

Shut-off/Arrearage Policies/Data Collection NEADA Winter Meeting

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March 23, 2015

Points for Discussion

- **Selected NASUCA Resolution on Low-income Arrearage and Disconnection issues**
- **Trends in Energy Prices, Income and LIHEAP Funding**
- **Predicament of Low-Income consumers and the Unescapable Energy Cost Burden**
- **Example from the District of Columbia**
- **Concluding Remark**

Selected NASUCA Resolutions- Low-Income Arrearages and Disconnections

- 2008: **NASUCA LIHEAP Resolution-2008-04**
- **Because:** the costs of residential energy disproportionately burden low-income households requiring greater percentage of their budget (up to 40%); and
- **Because:** the costs of residential energy have increased steadily over the years;
- **Because:** the demand for LIHEAP keep increasing while LIHEAP funding is declining:
- **Therefore:** NASUCA urges Congress to fully fund LIHEAP including funding for emergency.

Selected NASUCA Resolutions- (Continued)

- **2010: NASUCA Resolution 2010-03- Opposes “Full Credit Reporting” of Payment Histories on Gas & Electric Accounts**
- *Because:* Policies that affect the access to gas and electric services affect low-income consumers more than non low-income consumers
- *Because:* Full credit reporting, in which gas and electric utilities advise credit reporting agencies about the month-by-month payment histories of residential gas and electric consumers poses a new and profound threat to the well-being of low-income consumers who may not always able to make gas and electric payments on time; and
- *Because:* the financial difficulties faced by consumers in paying gas & electric bills on time are exacerbated by recession & high unemployment:
- ***Thus:* NASUCA opposes full credit reporting on residential gas & electric accounts, & urges state & federal policy-makers to prohibit the practice.**

Selected NASUCA Resolutions- (Continued)

- **2011- NASUCA** Urges States To Require Consumer Protections As a Condition For Approval Of Prepaid Residential Gas And Electric Service
- Because: some gas and electric utilities have sought to replace traditional credit-based service to some residential consumers with prepaid service delivered through prepayment meters or digital meters with remote connection and disconnection capabilities; and
- Because: prepaid gas and electric service requires consumers to pay in advance for their service, with prepaid account balances decreasing as service is delivered; and
- **Therefore:** NASUCA urges implementation prepaid service delivered through prepayment meters or digital meters with remote connection & disconnection capabilities should not be approved- **without guarantying consumer protection.**

Selected NASUCA Resolutions- (Continued)

- **2011-02:** NASUCA Urges States To Gather Uniform Statistical Data on Billings, Arrearages & Disconnections Of Residential Gas & Electric Services
- Data Collection should include: (i) payment of deposit to demonstrate creditworthiness & initiate service; (ii) payment plan & average payment; (iii) aggregate dollar collected and deferred in each specific payment plan; (iv) defaults on each specific payment plan; (v) dollar value & number of residential accounts written off as uncollectible; (vi) total number of accounts & dollar amount in arrears over different time periods; (vii) number of consumers receiving a disconnection notice; (viii) number of consumers disconnected for non-payment; (ix) consumers who used medical certification to avoid disconnection; (x) number of reconnection of disconnections over different time periods, & (xi) charges & fees consumers pay to pay utility bills at authorized agents, via credit cards or electronic checks, in late payment charges, in reconnection charges,

Selected NASUCA Resolutions- (Continued)

