Reaching out to Rural America: Lessons Learned from Deregulation Workshop

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ABSTRACT:

For customers living primarily in rural areas, the restructuring of the electric utility industry will bring confusion, fear, and skepticism. For customers not currently served by IOUs, deregulation will bring the new notion of buying power from a large utility.

Rural electric cooperatives (RECs) occupy a unique place in the electric utility market. Unlike Investor Owned Utilities (IOUs), these companies are owned and operated by the members they serve. Although much time and attention has been focused on the needs of the residential customers served by IOUs, the needs of the REC customers and their communities cannot be overlooked. Indeed, collectively RECs serve more than 25 million customers in 22 states.

This paper describes the findings from a series of educational workshops designed to educate both rural customers as well as stakeholders. These workshops, held in several locations throughout Georgia, simplified the message of electric utility restructuring. The workshops also provided educational materials on various energy efficient and renewable technologies available to rural communities. Workshop attendees included rural electric co-op customers, as well as the regulators and state officials working with RECs throughout Georgia.

This project, funded by the Department of Energy, illustrates the need to educate **all** customers and stakeholders about the impacts associated with deregulation, not just those served by traditional investor-owned utilities. This project also illustrates the opportunities that exist to educate customers and decision-makers on energy efficient and renewable technologies as they ponder the long-term effects of utility restructuring.

I. Introduction

This report summarizes the findings from a series of restructuring workshops held throughout rural Georgia in October 1999. The purpose of these workshops was

to gauge awareness of, and reaction to, electric utility restructuring among rural electric consumers and stakeholders. This study targeted electric consumers served by rural electric membership cooperative (EMC) companies.

This report also provides observations and suggestions for educating both rural electric stakeholders and consumers on the issues surrounding deregulation and restructuring. These suggestions are not just limited to customers and stakeholders in Georgia, but also may be applicable to ***all rural customers*** facing the challenges of electric utility restructuring in their state.

A. Project Objectives

The Department of Energy (DOE) awarded EnerVision, a consulting firm specializing in the rural electric cooperative market, a contract to facilitate a series of electric utility restructuring workshops. Electric cooperatives occupy a unique place in the electric utility market. Unlike Investor Owned Utilities (IOU's), these companies are owned and operated by the members they serve. In some places, electric cooperatives also provide other related services that more urban regions take for granted. Experience and market forces have reinforced the fact that traditional, for-profit, companies will not often bring these services to the rural markets for reasons related to sales volumes and distribution cost. Until now, residential and small commercial consumers of electric cooperatives usually have not been given the same opportunity for input into the deregulation discussions as the large commercial and industrial interests.

B. Scope and Format of Workshops

The workshops were designed to mirror a typical focus group meeting, with a desire to generate a series of participant discussions at a high-level. The discussions identified the critical issues and questions customers and stakeholders have regarding electric industry restructuring. These workshops also provided information and guidance regarding available energy-efficiency options and technologies.

The workshops were a mixture of open-ended discussions and formal presentations about various topics. Generally, the workshops lasted about two hours. Participants also completed a post-workshop evaluation form. This form was designed to determine the usefulness of these workshops and to measure if any attitudinal changes had occurred.

C. Recruitment Process

The recruitment process for the DOE Workshop meetings held the week of October 22, 1999 was completed as follows.

In the earliest stages of the contacts, an initial call was made to a random sample of Electric Membership Cooperatives (EMCs) to ascertain their interest level

to host a meeting or to assist with recruitment. These calls were also used as a screening process to identify sensitive issues or procedures for the clients regarding the focus group format. Based on this information, a series of informational mailings were sent out to all 42 Georgia EMCs, Georgia Electric Member Cooperative (GEMC), Oglethorpe Power Corporation (OPC), and Georgia Transmission Corporation (GTC) contacts.

The EMC contacts were contacted first by facsimile and then e-mailed copies of the informational letter. A fax-back response form included for EMC contacts to indicate interested in being considered as a host for the meetings and to indicate their interest in attending an EMC focus group meeting.

Workshops were proposed for consumers and stakeholders in several categories. Consumers were defined as residential or small commercial customers. Stakeholders were defined as either community leaders, including large commercial and industrial businesses, or state government and consumer advocate groups. The EMCs, while technically a stakeholder, were requested to attend an EMC representative only workshop. This was done to minimize any pressure, antagonism or distrust by participants in the other workshops. Based on these mailings EnerVision received approximately 14 requests from the EMCs for inclusion in some form with the workshops.

