher	Same	Low er
	31%	38%	27%	28%	37%	28%
New model would be . . .	Beneficial	Same	Harmful	Beneficial	Same	Harmful
	53%	30%	13%	52%	28%	13%

*Percents in a given row may not add to 100% for "Don't Know or Refused" responses.

Utility-based Provider Model vs. More Competitive Industry Model



	Pennsylvania		Duquesne Only	
Percent ^a of consumers indicating they prefer . . .	Proposed Electricity Model	Current Electricity Model	Proposed Electricity Model	Current Electricity Model
	68%	25%	66%	29%
Percent ^a of consumers that would rather have an electricity market with prices based on . . .	Competition	PAPUC Purchasing Decisions	Competition	PAPUC Purchasing Decisions
	55%	35%	57%	35%
Percent ^b of consumers that believe given electricity model would be better at helping them purchase electricity to meet their needs	Proposed Electricity Model	Current Electricity Model	Proposed Electricity Model	Current Electricity Model
	60%	22%	59%	22%

Percents in a given row may not add to 100% for: ^a "Don't Know / Refused" or ^b "Neither" responses.

Utility-based Provider Model vs. More Competitive Industry Model Among Switchers



	Pennsylvania			
	Switcher		Non Switcher	
Percent* of consumers indicating they prefer . . .	Proposed Electricity Model	Current Electricity Model	Proposed Electricity Model	Current Electricity Model
	82%	14%	65%	28%
Percent* of consumers that would rather have an electricity market with prices based on . . .	Competition	PAPUC Purchasing Decisions	Competition	PAPUC Purchasing Decisions
	71%	24%	52%	37%

*Percents in a given row may not add to 100% for "Don't Know / Refused".