

Prospectus

E SOURCE Market Research Multi-Client Studies



Residential Power Reliability: How Customers Think, Act, and Cope

Now that the fervor for restructuring has subsided in the power industry, utilities are able to increasingly focus on the business of delivering high-quality electricity service to their customers. Along with price, power reliability is consistently on top of customers minds. This national, in-depth market research study will delve into how residential customers feel about reliability and assess the actions they take when outages occur, the costs of residential outages, and the products these customers buy—or want to buy—to mitigate the negative affects of outages. Well also be looking at many other reliability-related issues that affect utility decision-making.

Study Objectives

Utilities are faced with very tough choices when it comes to making reliability-related investments. How those investments are made can strongly influence customer satisfaction, profitability, and even public relations. This statistically robust market research project will provide subscribers with solid action items and decision-making benchmarks based on input from residential customers across the U.S. and Canada. Well deliver the data and analysis subscribers need to make better decisions in areas such as these:

- Identifying the right reliability-related products and services to offer these customers and the price points for those options
- Making it possible to compare the customer benefits of utility investments in reliability upgrades with losses avoided by customers
- Finding out which segments of the population are most concerned about reliability, and how best to alleviate their concerns
- Pinpointing when and how to best address reliability problems through customer account representatives and the call center
- Identifying the utility messages about reliability that will provide the most benefit to customers and their view of their utility

Well provide critical information for utility planners, marketing managers, rate designers, customer care groups, and executives.

“Nearly 380,000 customers in North Carolina and Virginia remained without power [today], the day after a winter storm mowed down thousands of trees in a glaze of ice.”

**USA Today
February 28, 2003**

“More than 51,000 customers still had no electricity, five days after last weeks storm coated trees and power lines with ice. More than 60,000 customers in both Kansas and Missouri were without power.”

**USA Today
February 2, 2002**

“As the city of Chicago baked in 100-degree weather, thousands of hot and sweaty residents were forced to endure the heat without air conditioning or fans, due to sporadic power outages and brownouts.”

**Associated Press
July 31, 1999**

Areas of Study

This study will investigate the most important issues surrounding customer attitudes and activities regarding power reliability. Our research will cover the following topics:

How Residential Customers View Reliability

Customers and utility engineers evaluate power reliability in very different terms. We'll be addressing the customers' viewpoint through questions like these: How do customers define reliability? How long of an outage constitutes an "event?" Are surges as big a problem as outages? What do residents believe causes most outages? Who do they blame for a typical outage? We'll also find out how power reliability compares with the perceived reliability of other essential services such as natural gas, telecommunications, and the Internet.

Outage Costs and the Value of Reliability

Customers will be asked to quantify the costs of outages lasting various amounts of time. Costs may include spoilage of food, damage to appliances, or the value of lost work for home-based businesses. This direct method of quantifying the value of service will be used in conjunction with an evaluation of willingness to pay to avoid outages, allowing us to place upper and lower bounds on the estimates. We'll also collect information on how many reliability events residential customers have experienced in the past year, and how those outages affected them.

Subscribers may choose to have us conduct additional surveys in their service territory in order to assess the value-of-service figures specific to their customer base.

Activities Before, During, and After Outages

Before: Do residents prepare for power outages in any way? Have they purchased uninterruptible power supply (UPS) systems or backup generation? Have they protected themselves against power surges in any way?

During: How long do residents wait before calling someone, and whom do they call? What information do they expect from the utility during an extended outage? What bothers them most during an outage? How do they provide themselves with light and heat? At what point do they start making plans to go to the home of a friend or relative, or to a hotel? How do they get their news?

After: Do outages cause changes in customers' behavior or lead them to purchase new products? Do residents need to reset appliances? Do they follow up with the utility? If there is spoilage or damage, what do they do? How does their attitude toward the utility change in the wake of an outage?

The Future of Reliability

What if, in the future, residential customers could choose a level of reliability relative to price? How many would choose more or less reliability? How has the changing regulatory landscape affected their perceptions of who is responsible for ensuring reliable power? Do they believe that utilities will be spending more or less money on reliability?

New Product and Service Offerings

Many utilities, energy service companies, and retailers are offering products and services that are tied to power reliability. We'll find out which products and services customers have today, what they would like to purchase in the future, and what price points are most attractive to them. We'll also look at options such as leasing backup generation; selling/leasing surge suppressors and UPSs; providing reliability insurance, outage notification, or enhanced information services, and offering a reliability guarantee.

Study Benefits

A wide range of energy professionals will benefit from the results and insights this study will produce.

Executives

Senior executives will have quantifiable data from which to make solid decisions about investing in generation and transmission/distribution upgrades, creating marketing efforts for new products, enhancing customer support during outages, and using promotional messages that effectively communicate the companys commitment to reliability. This data and information can also be used in support of rate cases and rate design.

Marketing

Marketers will gain valuable insights into end-user beliefs and attitudes surrounding power outages. Using study survey data, theyll be able to more finely target reliability-related products and services, open dialogs with customers who are extremely sensitive to outages, and develop education and information programs that will enhance customer satisfaction.

Supply/Integrated Planning

Planners will be able to use the data to analyze trade-offs between investments and reliability. Our value-of-service numbers will help them determine the type and timing of upgrades.

Market Research Professionals

Researchers will be able to build upon their existing body of knowledge surrounding residential customers power reliability expectations and experiences during an outage situation. Using PRIZM and Microvision, researchers will be able to identify preferences and apply results to their own customer base.

Customer Service Departments

Service managers will be able to identify the information thats most important to customers during an outage. Theyll also learn the best way to communicate that information via automated systems and CSR interactions.

Survey Methodology

The E SOURCE Market Research team will lead this in-depth investigation into the attitudes and actions of residential customers. We have deep experience in assessing reliability-related issues. The survey will be conducted through phone interviews with a sample of 1,600 residential heads-of-household 300 in each of the 4 U.S. census regions and 400 in Canada. An adjunct Web-based survey that would allow us to capture additional outage cost information from survey participants will be added if there is enough interest among study subscribers.

In order to help subscribers meet the needs of their diverse customer base, well provide segmentation analysis using both PRIZM and Microvision segments. Subscribers can then tailor services, products, and

customer communications to fit the segments that are specific to a given reliability profile.

Well also be looking for any systematic differences between groups of customers. For example, do customers in low-priced power states or in restructured states feel and act differently about reliability issues? Well also find out whether there are marked differences among investor-owned, municipal, and cooperative utility customers, or between customers who rent or own their homes.

NOTE: Subscribers who sign up early will have an opportunity to provide input on the surveys content.

Deliverables

Study subscribers will receive:

- A group conference call with extensive presentation graphics of topline results.
 - A comprehensive report analyzing the data and presenting the most important findings, plus a list of action items for sponsoring organizations.
 - A compact disc (CD) containing the raw survey data in Excel, SPSS, and ASCII formats, so that subscribers can conduct further analysis on their own.
 - A data notebook containing the survey instrument, sample plan, codebook, and a printout of the PowerPoint presentation with graphics depicting topline results for each survey question.
- Each subscriber will also receive a separate PowerPoint presentation comparing the total sample to each of the four U.S. census regions and Canada.
 - Segmentation data for use with Claritas PRIZM and Microvision segments.
 - A private conference call with the E SOURCE Market Research team and the director of the E SOURCE Residential Energy Service to discuss the implications of our findings for strategies at your utility (optional, but included in the cost).

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