The two most rural workshops scheduled had a very high no-show rate. One was a morning stakeholder meeting where only 4 of an expected 14 showed. The other was an evening consumer group meeting where only 3 of an expected 25 to 30 actually showed. It is interesting to note that at least for the evening session, three attendees drove a relatively long way (45 miles) but again, exact reasons for the lack of response are unknown.

The meetings that were best attended and most informative were those that drew from a pool of known customers and stakeholders located in the local community and that assisted in periodic focus group meetings for utility or local community development activities. The following table summarizes the number and type of workshops that were conducted. Although the sample sizes are not especially large, they are representative of the typical rural customer base currently serviced by electric cooperatives throughout Georgia.

Table 1
Workshop Schedule

Workshop Location/ Local EMC Partner	Customer	Stakeholder	Number of Attendees
South Georgia Fitzgerald, Georgia Central Tech Campus	✓	✓	7
Central Georgia Smarr (EMCs)		✓	7
Central Georgia Flint Energies-Warner Robins, Georgia.		✓	7
Northern Georgia Snapping Shoals, EMC	✓		8
Atlanta, Georgia OPC/Tucker		✓	6
Northern Georgia Sawnee EMC	✓		19
Total	**34**	**21**	**55**

II. Stakeholder Workshops

Four stakeholder workshops were designed to elicit feedback from the decision-makers and key influencers who will be educating rural electric customers. The stakeholder meetings were held separately from the Rural Electric Customer (REC) customer workshops. These discussions were organized to include the same type of stakeholders in each group. Participants in these discussions were grouped into the following categories:

- **EMC Employees and Managers**
- **Local Elected Officials**
- **City & County Employees**
- **Public Service Commission Staff**
- **Non-profit and Trade Association Staff**

A. Key Findings

This section summarizes the key responses from the stakeholders regarding a number of critical issues.

The stakeholders were most particularly concerned about the impact that electric utility restructuring and deregulation would have on residential customers.

While most agreed that deregulation may benefit the commercial and industrial customers, they were dubious of the benefits for residential customers. Moreover, these respondents pointed out that Georgia has had retail electric competition for commercial loads that have over 900 mWh annually since 1973.

1. Awareness of Electric Utility Restructuring

Most stakeholders had little, if any, knowledge regarding electric utility restructuring activities, either on a local or national scale. A few were aware that some activities were occurring in other states, but most were unaware of the potential impacts that restructuring would have on Georgia customers.

With the exception of the metropolitan areas surrounding Atlanta, most stakeholders do not have a detailed understanding of deregulation. Furthermore, they would like more information to clarify the likely impacts of electric restructuring on Georgia.

The stakeholders were concerned that electric deregulation would be as problematic as gas deregulation, which just recently occurred. In Georgia, natural gas deregulation has brought market confusion, and uncertainty about pricing. One gas provider filed for bankruptcy during the week the workshops were held further "fueling the fire" of concern regarding long-term viability of energy providers. Most customers did not want to repeat the confusing selection process, mixed up bills, and poor service that was their major experiences from gas deregulation.

2. Reliability

The stakeholders were also concerned regarding the possible reduction in overall system reliability when electric competition begins.

3. Service

The stakeholders generally believed that electric utility restructuring in Georgia would decrease the service available to **customers**, especially those in rural areas.

4. Price

Georgia is a low cost electric state, with average electric utility prices of about 7 to 8 cents per kWh. Since Georgia customers already enjoy lower than average electric prices, the stakeholders were also not convinced that electric utility restructuring would lead to lower prices, especially among rural customers. The stakeholders also believe that pricing will become even more complicated.

5. Impact on Residential Customers

The stakeholders were concerned about the implications that electric utility restructuring will have on the traditionally under-served rural market, such as low income customers.

6. Likely Impacts/Effects on Restructuring

The stakeholders, especially representatives from the Public Service Commission, were also concerned about the impact that deregulation may have on rural communities.

B. Impact on Rural Electric Cooperative Utilities

Georgia is a divided state, with customers and stakeholders in the northern part of the state more aware of deregulation activities compared with participants from the southern part of Georgia. This dual-state mentality reflected a split in the awareness of, and attitudes toward deregulation. Correspondingly, it also affected the participants' attitudes towards the likely effects that will be caused by the restructuring of the electric market in Georgia.