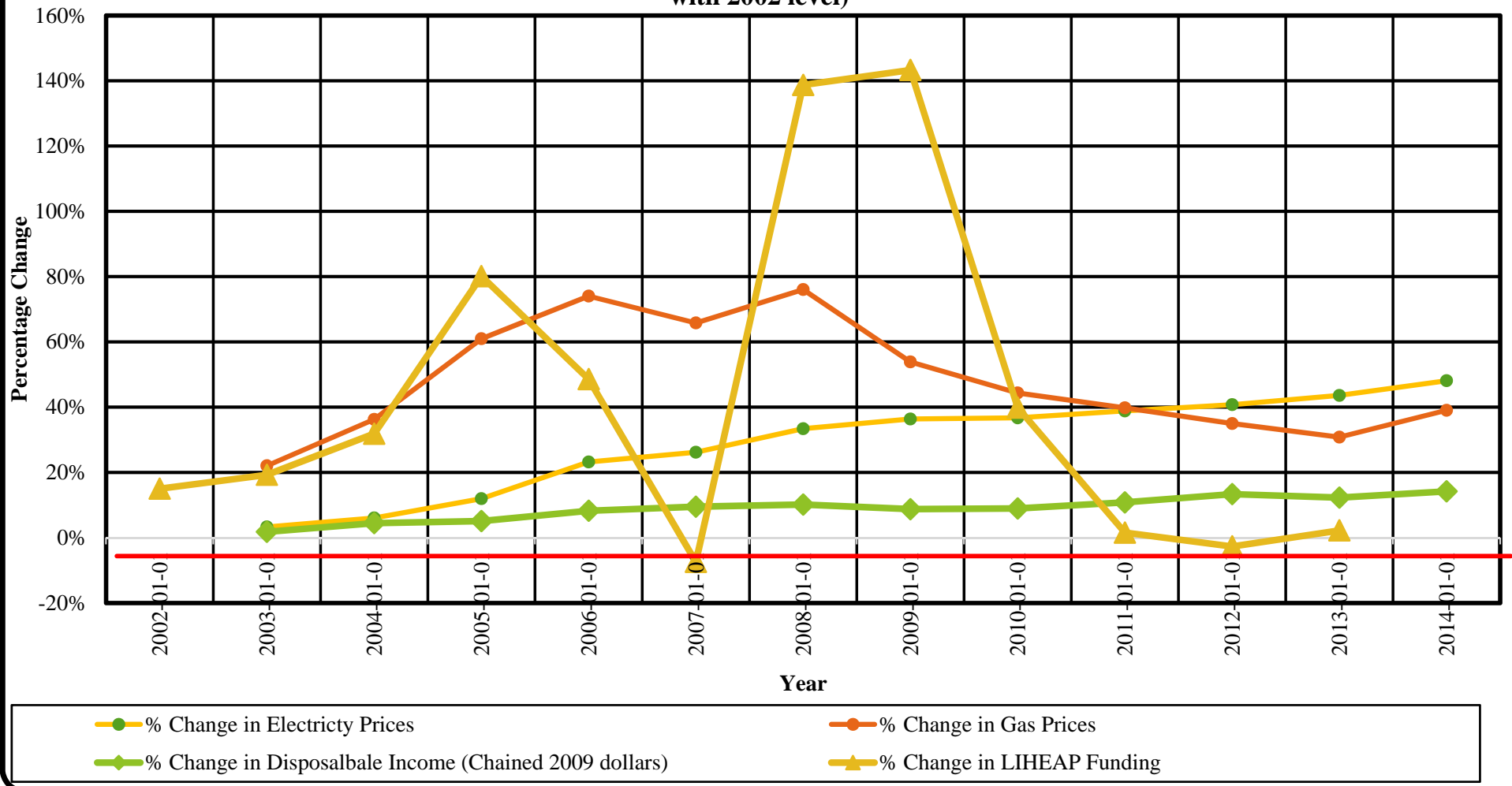
- **2012-07- NASUCA** Urge Utilities to Eliminate “Convenience” Fees for Paying Utility Bills with Debit & Credit Cards and Urging Appropriate State Regulatory Oversight.
- ***Because***, payment by debit and credit card has become a nearly universal means by which consumers pay for goods and services, accounting for 46-56 % of the dollar volume of consumer spending;
- ***Because***, many utilities do not accept debit or credit card payments directly from their consumers but make arrangements where a third party accept such payments on behalf of the utilities & charge the utility consumers “convenience” fees.
- **Therefore:** utilities are urged to review their current payment options &, if direct payment by debit and credit card is not an option, to consider making it an option; and
- Urge utilities to consider dropping the third party mechanism and offering a direct debit and credit card payment option instead.

