



# Current Utility Regulatory Issues & How You Can Respond

**Keith Kueny, Community Action Partnership of Oregon**

**John Howat, National Consumer Law Center**

# Emerging Issues at State Utility Commissions

By Keith Kueny

Energy Policy Coordinator

Community Action Partnership of Oregon (CAPO)

# What is a Community Action Agency?

- Agencies Acquire power through efficiency
- Community Action Agencies pay utility bills



Are Community  
Action  
Agencies a  
utility? (NO!)



# Equal Say/ Equal Protection

- CAA's do provide valuable utility services
- Utility commissions should have a full-time low-income staff person as liaison and/or a low-income policy body
- Agencies should have direct relationships with their commission, and not solely through the utility administering the program
  - This will allow agencies to provide tariff changes through commission staff
  - Many times, the agencies goals and the utility goals diverge. When this happens, having a direct relationship with commission staff will help agencies further policy goals

# How to build influence?

Attend

Attend public hearings and speak – included client's into presentations

Update

Update commission staff periodically with success stories

Schedule

Schedule utility commission staff to work with agency on-site

- If possible, have them crawling under houses (very effective)

# Performance-based ratemaking

- Should utilities be rewarded for policy goals, instead of the traditional rate of return model?
  - ❑ Performance-based ratemaking (PBR)
- There is a growing movement to change how utilities provide shareholder profit. The movement has mostly originated from green tech companies and environmental advocates, who see it as an efficient way to increase renewables
  - ❑ Example: Could lowering disconnection rates lead to increased revenue through a rate of return increase?
- If the Incentives aren't created with sideboards and/or low-income input, incentives are likely to be manipulated to maximize shareholder profit
  - ❑ In Washington Utilities perverted the incentive to only provide high efficiency shower heads, abandoning traditional whole-home weatherization. Yes, the savings was realized but at the cost of traditional home services provided to low-income homes
  - ❑ "Alternative Form of Regulation" that included a 5-year rate freeze, and carte blanche to engage in cost-cutting measures. The utility turned the customer service phone number into a 1-900 number, generating \$0.25/minute in revenue while people were on hold, turning poor customer service into a profit center.

# Issues in Solar

- Solar companies aren't regulated in many states and use bogus projections to sell long-term loans
- Sometimes, if the loan is property-assessed, residents may lose their home if the solar payment isn't made on-time
- Net metering raises rates for non-solar participants
  - The cost of distribution is not included, so a cost-shift to non-solar customers (we pay but don't get the value of our neighbor thinking we are green)





# Community Solar

- Premium Product
  - Shares are owned, like owning a condo space
  - Maximizes solar impact
  - Better alternative to rooftop
- Developers should pay the cost of low-income
- Low-income customers should have free subscriptions



# Consumer Choice

- My saying for consumer choice
  - Those with less, pay more
  - Those with more pay less, since they have the choice
- Community-based aggregation
  - Example: a town or HOA negotiate lower rates and/or increased renewables. In a traditional COS model, the rest of the revenue will be made up from ratepayers, likely increasing rates on those that can't aggregate and negotiate, i.e. low-income
- Rate Design
  - Time of use (TOU) rates – increased rates during peak
    - The issue is that those with money will be able to buy products that avoid peak, shifting costs on those that can't purchase upgraded products
  - Tiered rates

# Less for Less

## Prepaid meters

- Increases family stress

- Usually accompanied by fixed charges

- Utility doesn't have to capitalize the account

## Reliability Rates

- Low-income residents may be offered lowered rates built around lower service that disconnects them first in high usage periods



## Other Issues

- Increased Connectivity in energy markets
  - Winners and losers. If your state is a high-price market, then open markets will likely benefit ratepayers (California)
  - Low-price states will see rate increases (Oregon, Washington, Montana, Idaho)
- Increased Storage Capacity
- EV integration – ratepayers should not be paying for EV integration. If there is EV integration in rates, then fight for robust low-income rebate programs (\$2,500 in Oregon for low-income residents to buy used Evs).

Any  
Questions?

Email: [keith@caporegon.org](mailto:keith@caporegon.org)