The rural electric cooperatives view electric deregulation through the prism of their own local experiences. Residential customers dominate most electric membership cooperatives (EMC) or rural electric cooperatives (REC) in Georgia. Therefore, many managers view electric restructuring as a potential threat to both their livelihood as well as a detriment to their customers. Most EMC's have a few large, industrial customers, who generate the majority of the revenue for the cooperative. The possibility of lower electric prices from outside suppliers could lure these customers elsewhere, thus affecting the profitability of the rural electric cooperatives, and in turn, the services provided the residential customers. While these assumptions may be erroneous, it is very worrisome to the rural electric cooperative managers and employees.

The EMCs represented in these workshops had between 3,500 and 100,000 meters. Most EMC's serve residential customers, with a very small industrial load. A few EMCs, especially those located in near Atlanta, have also established additional services for their customers, such as affiliations with local natural gas companies.

Rural EMCs are also very concerned about the possible job losses that may occur with electric utility restructuring.

III. Customer Workshops

This project also included a number of workshops with rural electric customers. Some customers in these workshops owned and operated businesses within the EMC's territory. However, **all participants** were residential customers of the EMCs.

A. Key Findings

The customer responses were not that different from stakeholders. however, the residential customers were even less aware of the way that electricity is currently generated, transmitted, and delivered to them, compared with stakeholders. Therefore, much of the discussions with these respondents focused on clarified the way the industry currently operates, and explaining the effects that restructuring will have on the ***generation portion*** of the utility.

1. Awareness of Electric Utility Restructuring

Rural electric customers had varying degrees of awareness of electric utility industry restructuring. EMC customers who experienced gas deregulation, especially those in the metropolitan areas, were more aware of the implications that may occur from utility restructuring. They were also more suspicious of the likely benefits.

Conversely, those customers living in the more rural areas of Georgia raised even more concerns about the negative implications that electric restructuring could bring.

2. Reliability

Like the stakeholders, the EMC customers were also concerned that electric restructuring will cause deterioration in the overall quality of the power delivered. These customers also demonstrated an incredible amount of loyalty to their EMCs. The EMC customers were also concerned that deregulation would create an increased level of confusion regarding both the price they pay for electricity, as well as who to contact for service problems.

3. Service

The rural electric customers were convinced that deregulation would lead to a decrease in the level of service provided, especially in the outlying rural areas. These comments reflected this overall feeling among EMC members.

4. Price

Since residential customers currently enjoy relatively low electric prices, these respondents are not convinced that deregulation will bring lower prices in electric service. They are especially leery since electricity to rural customers was only provided after a federal mandate.

5. Impact on Rural Community

The rural customers were also worried that deregulation will adversely affect the communities in which they live.

B. Reactions to Alternative Technologies

One difference between the customer and stakeholder workshops was the discussion of alternative technologies and renewable energy sources. A major goal was to provide customers with an understanding of the various technologies that exist to help customers reduce energy usage and conserve fuel. Overall, the customers seemed interested in these new solutions, and several requested additional information about these technologies.

Perhaps the most surprising finding in this process was the lack of basic knowledge many of these customers and stakeholders had regarding energy efficient technologies. A few respondents seemed "energy savvy," but for the majority of the participants, this discussion was mining new ground.

In general, the respondents were most interested in learning more about technologies that could help both them, as well as their cooperatives. A few even asked for additional information regarding some of the more advanced technologies available, such as geothermal systems.

IV. General Findings and Observations

Throughout the course of conducting the workshops for rural stakeholders and customers, the project team converged on some general findings and observations of potential interest and value. Some findings may be particular to Georgia. Electricity rates are generally low, deregulation of the electric industry is not imminent, and deregulation of the natural gas industry has just reached a conclusion. However, the findings and observations summarized below may have value more generally to rural electric stakeholders and customers throughout the nation.

A. EMCs Play a Unique Role in the Rural Community

One of the more interesting observations was the strong association all parts of the community felt about their local EMC. Aside from the fact that many, but not all, workshop participants were members of their local EMC, there was an open recognition of the positive contribution the EMC made to the community. EMCs often sponsor civic programs and serve as a forum for the community to gather to discuss common issues. EMCs in Georgia provide valuable support to such community projects as remodeling school playgrounds, sponsoring school scholarships, and stepping in when a community crisis occurs.