Trends in Energy Prices, Income and LIHEAP Funding

- Energy prices and Income increased slightly since 2010, but LIHEAP funding has been reduced significantly (see Figure 1)
- Federal energy assistance programs such as LIHEAP and growth in personal income have not reduced the energy cost burden on low-income households, thus further exacerbating income inequality, and perpetuating the vicious circle of poverty.

GAP in Growth Rate Between Energy Prices, Income and Low-Income Assistance

Figure 1. Trends in Electricity Prices, Gas Prices, Disposable Income, & LIHEAP Funding (Compared with 2002 level)



The Predicament of Low-Income consumers & the Unescapable Energy Cost Burden

It has been difficult to accurately assess needs of low-income consumers and design programs to reduce the energy cost burden on them in part because there is lack of up-to-date data on:

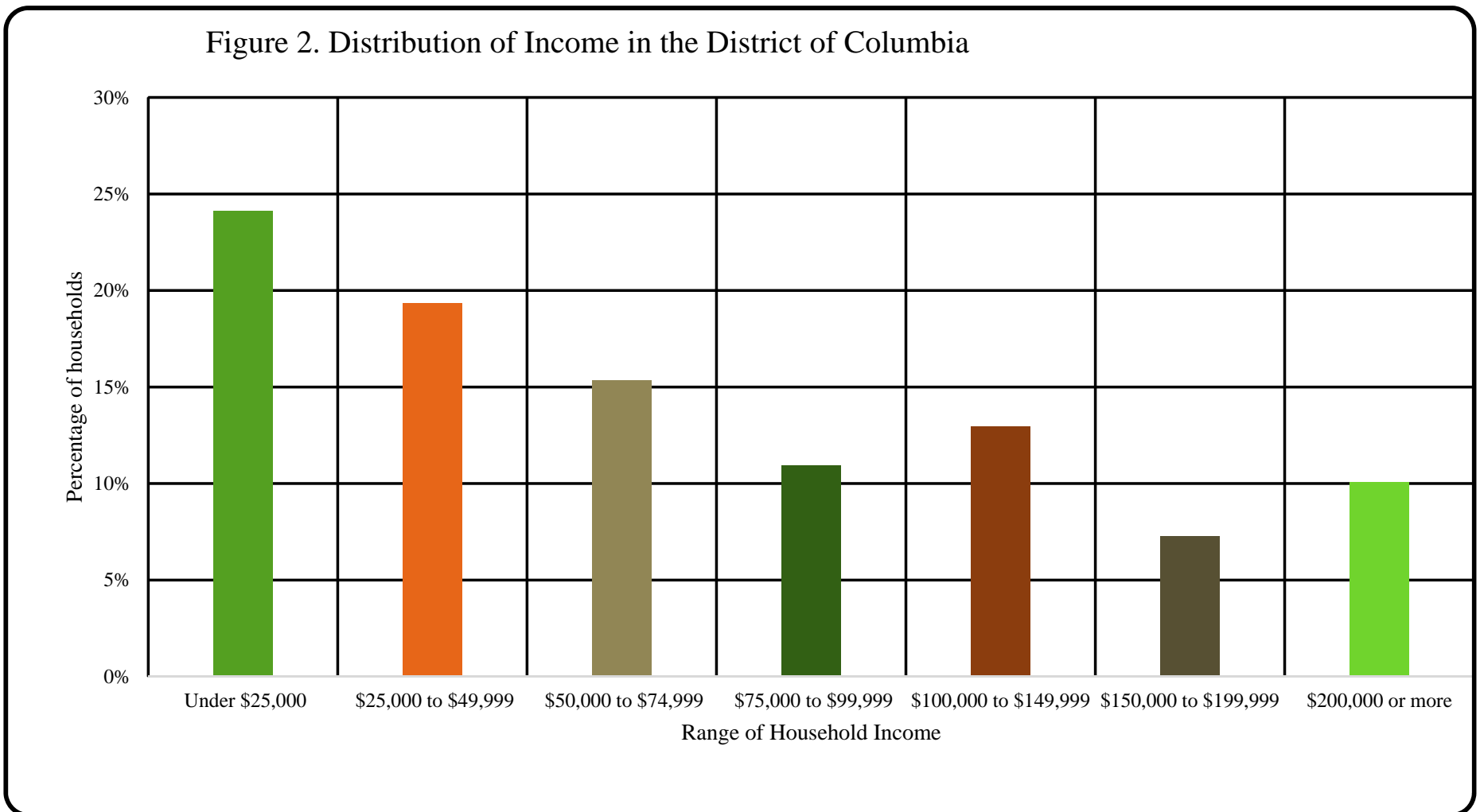
- Easily accessible current state-mandated energy bill assistance;
- Current- voluntary and non-governmental energy bill support;
- Up-to-date assessment of the gap between funds from federal (LIEHAP), non-Governmental and state mandated sources to find ways of reducing energy burden; and
- Holistic approaches that have helped low-income consumers get out the vicious circle of utility-bill assistance program.

