

# Home Energy Security for Elders: Consumer Protections for a Changing Energy and Utility Environment

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National Elder Rights Training Project for the National Legal Resource Center.  
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# NLRC

Providing Legal Support to the  
Aging Advocacy Network

- <http://www.nlrc.aoa.gov/>
- Collaboration developed by the Administration on Aging between the National Consumer Law Center, National Senior Citizens Law Center, American Bar Association Commission on Law and Aging, Center for Elder Rights Advocacy, and the Center for Social Gerontology
- See upcoming trainings, conferences, and webinars
- Request a training
- Request consulting
- Request technical assistance
- Access articles and resources

# Moderator – Jillian McLaughlin

- Research Assistant at NCLC since 2010
- Focuses on issues of energy affordability and security and has assisted in NCLC's efforts to influence emerging energy policies in California
- Previously, she has worked as the Sustainability Coordinator for Kalamazoo College

## Presenter – John Howat

- John Howat has been involved with energy program and policy issues since 1981.
- Areas of expertise include: design and analysis of low income energy affordability and efficiency programs, low-income utility consumer protections, energy expenditure and burden analysis, prepayment and advanced metering, utility credit reporting and utilization of credit scores, analysis of program participation and outreach efforts, and utility rate design.
- At NCLC over the past eleven years, John has represented public agencies and non-profit organizations as an expert witness in proceedings before state utility regulatory commissions across the country and has managed a broad range of regulatory, legislative and research projects in support of low-income and elderly consumers' access to affordable energy and utility services.

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HOME ENERGY SECURITY FOR ELDERS:  
*CONSUMER PROTECTIONS FOR A CHANGING  
ENERGY AND UTILITY ENVIRONMENT*

AoA Webinar

March 21, 2012

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in the Marketplace for All

# Home Energy Security

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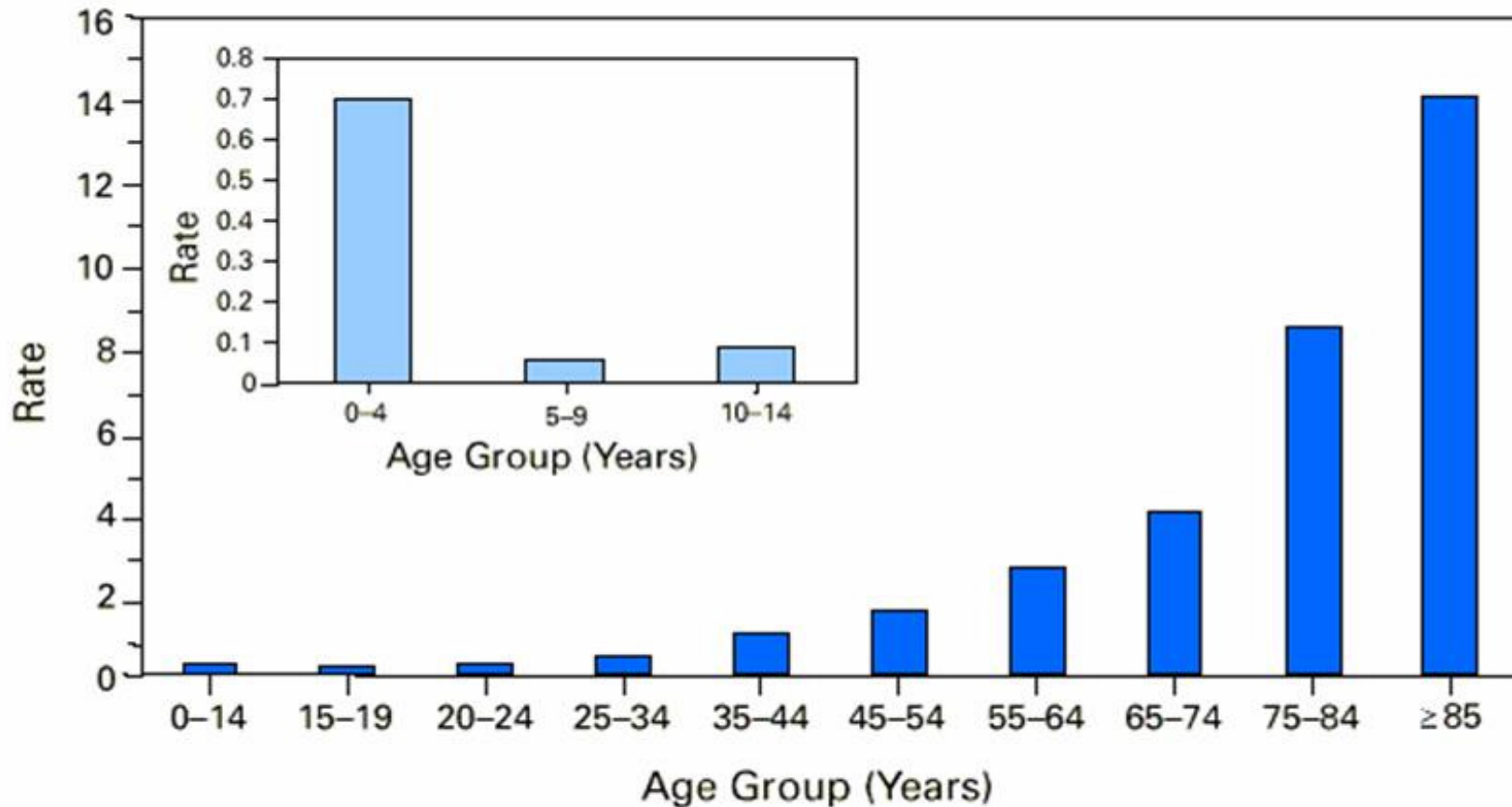
- Particular Needs of Elders
  - Temperature Sensitivity
  - Time at Home
  - Fixed, limited incomes
- Essential Home Energy Service
  - Heating
  - Cooling
  - Lighting
  - Appliances