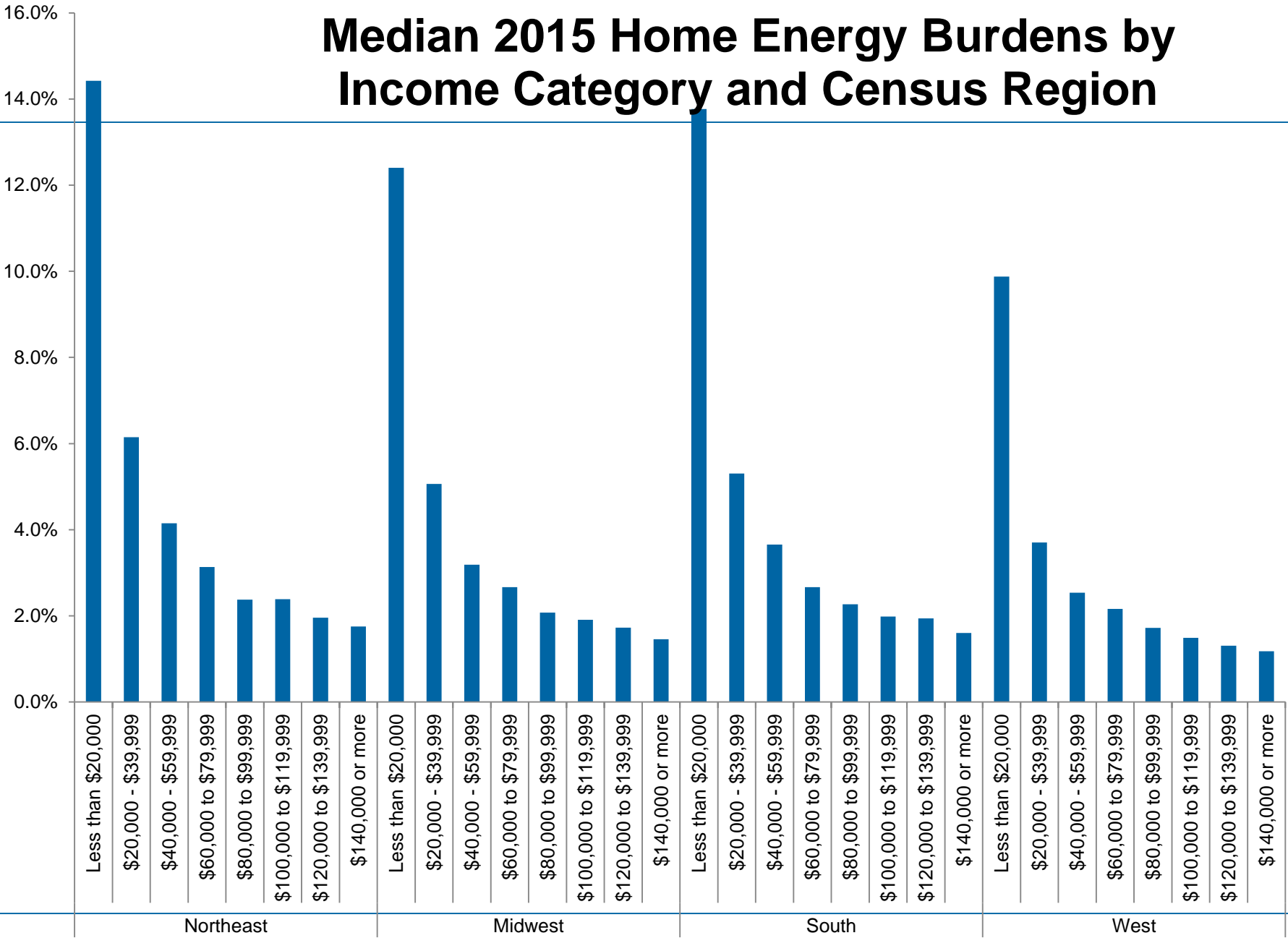
## Low Income Economic Security – Selected Hot Topics:

Rate Design, Prepaid Service, On-bill  
Financing and Repayment (PAYS), and  
Payday Lending

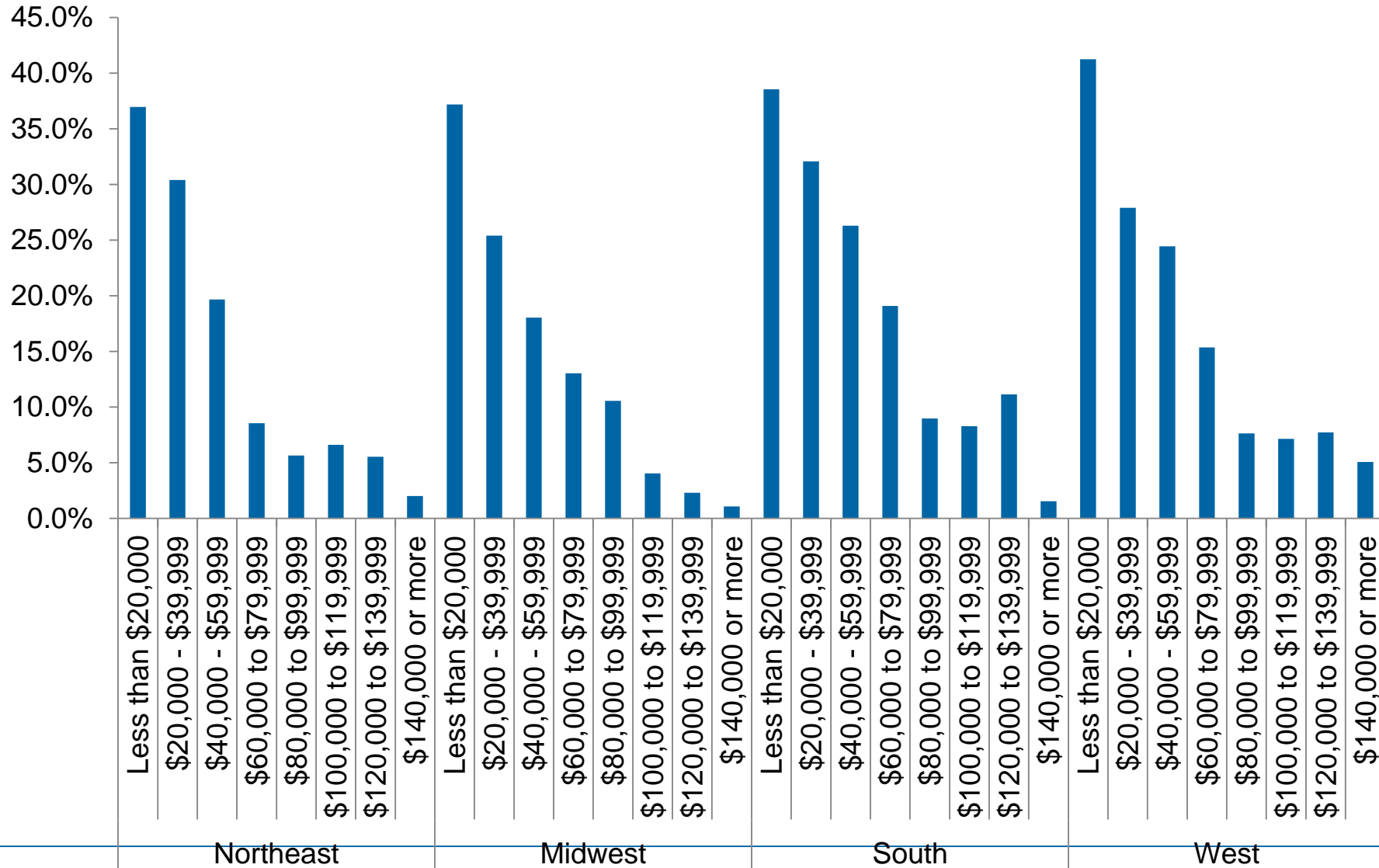
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John Howat – National Consumer Law Center  
2018 CAP Convention  
[jhowat@nclc.org](mailto:jhowat@nclc.org); 617-542-8010