Example of Arrearages and Disconnection Status from the District of Columbia

- Are DC low-income consumers burdened by energy bills?
- DC Public Service Commission Order-2008
- Trends in Arrearage and Disconnection in the District
- The DC Commission has mandated technical group to develop a portable and sustainable state mandated low-income assistance program

Distribution of Income In the District of Columbia

- At least 25% of DC energy consumers earn less than \$25,000 per year (see Figure 2), which far less than the federal guidelines for low-income energy assistance for a family of about 4 people.



Source of Data: http://www.census.gov/compendia/statab/cats/income_expenditures_poverty_wealth.html
Shut-off and Arrearages among Low-Income consumers

Persistent Poverty and Energy Cost

- As you see from figure 3, poverty rate has not declined while energy prices (and hence cost) not only continue to increase but fluctuates significantly.

Figure 3. Trends in Prices of Electricity and Natural Gas Delivered to Residential consumers (compared to 2002) and Poverty Rate (%)

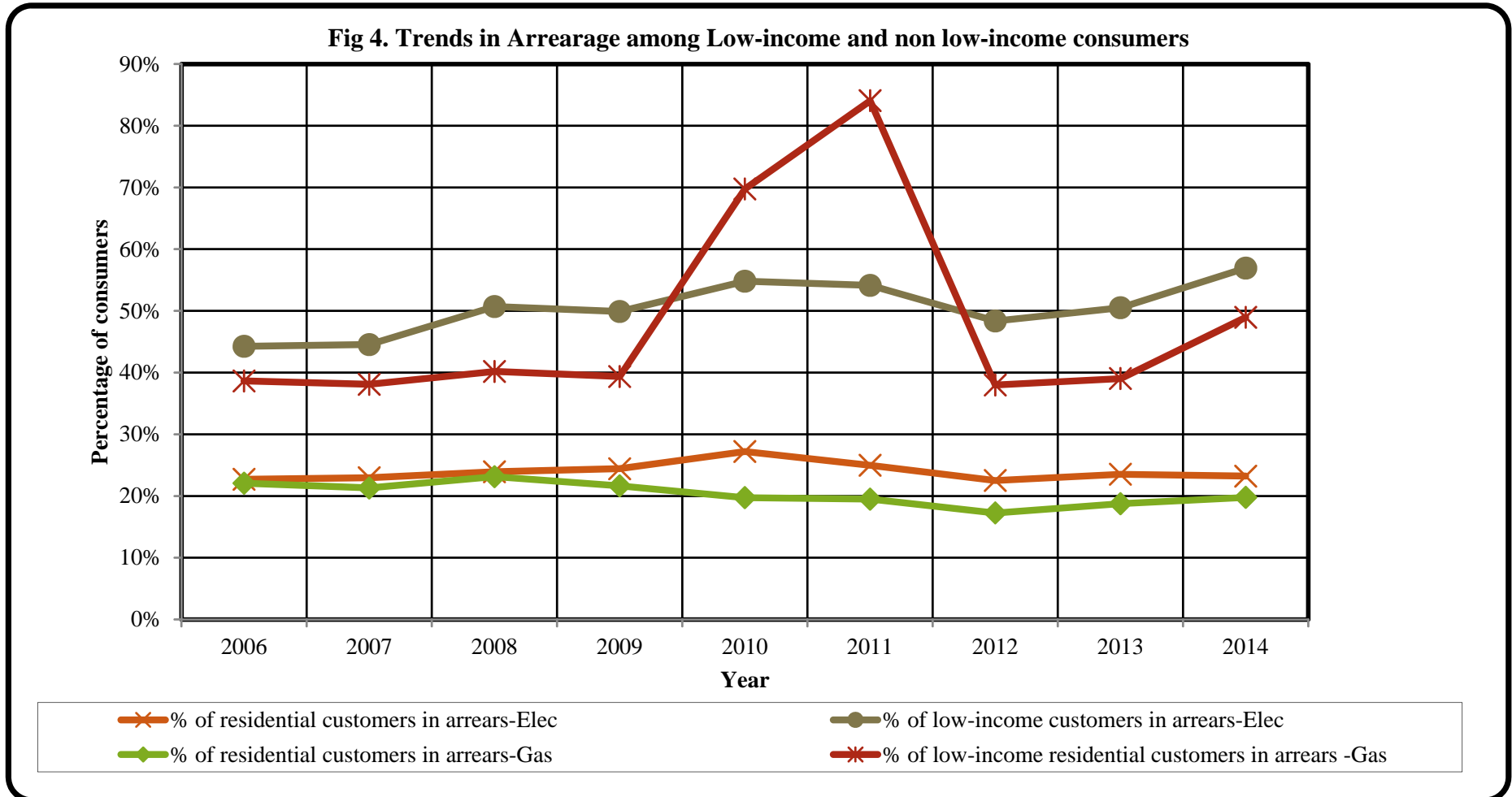


Commission Order on Low-Income (selected)

- ▶ Educate consumers about how to participate in Budget Billing Program.
- ▶ Regulated utility should submit a report to the Commission and OPC details about disconnects.
- ▶ consumers should be advised about deferred payment agreement and the availability of budget payment plan.
- ▶ Late charges & credit actions, including discontinuance notices, shall be suspended as long as the customer honors the terms of the agreement.
- ▶ WGL and Pepco provide data to the Commission on disconnections for non-payment and other relevant information.