# Home Energy Security

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- Affordable Access
  - Rates and prices that allow for payment of current bills and other necessities
  - Stable prices
- Reliable Access
  - Continuous Access
  - Protection from Loss of Service

**FIGURE 1. Average annual rate\* of heat-related deaths†, by age group — United States, 1979–1996**



\*Per 1 million population.

†Underlying cause of death attributed to excess heat exposure classified according to the *International Classification of Diseases, Ninth Revision*, as code E900.0, "due to weather conditions."

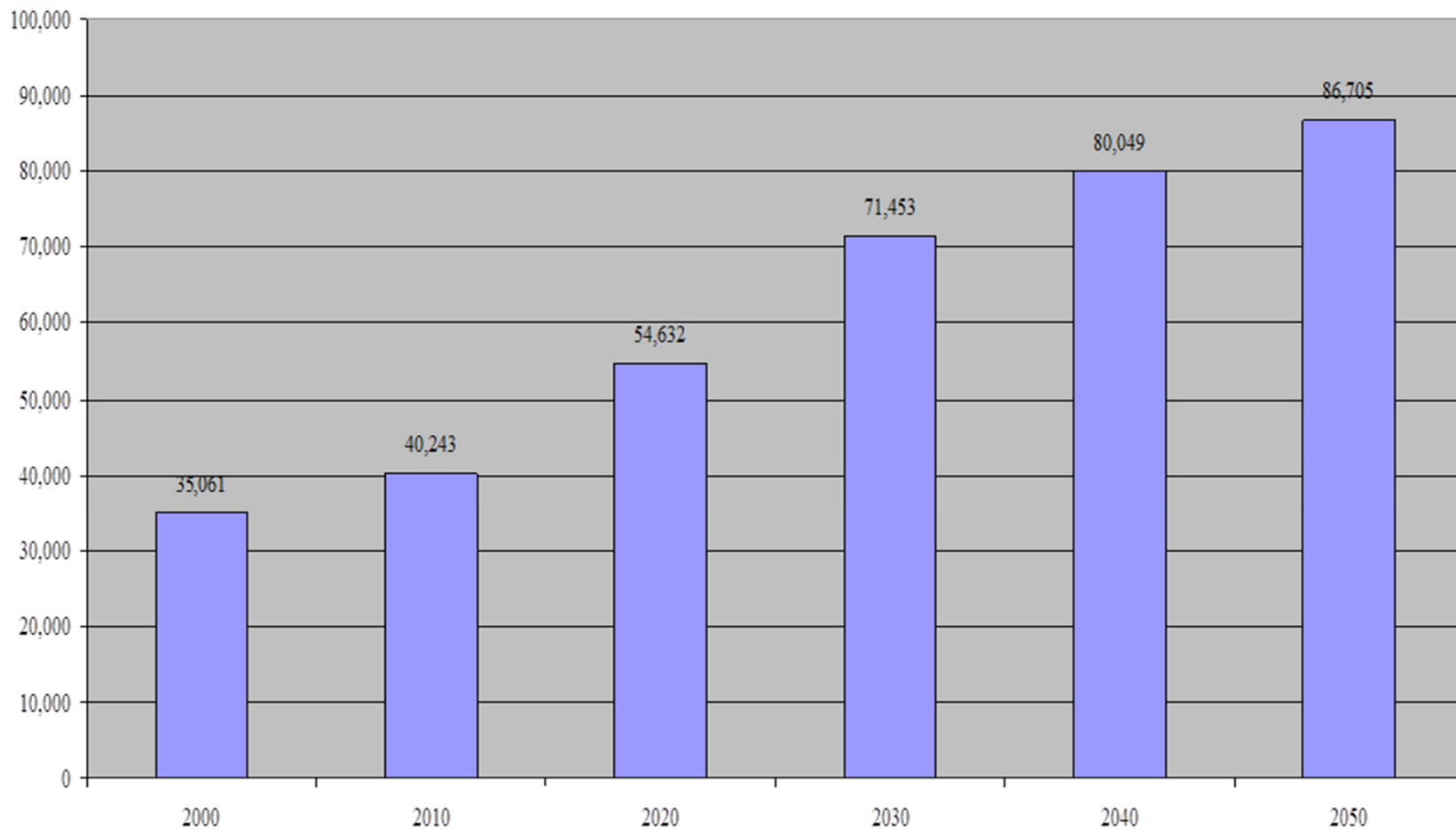