# Median 2015 Home Energy Burdens by Income Category and Census Region

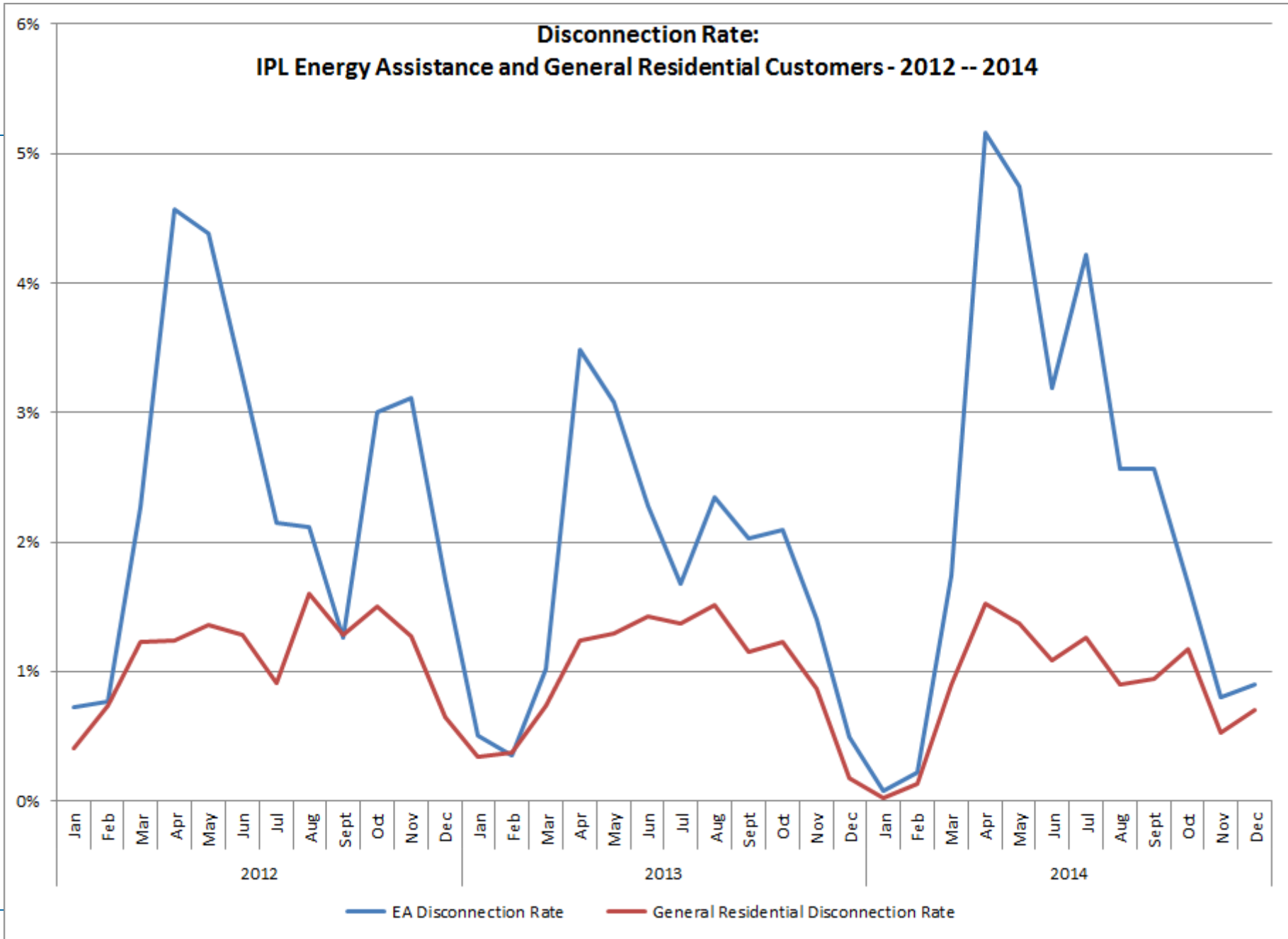


# Forgo Necessities at Least Once/Year to Pay Utility Bill



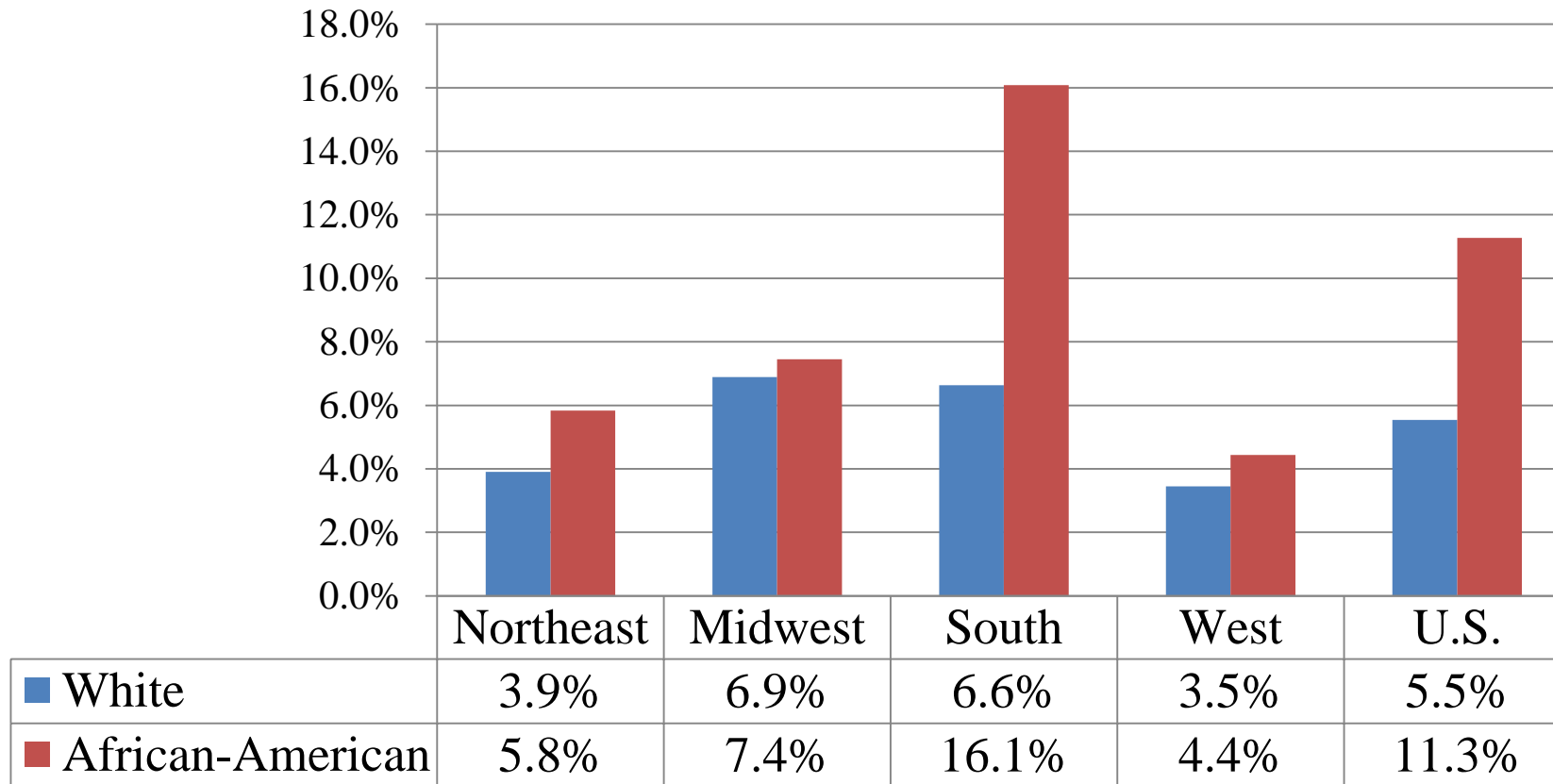


**Disconnection Rate:  
IPL Energy Assistance and General Residential Customers - 2012 -- 2014**