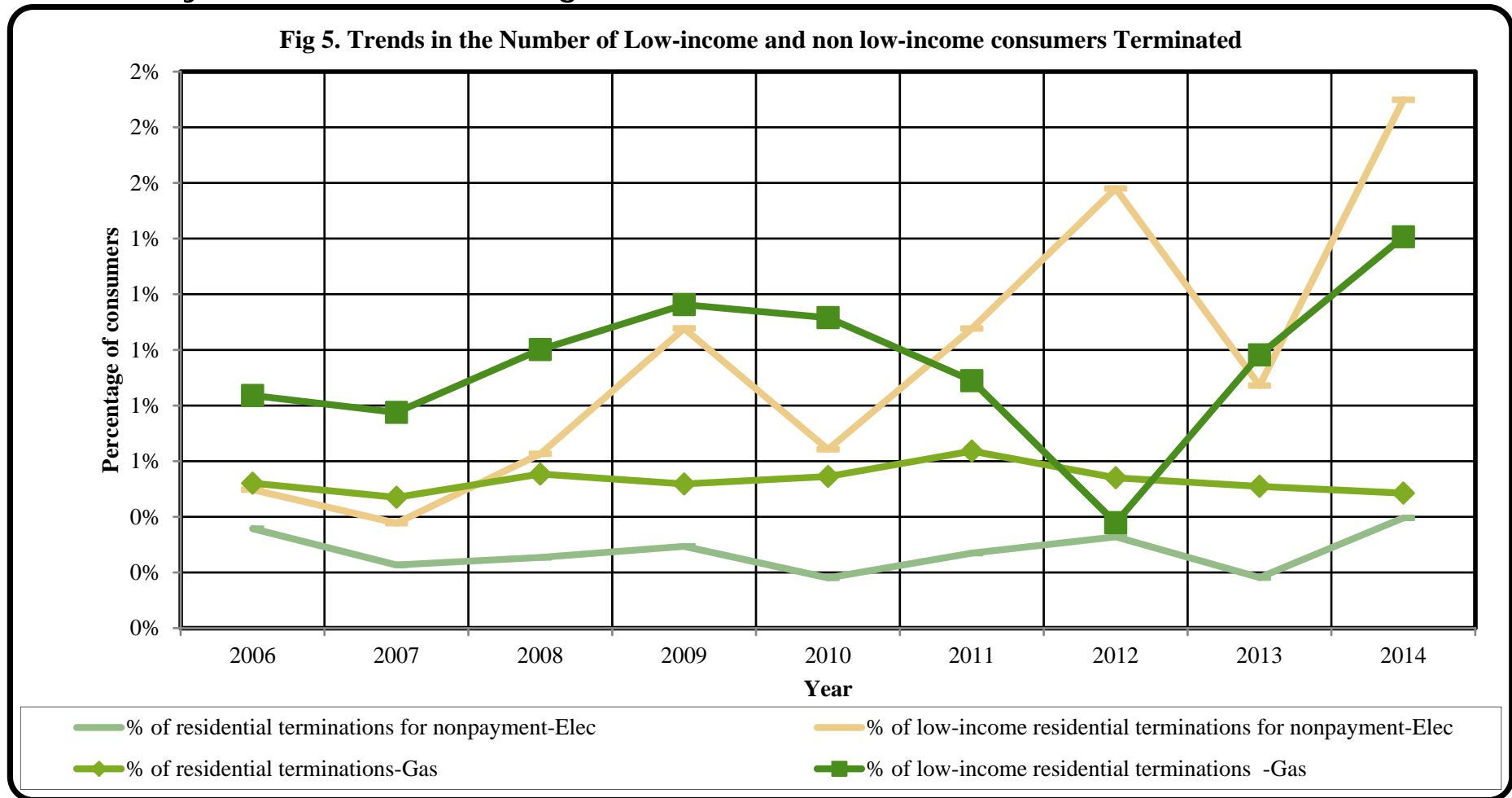
low-income & non low-income in Arrearage

- As you see from figure 4, arrearage for residential gas and electric consumers remain relatively stable, BUT arrearage among low-income consumers has been increasing with a spike in 2010-2011 for natural gas consumers.