# The Changing Environment

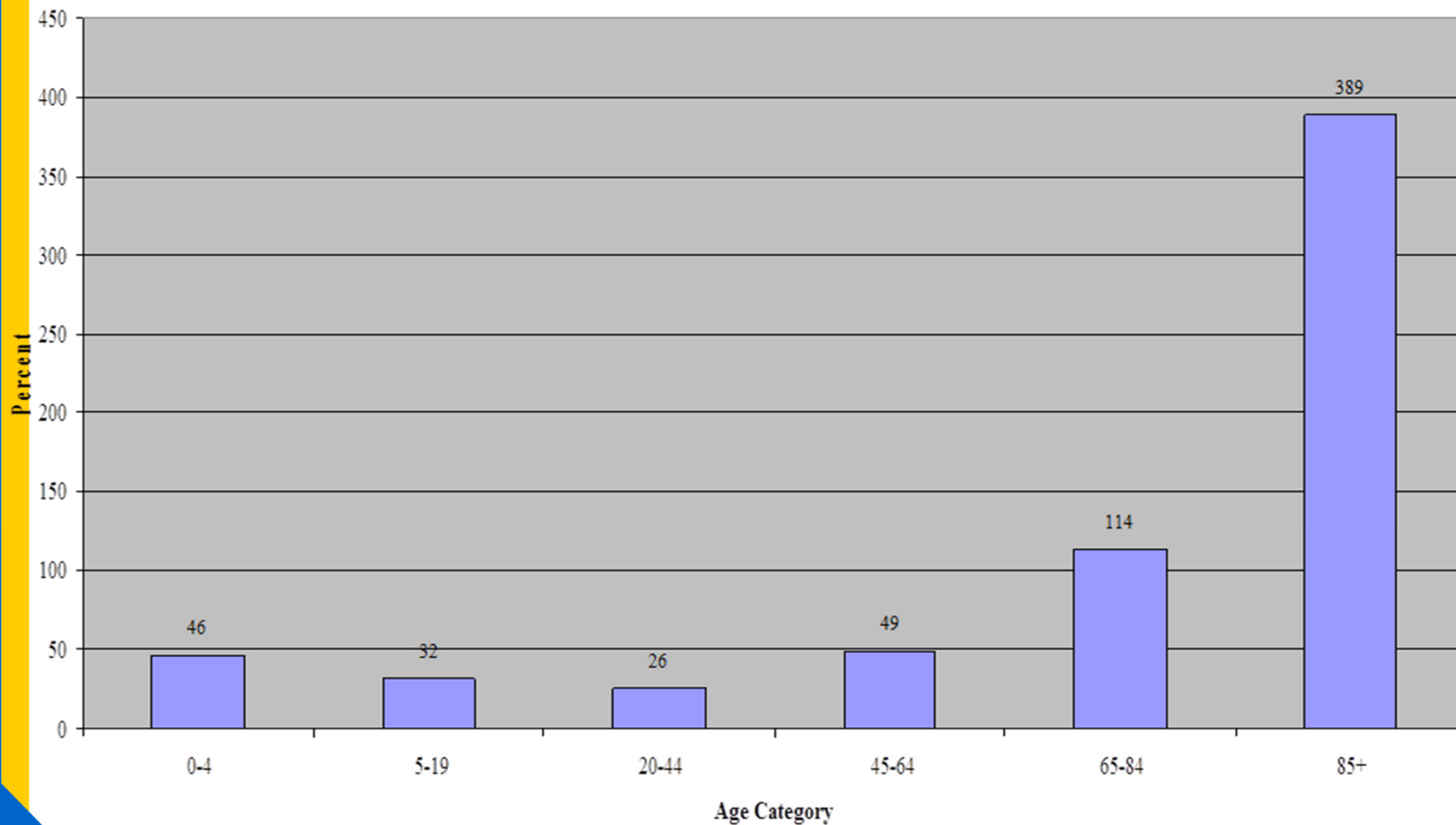
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- Aging Population and Aging in Place
- Home Energy Prices
  - Electricity
  - Heating Oil
  - Natural Gas
- Technologies
  - Metering
  - Billing
- Program Funding
  - LIHEAP
  - WAP
  - State Programs

## Projected Population of the U.S.: 65 Years of Age or Older (in thousands)



## Percentage U.S. Population Change by Age Category: 2000 - 2050



# Desire to Age in Place

**TABLE 27: If They Were to Move, People Age 50 and Older with Disabilities Would Prefer to Move to Another Home or Apartment**