# Racial Disparities in Service Disconnections

## 2009 Electric Service Disconnection Rate by Race of Householder </= 150% Poverty



## Low-income Home Energy Security Safety Net – Meg's Principles

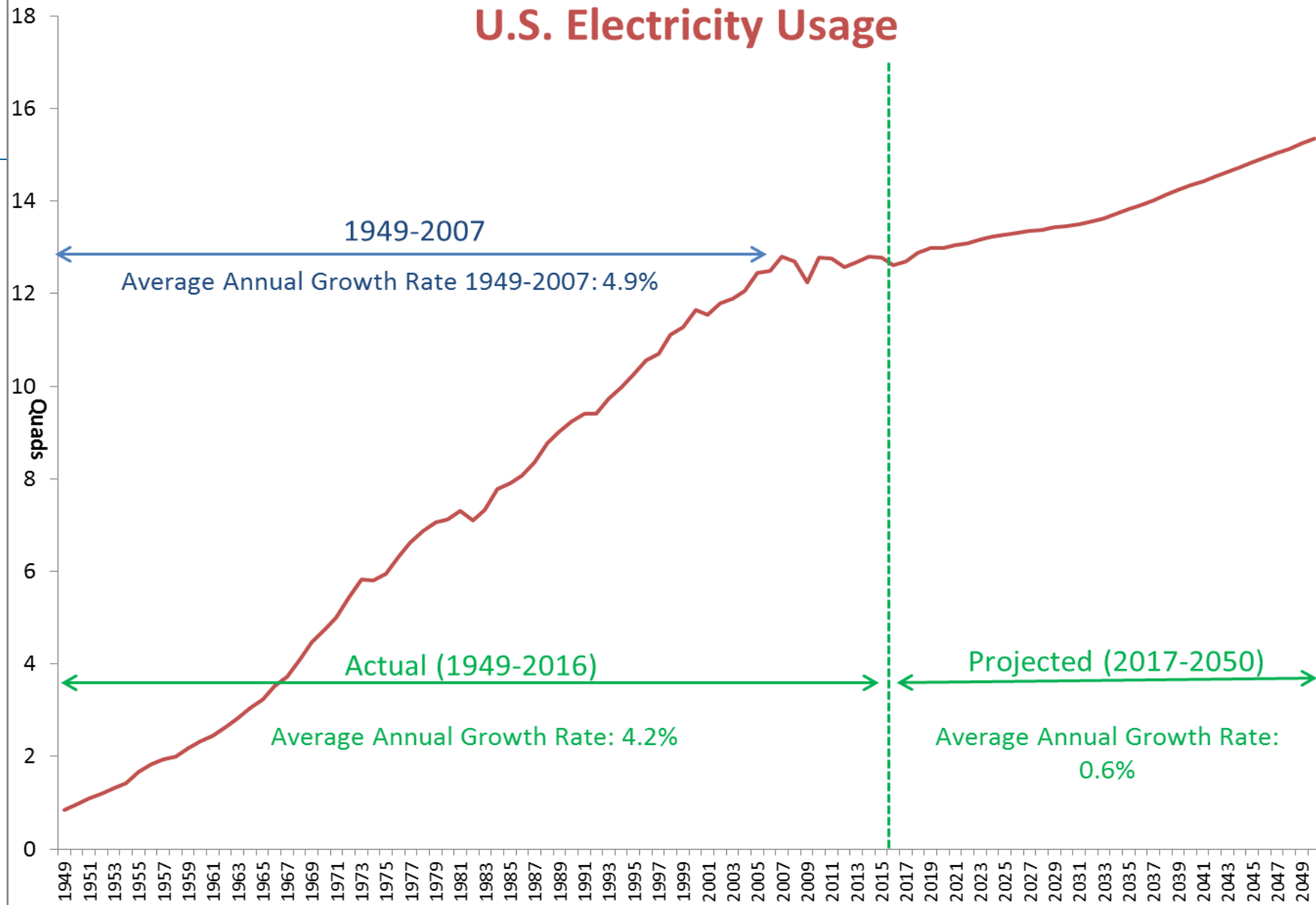
**Affordable  
Payments**

**Consumer  
Protections**

**Efficient  
Usage**