The communities seemed, in general, to have a "coffee-shop" familiarity and relationship with EMC staff. Many participants at the Customer Workshops knew EMC staff members on a first-name basis. EMC newsletters, carrying local news, appeared to be an important source of regular information to the rural resident. EMCs, in return, exhibited a strong understanding of their role in community life

and the value of citizen involvement in EMC decision-making. EMCs, such as Sawnee EMC, for example had a very active Citizens Advisory Board that provided input to the EMC. This finding is worth noting because it may influence the way third parties approach rural electric customers.

B. Rural Customers Have Strong Loyalties to The EMC

The rural customer, in general, is very loyal to the local EMC. Many participants at the Customer Workshops expressed strong customer loyalties to the local EMC, as a preference to having faceless, large corporations that only know them through their bills. There was also an obvious community concern for the future health of the EMCs and the EMC staff. Questions and comments were raised about what would happen to EMC staff under deregulation. Some Customer Workshop participants went to some length to relate episodes of EMC service during emergencies and personal staff responses to customer problems. These observation points to a way of thinking that is counter to the apparent philosophy of deregulation, where low pricing is often presented as the leading argument in favor of restructuring efforts. Most attendees in these workshops felt their rates would go up and expressed an interest in continuing to be served by the EMC.

C. Knowledge and Awareness of Restructuring is Low

Awareness and knowledge of issues and implications of restructuring was not just low among a typical rural customer; it was *unexpectedly* low among the Stakeholder group, which included local government officials and many of the EMC staff. At the Stakeholder Workshops in Fitzgerald and Warner Robbins, local government leaders (e.g. mayors, councilman/councilwoman, County Supervisor, etc.) appeared to be generally unaware of relevant issue. In fact, where they thought they knew something about restructuring, there appeared to be a fair amount of misconceptions about the process, its objectives, and its potential implications. For many stakeholders, and most customers, these workshops provided the first clear explanation of electric utility restructuring and its implications to them. This is important to note primarily because in many situations in rural areas, these community leaders are key information channels for the community. In addition, these government leaders will also be responsible for making decisions for local government electricity purchases under deregulation.

D. Need for Unbiased Information

By the end of the workshops, almost all participants agreed that there was a need for more information and for unbiased, factual information. Most felt that they did not have adequate and easy access to information on electric utility deregulation or the implications that restructuring brings. While many of the EMCs carried some articles on this topic in their newsletters, most participants expressed the need for more information. However, they were clear that such information should come

from an unbiased source rather than utilities or power marketers. There was general consensus that the DOE could be an appropriate source for such information, provided it was distributed through local channels. As noted in sections below, there were many suggestions as to the type of information that was needed as well as suggestions for how to disseminate it. Even most of the EMC staff seemed unaware of DOE-related sources for information.

E. Distrust of the Federal Government

Workshop participants expressed strong distrust of DOE and its motives for restructuring in general, and the project workshops in particular. A minority of participants ascribed suspicious motives for DOE support of restructuring. Some believed that big-money lobbying and Washington politics as the motive for restructuring. When the topic of DOE support for more information dissemination arose, there seemed to be a feeling that, while DOE is probably the appropriate source for unbiased, factual information, it was important that the delivery channels go through local organizations that they trusted, including their local EMCs. In exploring this issue more deeply, the Project Team noted a distinct link in the rural customers' mind between farmers' experiences with Department of Agriculture offices and the "Federal Government." This observation may be important for two reasons. One, it has implications for how DOE chooses to disseminate information on restructuring to rural communities. Two, it has implications to DOE in developing a distinct and separate identity for the rural resident.

Another potential information provider is the Georgia Public Service Commission. This organization expressed an interest in helping to educate its citizens about electric utility restructuring, just as it has done previously regarding gas deregulation. However, many rural electric customers seem to distrust any type of information that may be politically motivated. Given the high degree of unpopularity with the notion of electric utility restructuring, even the state officials would face some initial distrust and suspicion among rural residents.

