

# ELECTRIC UTILITY RESTRUCTURING AND THE LOW-INCOME CONSUMER

Facts on File: No. 9

Fisher, Sheehan & Colton, Public Finance and General Economics

October 1997

## What's at Risk: The Anticipated Impact on Services

One impact of a restructured electric industry will be the likely effect it has on the services offered to low-income and payment-troubled customers. Low-income customers are likely to receive fewer and less quality service than they have received in the past.

### "Services" Used by Low-Income Consumers

The "service" provided by an electric utility is more than simply the service of providing kilowatt hours (kWh). It instead includes both the physical product and the bundle of related or supporting services as well. To the extent that this bundle is reduced, the level of services provided by a utility to those customers who use (and rely upon) that bundle is reduced as well.

There are a host of service components that low-income consumers use that are above and beyond the mere receipt of kWh. The services provided involving the treatment of payment-troubles are most likely to be used by low-income consumers. The services provided involving the need to make personal contact with a utility, whether to deal with payment-troubles or to make monthly payments, distinguish low-income customers from the residential class generally. The services involving the provision of information about public bill-paying assistance distinguish low-income consumers from residential customers generally.

### Where Will Service Reductions Occur?

It is reasonable to expect that the level of service provided by competitive electric utilities will be reduced in the following areas:

- o The reduction of staff devoted to responding to "telephone customer

contacts," including situations where a customer initiates a telephone call to the company involving bill inquiries (including inquiries relating to deposits); requests for deferred payment plans; and responses to shutoff notices.

- o The reduction of staff devoted to responding to "walk-in customer contacts," including situations where a customer personally visits a company office regarding bill inquiries; requests for deferred payment plans; and responses to shutoff notices.
- o The reduction of staff devoted to handling company-initiated collection contacts, which involve, in addition, the negotiation of payment plans, the provision of information regarding federal fuel assistance, the provision of information regarding other sources of bill payment assistance, and the like.
- o The reduction of immediate telephonic access to customer service personnel, without need for call-backs or without obtaining busy signals;
- o A lengthening of the time taken to answer telephone calls and to respond to customer inquiries.

### One Illustration

Several impacts will be of particular concern to low-income consumers. Especially with unknowns surrounding the question of reliability, adequate levels of customer service are of particular importance. In an effort to cut costs and thus "become more competitive," Public

Service Company of Colorado (PSCO) centralized its customer service operations and closed its regional customer service centers.

The belief of local low-income advocates in Colorado is that this reduction in the number of customer service centers has made it more difficult for low-income customers to make in-person contact with the company. If one assumes that low-income households make a disproportionate number of contacts with the company --an assumption that has an empirical basis-- this reduction will have a disproportionately adverse impact on low-income customers.

These personal contacts may be to ask for short-term bill payment extensions, to seek deferred payment arrangements, to discuss medical certificates underlying service termination postponements, to make bill inquiries, to seek information on fuel assistance, or a host of other reasons. It can be empirically established that low-income households have less access to transportation and a greater inability to travel longer distances to make personal contact with the company.

Even if entire customer service centers are not closed, a reduction in the number of customer service representatives makes it more difficult for low-income customers to contact the company by telephone. The lack of telephone service is directly related to the level of household income. Low-income households who do have a telephone in the home, therefore, must use alternatives such as pay phones, or phones at friends and relatives homes.

A reduction of service for these no-telephone households would involve not simply the inability to contact a company representative by telephone, but an inability to contact a representative within a reasonable holding time. "Call back" procedures, also, frequently do not assist these no-phone customers.

### **Lessons from Telecommunications**

Evidence shows that customer service in other

industries suffers under deregulation. For example, U.S. West cut its work force by a total of 60,000 employees. From 1989 to 1994, the number of customer service centers decreased from 560 to 26, slowing repairs and raising other customer concerns.

In addition, the wait for new service orders has increased, customer service calls have an average wait of up to 22 minutes and customer complaints over the same period increased from 54 per month to 752 per month.

### **Summary**

The impact of competition on low-income households cannot be determined based on the "average" consumer. In that situation, rates decline and services decline as long as overall customer satisfaction is at acceptable levels for the average customer. The fallacy in this approach, however, is two-fold: (1) not all consumers are "average"; and (2) service reductions tend to disproportionately adversely affect low-income consumers.

---

Roger Colton is an attorney and economist in Belmont, Massachusetts. Colton has been hired to analyze electric restructuring issues by clients ranging from the U.S. Department of Energy (DOE), to the National Association of Regulatory Utility Commissioners (NARUC), to the Edison Electric Institute, the national electric utility industry association. Colton has also worked for numerous state agencies and local community-based organizations on restructuring issues.

---

Roger D. Colton  
Fisher, Sheehan & Colton  
Public Finance and General Economics  
34 Warwick Road, Belmont, MA 02178  
617-484-0597 \*\*\* 617-484-0594 (FAX)  
rcolton101@aol.com (E-MAIL)

---