# U.S. Electricity Usage



Sources: U.S. EIA, 2016 Annual Energy Review and 2016 Annual Energy Outlook

National Consumer Law Center  
jhowat@nclc.org

# Utility Fixed Charge Rate Design:

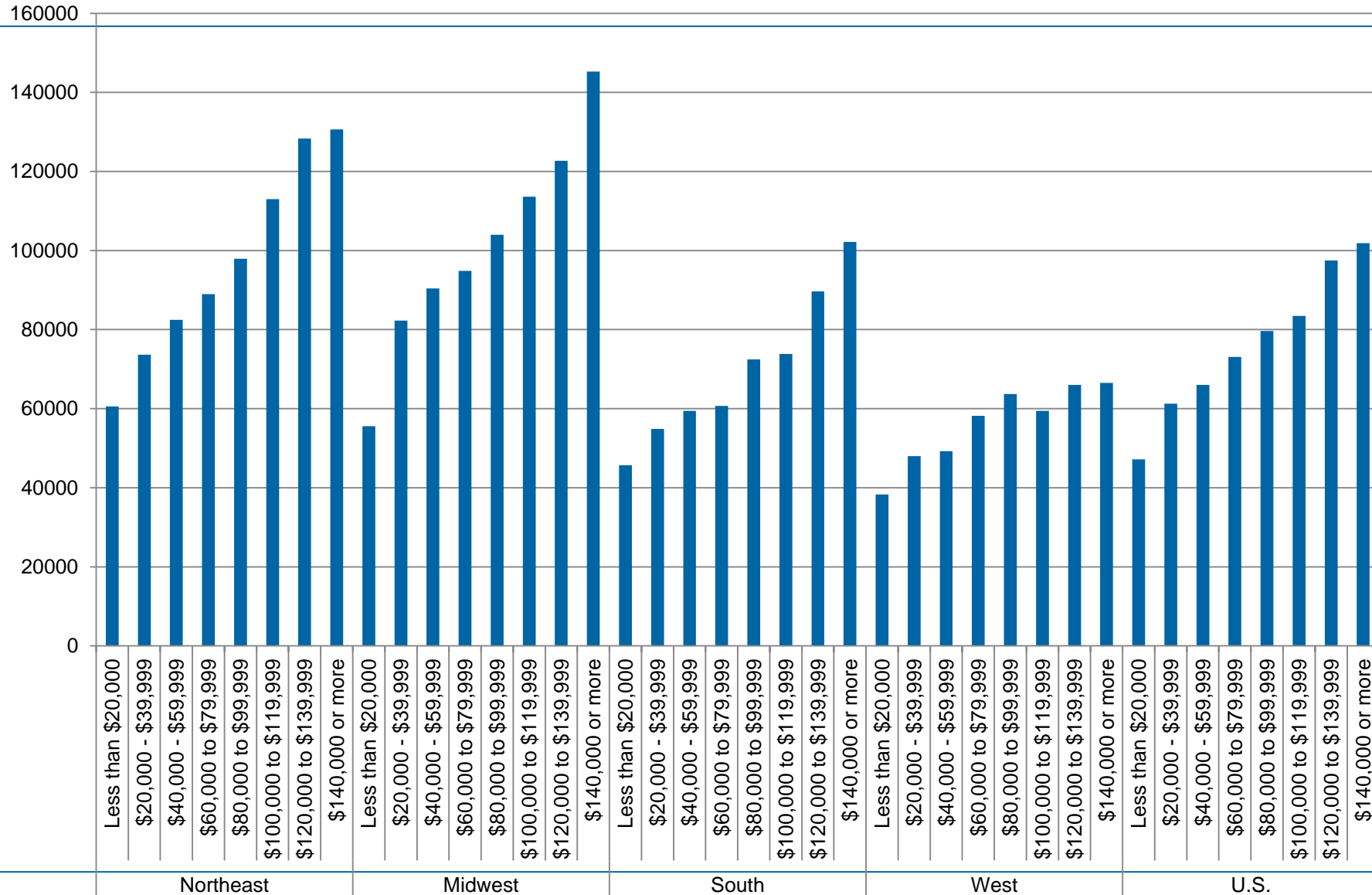
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The intra-class cost shift and disproportionate harms