F. Bad Experiences Have a Spillover Effect

"Horror stories" about problems with airline and telecommunication deregulation (e.g. frequent phone calls at mealtimes to switch long distance phone service, elimination of airline flights from small towns, billing errors, etc.). In addition, Georgia's recent deregulation of the natural gas industry appears to have created a negative impression of restructuring. While most rural customers do not have access to natural gas, they generally felt that the process was extremely confusing, rates were higher and service was significantly worse. As noted in sections below, many workshop participants, both customers as well as stakeholders, voiced concern and disappointment about how the natural gas deregulation process had been implemented, and about what measurable benefits to the customer could be defined. In any information dissemination and outreach efforts DOE may want to sponsor for rural communities, lessons learned from local deregulation of other related industries should be explicitly considered.

G. Urban versus Rural

In Georgia, particularly South and Central Georgia, there was a distinct feeling of separation between the rural resident and the urban resident. This appeared to translate into a bias for local providers and a bias against large corporations with offices in the city. In Georgia, the demographics, in fact, define two different populations. These are defined as Greater Atlanta (Metro), and the rest of the state. While this situation may be specific to Georgia, the feelings of not being part of the urban consumer base, and of insecurity when competing with the urban customer for the electricity provider's attention during emergencies, may be representative of rural communities elsewhere. Many comments made during some of the Customer Workshops about what priority large corporate providers would place on servicing the rural customer versus the urban customer. Part of this feeling appeared to stem from the above noted Georgia experience with natural gas deregulation. It appeared that not many of the large natural gas marketing companies did much education or advertising in the rural community, as compared to the metropolitan Atlanta area. It is import to acknowledge this perception in designing any generalized information dissemination and outreach program.

IV. Conclusions and Recommendations

A. Conclusions and Implications

The process of conducting these workshops yielded some interesting and valuable insight into their perceptions and awareness level on restructuring issues by rural customers and stakeholders. It has also resulted in guidance to DOE and others in the public and private sectors involved in restructuring, on informational and educational needs of the rural constituency and on appropriate strategies to meet these needs.

B Recommended Next Steps

In consideration of the study's findings, observations and conclusions, the following next steps are recommended for DOE consideration to leverage this study.

1. Sponsor similar awareness workshops in other selected regions of the country served by rural cooperatives, EMCs, and municipal utilities.

While this project has served a useful purpose in Georgia, some circumstances make some of the findings and observations unique to this state. Some findings can be generalized to rural communities around the country (e.g. strong ties and loyalties to their co-ops and EMCs, perceptions and realities of being ignored by major market players in restructuring, desire for information credibility through local organizations, etc.). A similar series of workshops in other parts of the country, such as the Midwest and Western States, would help more fully characterize this constituency, their informational/educational needs, and potential DOE role to meet

this need. Four selected workshop sites are recommended to sample the different regions of the country and to sample the different stages of the restructuring process (i.e. regions with mature restructuring practices, regions with incipient restructuring regulations, regions currently considering restructuring). It is recommended that these workshops be designed and conducted in similar manner as this one to ensure consistency of findings and observations.

2. Develop and test a suite of informational materials on electricity restructuring specially tailored to rural customer and stakeholder.

This project has shown that the rural constituency is significantly different from the urban electric constituency in a number of distinct and subtle ways. Their informational needs and dissemination channels are distinctly different. Education and awareness material must be specially tailored for this audience or it will either be ignored, or worse, viewed with distrust and suspicion. DOE should specifically include information in these materials on energy efficiency and renewable energy technologies. Recommended materials include a brochure on restructuring issues and implications for the rural constituency and a set of brief fact sheets targeting different segments of this constituency (e.g. local government leaders, low income residential customers, small businesses, rural utility staffs, etc.). A Power Point presentation for use by local information providers, and a short video explaining restructuring would also be useful.

3. Develop partnerships with local/regional organizations to affect and leverage the awareness and education process.

This constituency prefers to receive their information through people and organizations with which they have an ongoing relationship, such as their local utility, local government and community leaders. It is also important to engage the services of private sector firms with experience and understand of this constituency. These organizations, particularly the local utility companies, are ideal partners for DOE in disseminating this information. The team also recommends that the DOE consider partnering with such trade organizations as the National Rural Electric Cooperatives Association (NRECA) to leverage this activity at a national level. One technique is to use Internet web site links with other organizations to support a restructuring homepage tailored to the rural constituency.

These workshops illustrated the need to develop unique materials and disseminate them to the rural populations, using trusted sources. Clearly, this is an important constituency in the deregulation process. These workshops are an important first step in developing a comprehensive approach to reaching out to these very important, but often overlooked, electric customers.