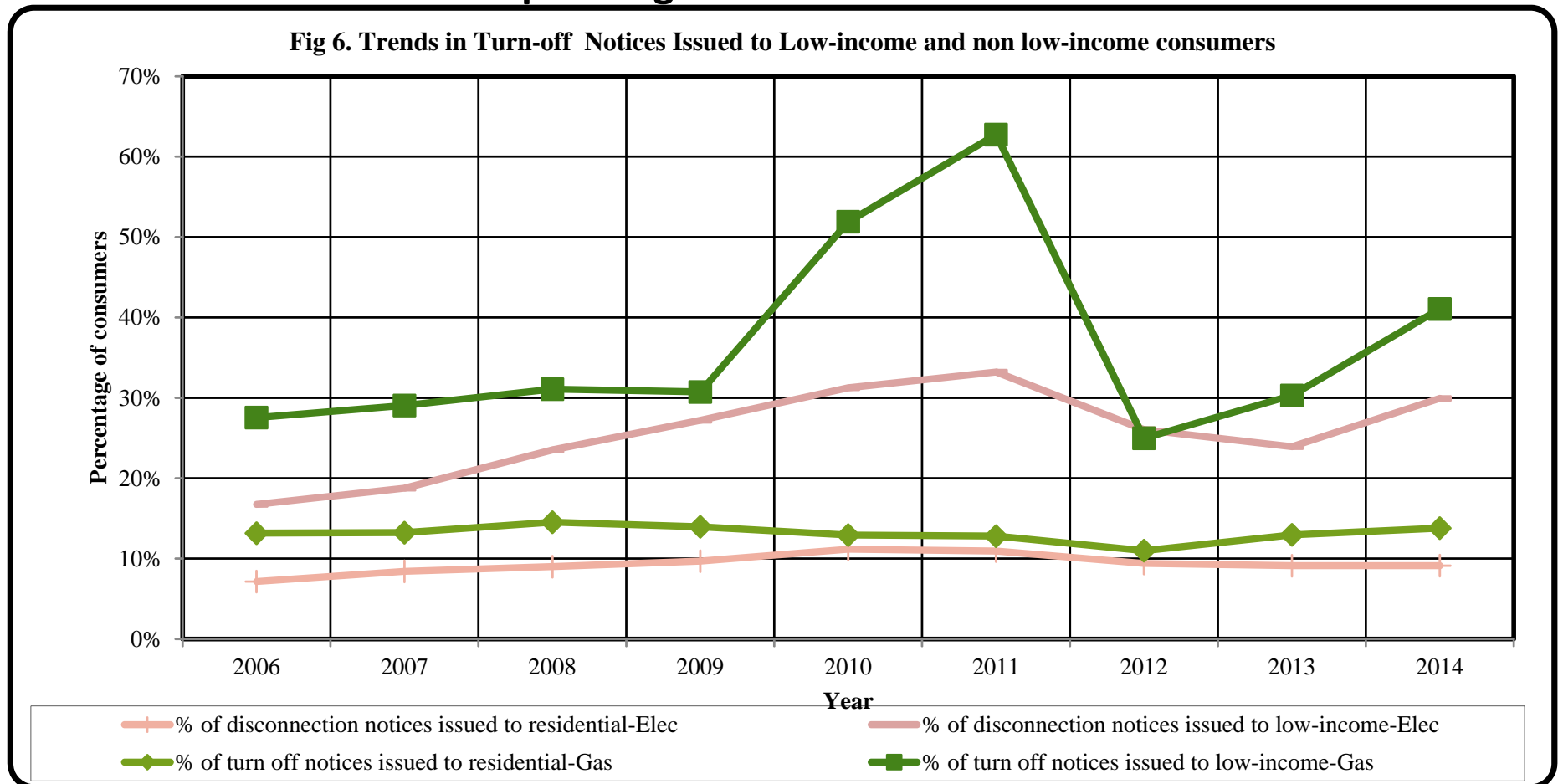
Low-Income & non low-income Terminations or disconnection

- Termination among residential consumers remained relatively stable. But, termination &/or shutoff among low-income consumers not only shows large variability but also increasing.