With declining sales, utilities seek to shift cost recovery from volumetric to monthly, fixed charges

- ▶ Undermines energy efficiency investment and program participation incentives
- ▶ Shifts costs within a rate class from high-volume consumers to low-volume consumers
- ▶ Data demonstrates that in nearly all regions of the US electricity usage is below the residential class average for
  - ▶ Low-income households
  - ▶ African-American, Latino and Asian-headed households
  - ▶ Elder households

## Median 2015 Household Energy Usage (thousand Btu) by Income Category and Census Region



Source: U.S. Energy Information Administration 2015 Residential Energy Consumption Survey

# Advocates Finding Common Ground in Opposition to High Fixed Charge and Residential Demand Charge

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## ▶ Increased Fixed Charges

### ▶ Intra-class cost shift

- ▶ Shifts costs within a rate class from high-volume consumers to low-volume consumers within a rate class
- ▶ Data demonstrates that in nearly all regions of the US electricity usage is below the residential class average for
  - Low-income households
  - Elder households
  - Households of color

### ▶ Diminished efficiency incentive and customer control over the bill

## ▶ Residential Demand Charges

- ▶ Difficult for residential customers to control
- ▶ Weak or non-existent link to system costs – particularly with non-coincident peak demand charge



# Prepaid Electricity Service Defined

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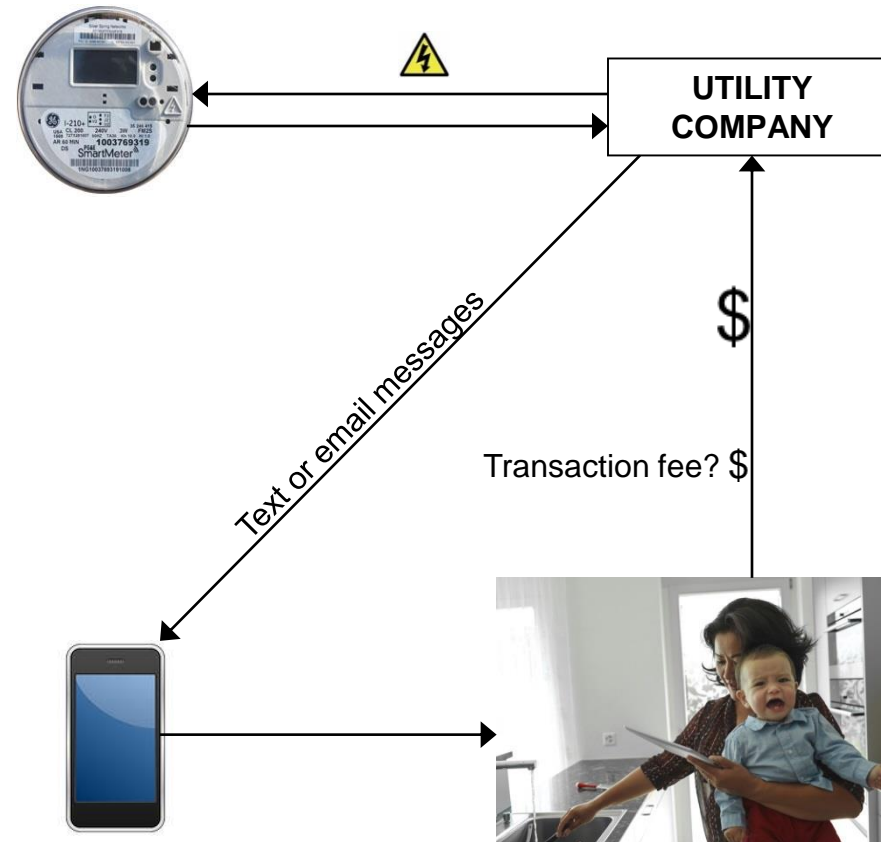
- ▶ “Voluntary” electricity service delivered program delivered through a
  - ▶ prepayment meter (becoming obsolete)
  - ▶ digital, “advanced” meter (“smart meter”)
    - ▶ remote disconnection/reconnection capabilities
    - ▶ two-way communication
    - ▶ compatibility with modular software to enable electronic communication of disconnection, consumption, expenditure and account balance information via mobile broadband devices
- ▶ Customer pays for service (and all or a portion of pre-program arrears) in advance of receiving service
- ▶ Customer is remotely disconnected soon upon depletion of account balance



# Technology

- ▶ **Advanced metering infrastructure + broadband communication module**
  - ▶ 2-way communication enables utility tracking of usage in real time
  - ▶ Remote disconnection and reconnection
  - ▶ Modular software enabling account balance and disconnection notifications via customers' broadband devices

*Prepayments made online, by phone or at kiosk  
Often with 3<sup>rd</sup> party transaction fee*



# Prepaid Electric Service in the U.S.

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- ▶ At least 50 utilities in 25 states operate prepaid service programs
- ▶ Historically - concentrated among
  - ▶ Electric co-ops
  - ▶ Municipal utilities
  - ▶ Retail electric providers (Texas)
  - ▶ Public utility districts
  - ▶ Some IOUs in states and service territories with relatively weak regulatory consumer protections
- ▶ Vast majority of U.S. prepaid service programs not subject to state regulatory oversight
- ▶ Concentrated in low-income households
- ▶ Very high rates of disconnection
- ▶ Multiple payments monthly with 3<sup>rd</sup> party transaction fees
- ▶ Rates higher or same as post-pay (unlike cell phones)

