

ELECTRIC UTILITY RESTRUCTURING AND THE LOW-INCOME CONSUMER

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What's at Risk: Environmental Issues Affecting the Poor

One concern of low-income customers is that environmental impacts are often public costs that cannot reasonably be expected to be accounted for in the decisionmaking of a competitive firm. To the extent that the clean-up or mitigation of environmental degradation is mandated by statute or regulation, the environmental costs are internalized. To the extent, however, that the environmental costs are *not* subject to clean-up or mitigation, they may not be considered at all in a competitive environment.

Environmental impacts can be imposed on low-income customers in any one of a number of ways. They may involve the physical taking of property for facility location; the splitting of neighborhoods by transmission lines; the creation of noise, air and water pollution associated with generating plants; or the exposure to electromagnetic fields. In addition, aesthetic impacts are often found to have little or no economic value.

Facility Construction

Electric competition can be expected to present substantial environmental problems to low-income households. The fact is that most electric infrastructure most seriously adversely affects low-income households and people of color and the most environmentally damaging infrastructure is at the generation and transmission level. Competitive markets not only will fail to redress these environmental problems, but can actually be expected to exacerbate them. An electric industry competitive at the generation level will have financial incentives to impose the greatest environmental harms on low-income and minority classes.

In making facility siting decisions, there will be

an economic incentive to take the least-cost property. Since property values for low-income households are likely to be lower, when the electric industry seeks to minimize costs to be competitive, the push will be to take these properties.

In addition, when facility siting decisions are made, significant delay can substantially increase costs. Accordingly, the industry will have an incentive to minimize such delay. The political power of low-income customers is likely to be less than industries. Substantial research shows that political involvement, efficacy, and a sense of "public self" decreases dramatically for those lower in the spectrum of socio-economic status. Lower socio-economic groups are the least likely group not only to get involved politically, but to speak out --even on their own behalf-- or to be involved in a utility regulatory process. When an industry seeks to minimize costs by minimizing delay, therefore, the incentive will be to deal with these less powerful forces.

Resurrecting Old Power Plants

A competitive power industry will create the opportunity for owners of existing generation to resurrect fully depreciated generating units that have been previously shutdown in urban areas. These units can be operated to produce off-system sales based strictly on variable costs. Given the availability of air pollution control offsets to the utility industry, the environmental impacts of these old, inefficient and dirty fossil-fuel units will not be locally mitigated. As a result, the low-income and minority households and businesses that reside in proximity to these units will suffer disproportionate harm.

A report for the National Association of

Regulatory Utility Commissioners (NARUC) agrees. That report concludes that "industry restructuring will likely result in competitive pressures to increase the operation of currently underutilized coal facilities with relatively high emissions, and to extend the operation lives of these facilities."

If nothing else, the initial base for increased sales by competitive electric companies will likely be old, highly polluting coal-fired power plants. As a result, the public, especially urban dwellers, will experience costly increases in harmful air emissions as a result of utility sales in off-system markets.

A report by Minnesotans for an Energy Efficient Economy (ME3) agrees, finding that Minnesota's largest utility has four coal plants in the Minneapolis/St. Paul metro area that have significant potential to increase generation. According to that report: "the plants have several common characteristics, the most important being that they are all aging, coal-burning generators operating in densely-populated areas." In addition, ME3 concludes, because old plants do not need to meet the pollution control standards of new plants, emissions from the metropolitan plants "are extraordinarily high compared to current standards governing new power plants."

Increasing the operation of old coal-fired power plants will directly lead to increased deaths. According to the ME3 report, "simply put, the more often a plant runs, the more pollution it will emit." ME3 then cites estimates that 64,000 people may die prematurely from heart and lung disease each year due to particulates.

Public Input into Decisions

Finally, a competitive electric industry will create substantial opportunities for a decrease in public input into decisionmaking. The ability to participate by low-income customers tends to be localized. Hence, as a competitive electric industry increasingly seeks a federalization of decisionmaking, these customers will be excluded. These federalized decisions are likely

to involve decisions regarding facilities, including both generating plant and transmission lines.

Even today, for example, there is a push to federalize transmission line decisions that have traditionally been local. One utility industry proponent has already stated that legislatures and state utility regulators "routinely capitulate" to "local residents" who protest transmission siting. He continued: "Unless some institution addresses this problem effectively. . .the present allocation of jurisdictional power to authorize transmission projects will impair the efficacy of the electricity transition and will distort the performance of the post-transition electricity market."

Summary

A competitive electric industry can be expected to impose disproportionate adverse environmental impacts on low-income consumers. Low-income neighborhoods will not only be dirtier, but will be more subject to disruption by facility construction. At the same time, the process through which decisions might be affected will be increasingly removed from the ability of poor people to participate.

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)