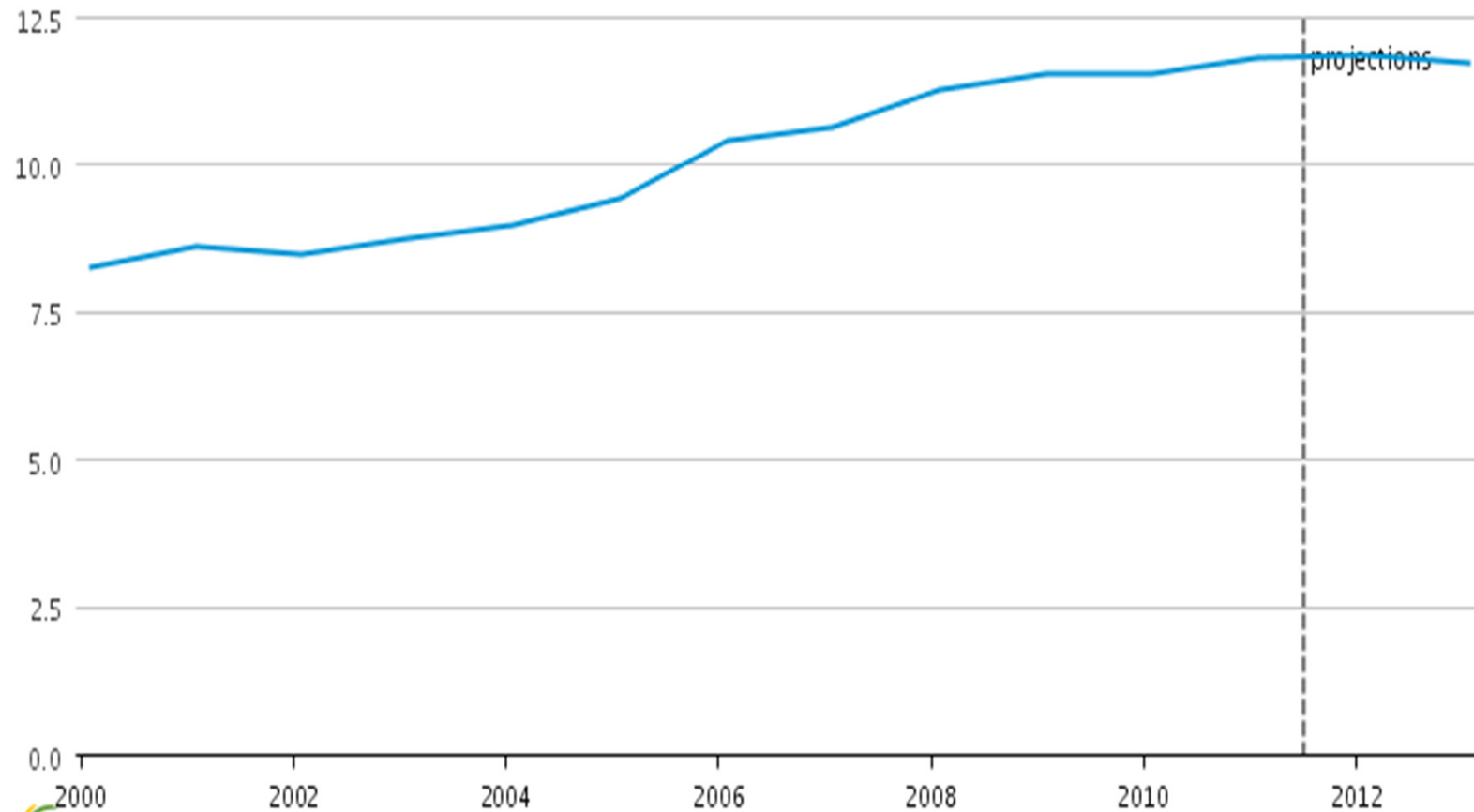
	Total	50-64	65+	Slight/ Moderate	Very/Somewhat Severe
	%	%	%	%	%
Your own home or apartment	69	79	61	66	72
A retirement community that offers a few services such as housekeeping or group meals	10	5	15	13	7
A private residence shared with family members other than your spouse	8	9	8	6	10
A retirement community that offers many services, including help with bathing, dressing, and getting around	6	4	8	8	5

Q. If you were to move in the next year, what type of living arrangement would you prefer?

Source: AARP/Harris Interactive Survey of Persons 50 and Older with Disabilities, September 2002