# U.S. Experience (cont.)

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- ▶ Mature programs
  - ▶ AZ, TX, OK, Co-ops in the Southeast and Southwest
- ▶ Newer IOU programs and proposals
  - ▶ CA, AZ, NV, KS, MO, IA, IL, OH, MA, PA, MD, DC, NC, GA, FL ...
- ▶ Regulated utilities require waivers from consumer protections to implement
  - ▶ Disconnection protections
  - ▶ Secure notice of disconnection
  - ▶ Right to a payment agreement as alternative to disconnection

# Stated Objectives and Benefits of Prepaid Service

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## ▶ Customer

- ▶ No deposit
- ▶ No late payment fees
- ▶ Informational benefits
- ▶ Energy conservation/efficiency

## ▶ Utility

- ▶ Reduced arrearages
- ▶ Reduced uncollectible account write-offs
- ▶ Reduced short-term capital requirements
- ▶ Customer service rep savings
- ▶ Disconnection is an effective collection tool

# Consumer Advocate Concerns

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- ▶ Punitive approach to addressing utility affordability problems
- ▶ Second-class service featuring degradation of consumer protection structure
- ▶ Preys upon low-income utility customers unable to afford deposits and ongoing service
- ▶ Higher rates for participants or cost shift to non-participants
  - ▶ Compare to prepaid phone service
- ▶ Hobson's "**choice**" for financially struggling households
- ▶ Very high rates of service disconnection
- ▶ Health and safety threat from insecure, electronic notification of service disconnection
- ▶ Expense of frequent payment transaction fees
- ▶ Inconvenience of frequent payments
- ▶ Reduction or elimination of utility incentives to negotiate effective, reasonable payment agreements
- ▶ Reduction or elimination of utility incentives to implement effective bill payment assistance and arrearage management programs

# “Energy Efficiency” Benefit?

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## ***National Geographic:***

Ralph Cavanagh, co-director of the [Natural Resources Defense Council](#)'s energy program, pointed to criteria developed by the National Association of State Utility Consumer Advocates (NASUCA) that he believes can help prevent prepaid service from becoming a “backstop for bill collection.”

“This is an issue of economic justice,” said Jennifer Miller, the [Sierra Club](#)'s senior campaign representative for energy efficiency. “When they end up saving energy, it's because of how difficult it is to pay. It's deprivation, not conservation. ... Utilities are trying to justify easier billing arrangements for themselves under the guise of energy efficiency and conservation.”

## ***Electricity Policy:***

Cavanagh stated, “...prepaid service is inappropriate for low-income and other vulnerable households, even though consumption reduction has been observed in prepaid service customers.”

Cavanagh said, “We do not want what is at least being presented as an energy efficiency approach to be hijacked for that purpose.”

# Essential Consumer Protections

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- ▶ No disconnection at zero balance – revert to post-pay
- ▶ Secure notification of disconnection by mail
  - ▶ ELECTRONIC NOTIFICATION OF DISCONNECTION MAY SUPPLEMENT – BUT NEVER SUPPLANT – NOTIFICATION BY MAIL
  - ▶ CUSTOMERS HAVING TROUBLE AFFORDING ELECTRIC SERVICE MAY ALSO BE STRUGGLING TO MAINTAIN CELL PHONE OR INTERNET SERVICE
- ▶ Combined rates and fees should result in total cost that is no higher than that borne by post-paying customers
- ▶ No third-party transaction fees
- ▶ Reasonable, affordable payment agreements should be available to all customers facing disconnection for nonpayment
- ▶ Meaningful deposit assistance should be made available as an alternative to prepaid service
- ▶ Prepaid rates should be lower than post-paid
- ▶ Limitations on marketing to customers facing disconnection for non-payment
- ▶ Limit participation to customers who
  - ▶ Do not participate in LIHEAP or other means-tested energy assistance program
  - ▶ Are not protected from disconnection for reasons of age, health, or disability status

# Alternatives and Program Options that More Effectively Meet Policy Objectives

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- ▶ Direct install, deep retrofit energy efficiency programs for low-income households
- ▶ Arrearage management programs
- ▶ Reasonable, affordable payment agreements
- ▶ Deposit assistance or regulation
- ▶ Informational benefits of AMI to **all** customers on an opt-in basis – but without the continual threat of loss of essential home electricity service
- ▶ Low-income bill payment assistance programs
  - ▶ LIHEAP and other bill payment assistance is the clearest gateway to energy efficiency program participation



