

RESOLUTION**Pre-Paid Residential Gas and Electric Meters: Public Service Commissions Should Require the Inclusion of Comprehensive Consumer Protections and Rates that Are Lower than Comparable Rates for Credit-based Service**

Whereas the National Energy Assistance Directors' Association, representing the state directors of the Low Income Home Energy Assistance Program (LIHEAP) has a long standing interest in helping poor families stay connected to the grid and afford the cost of home energy through the use of bill payment assistance and weatherization; and

Whereas access to home energy includes a range of bill payment and shut-off protections including winter shut-off rules; and

Whereas the California Public Service Commissionⁱ recently rejected an application from the San Diego Electric and Gas Company to implement prepaid electric utility service because the program lacked adequate consumer protections that were available to post-paying ratepayers; and

Whereas the National Association of State Utility Consumer Advocatesⁱⁱ, whose members include state designated officials whose mission is to represent utility customers before their respective public service commissions approved a resolution proposing that utilities be required to satisfy each of the following twelve conditions prior to any implementation of prepaid gas and electric service as well that:

- (1) All regulatory consumer protections and programs regarding disconnection limitations or prohibitions, advance notice of disconnection, premise visits, availability of payment plans or deferred payment agreements, availability of bill payment assistance or arrearage forgiveness, and billing disputes are maintained or enhanced;
- (2) In the event that the billing credits of a customer receiving prepaid residential electric or natural gas service are exhausted, the customer shall be given a reasonable disconnection grace period, after which the customer shall revert to traditional, credit-based service, subject to all rules and customer protections applicable to such service;
- (3) Prepayment households include no one who is: (a) income-eligible to participate in LIHEAP; or (b) protected under state law from disconnection for health or safety reasons;
- (4) Prepaid service is only marketed as a purely voluntary service and is not marketed to customers facing imminent disconnection for non-payment;

(5) Utilities offering prepaid service also offer effective bill payment assistance and arrearage management programs for all customers, including customers with arrearages who choose prepayment service;

(6) Rates for prepaid service are lower than rates for comparable credit-based service, reflecting the lower costs associated with reduced cash working capital requirements, uncollectibles amounts and shareholder risk affecting a utility's return on equity;

(7) Utilities demonstrate the cost effectiveness of any proposed prepaid service offerings through a cost versus benefit analysis and reveal how costs will be allocated among various classes of customers;

(8) Prepayment customers are not subjected to any security deposits or to additional fees of any kind, including but not limited to initiation fees or extra fees assessed at any time customers purchase credits;

(9) Utilities ensure there are readily available means for prepayment customers to purchase service credits on a 24-hour a day, seven-day a week basis;

(10) Prepayment customers can return to credit-based service at no higher cost than the cost at which new customers can obtain service;

(11) Payments to prepaid accounts are promptly posted to a customer's account so as to prevent disconnection or other action adverse to the customer under circumstances in which the customer has in fact made payment; and

(12) Adequate financial mechanisms are developed and in place within the state to guarantee that funds prepaid by customers are returned to the customers who prepaid them if and when a company becomes insolvent, goes out of business or is otherwise unable to provide the services for which the funds were prepaid;

Now, therefore, be it resolved that the National Energy Assistance Directors' Association (NEADA):

recommends that public service commissions only consider approving proposals to implement prepaid electric service that meet each of the conditions set forth above;

recommends that any implementation of prepaid service programs should be monitored to ensure that it does not in practice result in an increased rate of service disconnections for non-payment; and

recommends that utilities implementing prepaid service programs track and report to the state regulatory commission separately for credit-based and prepayment customers each of the data points delineated in the companion resolution to gather uniform statistical data on billings, arrearages and disconnections of residential gas and electric service.

ⁱ <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M086/K541/86541422.PDF> pages 50-55, California Public Service Commission 1/16/2014 Decision 14-01-002

ⁱⁱ <http://nasuca.org/urging-states-to-require-consumer-protections-as-a-condition-for-approval-of-prepaid-residential-gas-and-electric-service-2011-03/>