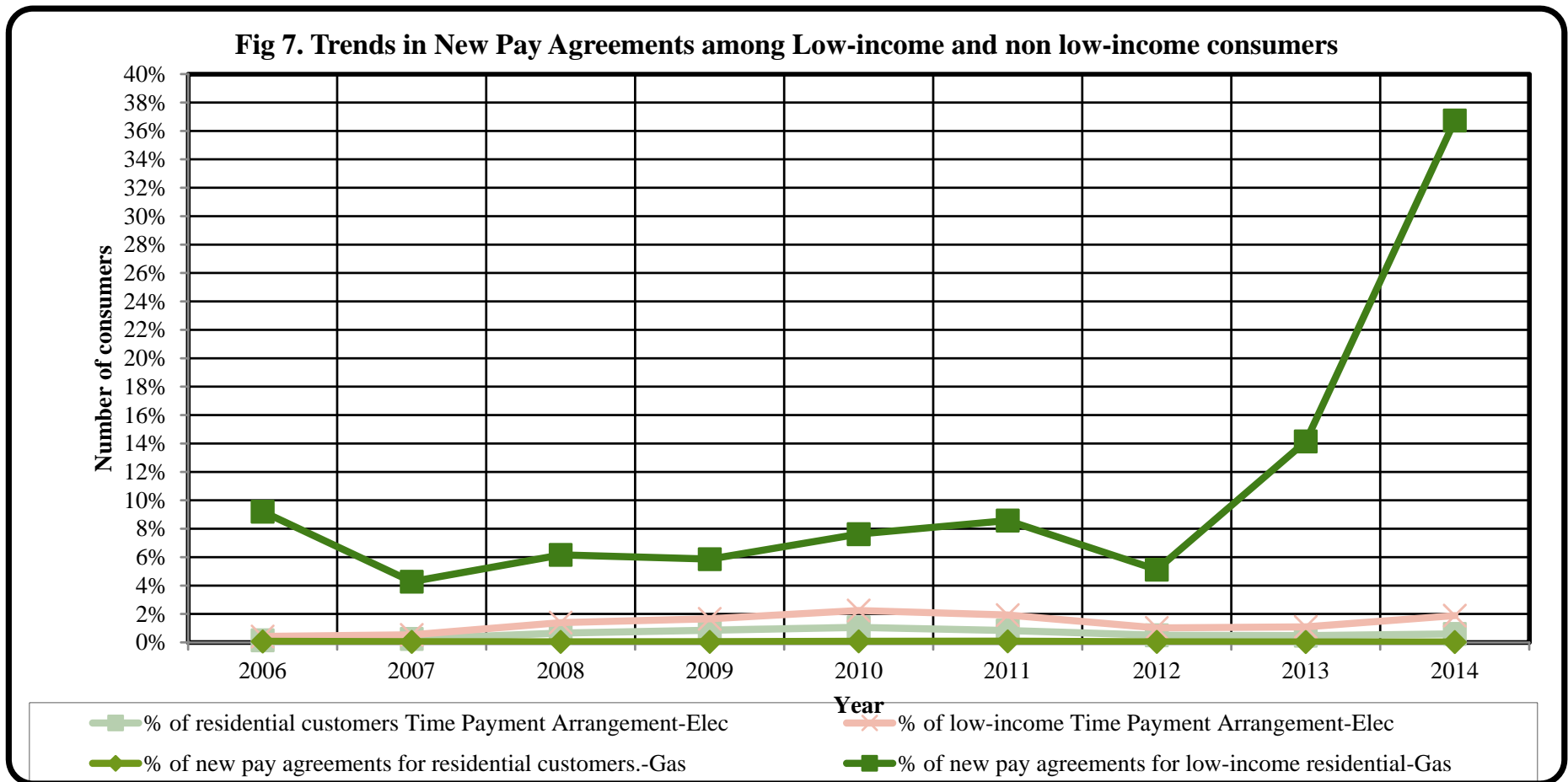
Low-income and non low-income Turn-off or Disconnection Notices

- Disconnection notices among non low-income consumers remain relatively low & stable. However, disconnection notices for low-income electric and natural gas consumers increase with spike in gas disconnection notices in 2010-2011.



Low-income & non low-income consumers Payment Arrangement

- Payment arrangement seem to be less used by consumers except those who are using natural gas. The number of natural gas consumers enrolled in payment arrangements has increased significantly. This result looks at odds in light of declining natural gas prices.



What is next for DC?

- Despite Commission-mandated energy bill assistance that increased by 2-3 times since 2001 reaching about 40% of monthly bill the number of low-income consumers who seek energy bill assistance has not declined. This is troublesome because the increase in state mandated assistance is in addition to LIHEAP and other voluntary assistance programs.
- The DC Commission has mandated technical group to develop a portable and sustainable state mandated low-income assistance program

Concluding Remarks

- The number of low-income consumers has not shown to decline despite improvements in the economy.
- Alleviation of Low-income consumers energy burden is not treated in a holistic manner but rather in a piece-meal approach.
- Current approach to assist low-income consumers is creating an atmosphere or cycle of dependency.
- Low-income energy assistance may cause consumers who are marginally earning above low-income consumers to fall into poverty.
- Dependable year-to-year energy bill support comes only from state-mandated energy bill assistance programs.

Concluding Remarks (continued)

- Need to find ways of reducing the burden of energy bill on low-income consumers through targeted weatherization, energy efficiency, education, and other measures.
- Need to develop national database on key variables consistent with NASUCA's resolution and additional variables, as well as implementing measures that worked well in other states in alleviating the energy burden of low-income consumers.