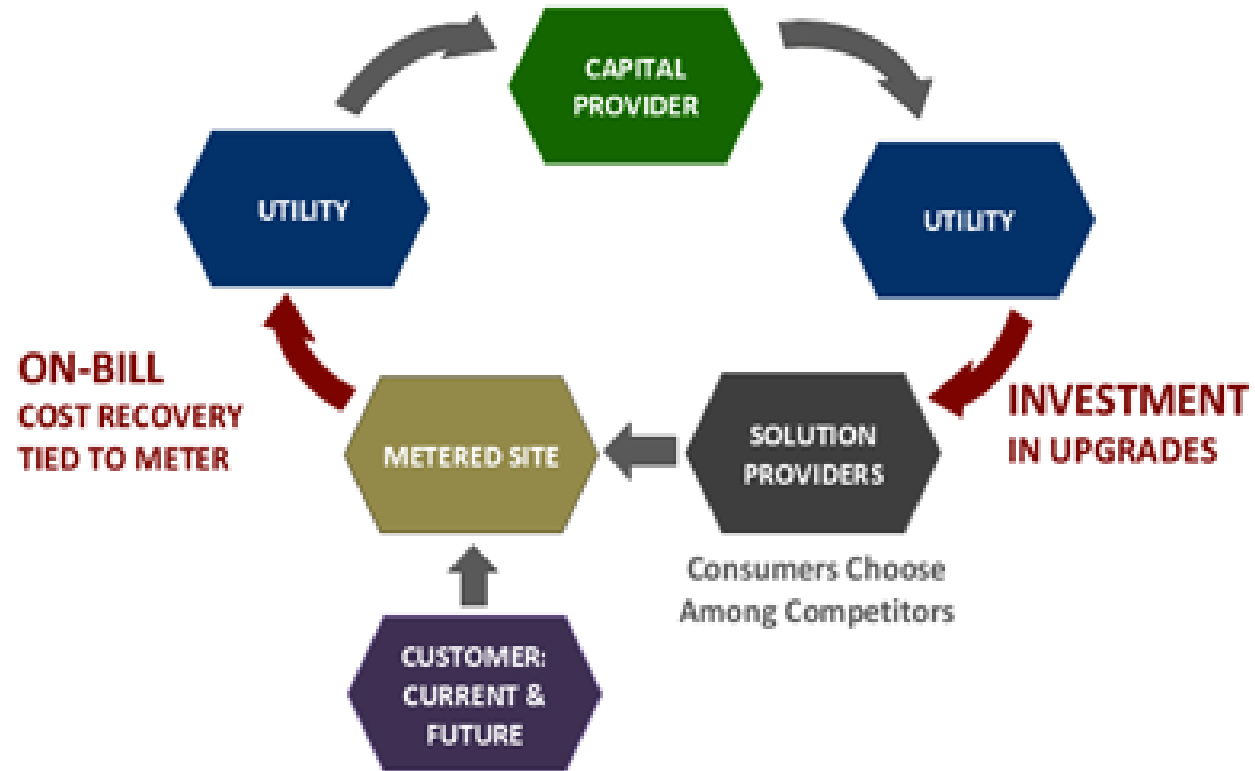
# On-bill financing/repayment of energy efficiency and low-income and renter households

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- ▶ “Pay as you Save” and other models
  - ▶ Opt-in tariff
  - ▶ Loan repayment component on utility bill
- ▶ Co-op utility focus
  - ▶ Few if any existing low-income efficiency program offerings
- ▶ ***Is this type of financing good for LI households?***
  - ▶ It depends!
  - ▶ Many important questions and details should be addressed before accepting these programs.

## PAY AS YOU SAVE<sup>®</sup> (PAYS)<sup>®</sup>

PAYS offers all utility customers the option to access cost effective energy upgrades using a proven investment and cost recovery model that benefits both the customer and utility.



<http://cleanenergyworks.org/blog/pays-financing/>

# OBF/R – Some questions that need attention

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- ▶ Programs predicated on assumption of “net bill neutrality” where savings from energy investments equal or exceed monthly loan repayment.
  - ▶ Who guarantees?
  - ▶ Who verifies?
  - ▶ Who conducts audits/assessments and quality control?
  - ▶ Contractor role?
  - ▶ What are eligible measures?
  - ▶ Will there be guarantee of *monthly* bill savings (seasonal measures)?
  - ▶ Will the customer have service disconnected in the event of non-payment of the energy improvement portion of the bill?

# OBF/R – Some questions that need attention

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- ▶ If monthly net bill neutrality cannot be guaranteed and verified –
  - ▶ How will the customer be held harmless?
  - ▶ Who will be responsible for “underperformance” of installed measures?
  - ▶ Will contractors be certified and monitored?
    - ▶ Predatory marketing
    - ▶ Workmanship standards
- ▶ Who provides capital for the program?
  - ▶ Interest rate
  - ▶ Assessment of borrowers’ ability to repay

# OBF/R – Some questions that need attention

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Under PAYS and other OBF/R models, obligation to repay the capital provider is tagged to the utility meter rather than the individual who accepts the loan.

## ▶ Tenant-related questions

- ▶ Who owns the installed measures?
  - ▶ Tenant or landlord
- ▶ Will repayment obligation be disclosed to subsequent tenants?
- ▶ What about savings guarantees when household composition and usage patterns with a new tenant changes?
- ▶ What happens in the event of a prolonged vacancy?

## OBF/R – Some questions that need attention

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- ▶ OBF/R proposals in territories where there are already low-income energy efficiency programs that require no upfront contribution or loan repayment
  - ▶ See, Minneapolis
  - ▶ Disclosures re. existing \$0-repayment programs
  - ▶ Cash flow benefit to low-income program participants undermined
  - ▶ Impacts on existing program delivery network?
  - ▶ Undermining of support for ratepayer-funded and taxpayer funded program design

# Payday Lending and Utilities

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- ▶ Payday lending entraps lower-income individuals into a long-term cycle of exorbitantly-priced debt that often brings serious financial security consequences.
- ▶ Utility bills #1 reason for taking payday loan (Center for Financial Services Innovation, 2012).
- ▶ Utilities in some states use of payday loan stores as bill payment centers.
- ▶ Prohibitions in AZ, NV, and MO.

## Payday Lending and Utilities (Cont.)

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- ▶ 14-day term, fees of \$15 to \$30 for every \$100 borrowed.
- ▶ Borrower writes post-dated check to the lender or authorizes an electronic withdrawal equivalent for the amount of the loan plus the finance charge. On the due date (payday), the borrower can allow the lender to deposit the check or pay the initial fee and roll the loan over for another pay period and pay an additional fee.
- ▶ The typical loan amount is \$350. The typical annual percentage rate on a storefront payday loan is 391%.



## Payday Lending and Utilities (Cont.)

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- ▶ “Churning” of existing borrowers’ loans accounts for 75% of all payday loan volume.
- ▶ The average payday borrower takes 9 loans per year.
- ▶ The typical payday loan customer remains in payday loan debt 212 days of the year. If an initial \$325 loan is rolled over 8 times, the payday loan customer will typically owe \$468 in interest.

[jhowat@nclc.org](mailto:jhowat@nclc.org); 617-542-8010



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