## Retail Price of Electricity in Residential Sector, U.S. Average

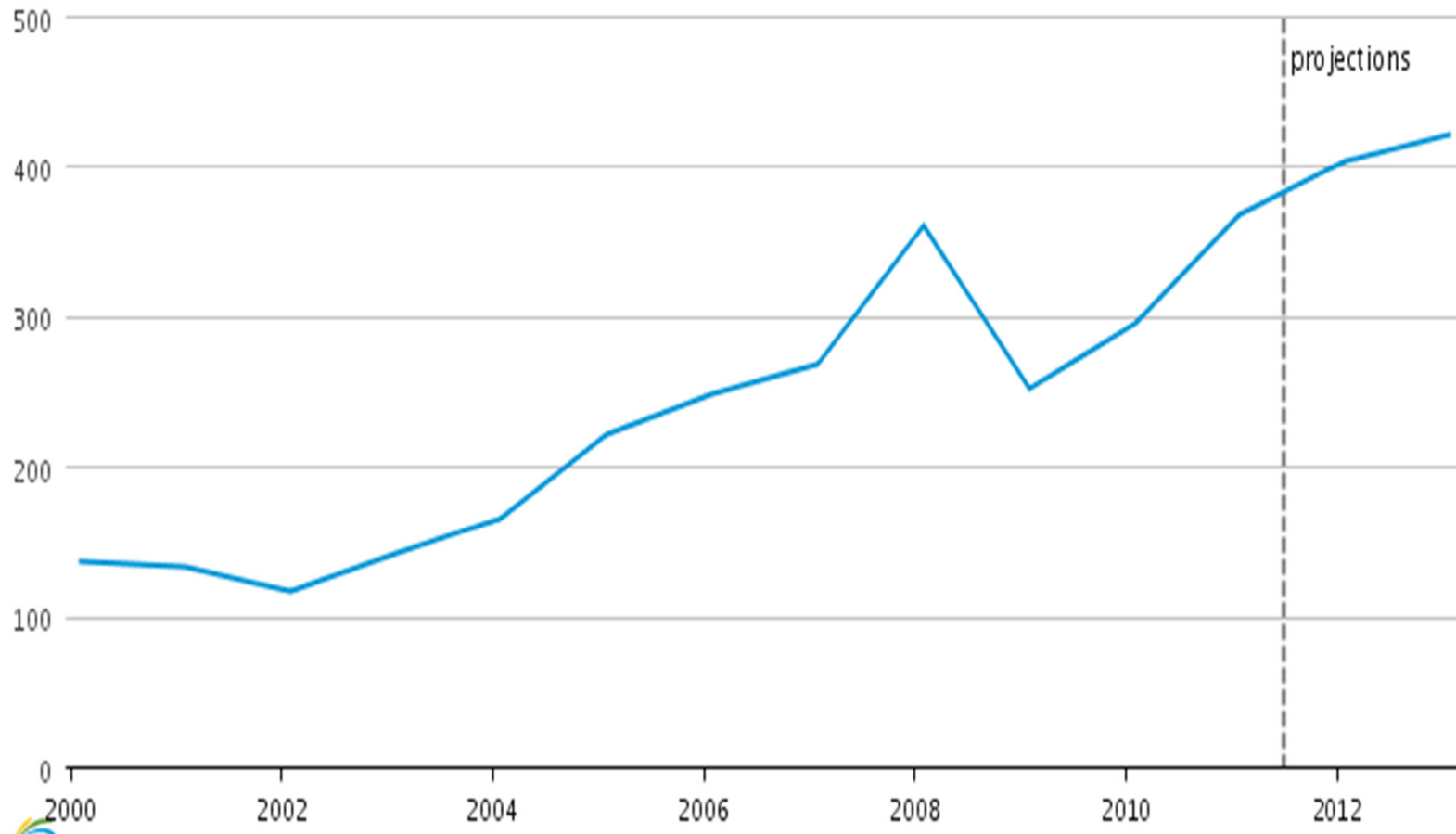
Cents per kilowatthour



Source: Short-Term Energy Outlook

## Heating Oil Retail Price Including Taxes, U.S. Average

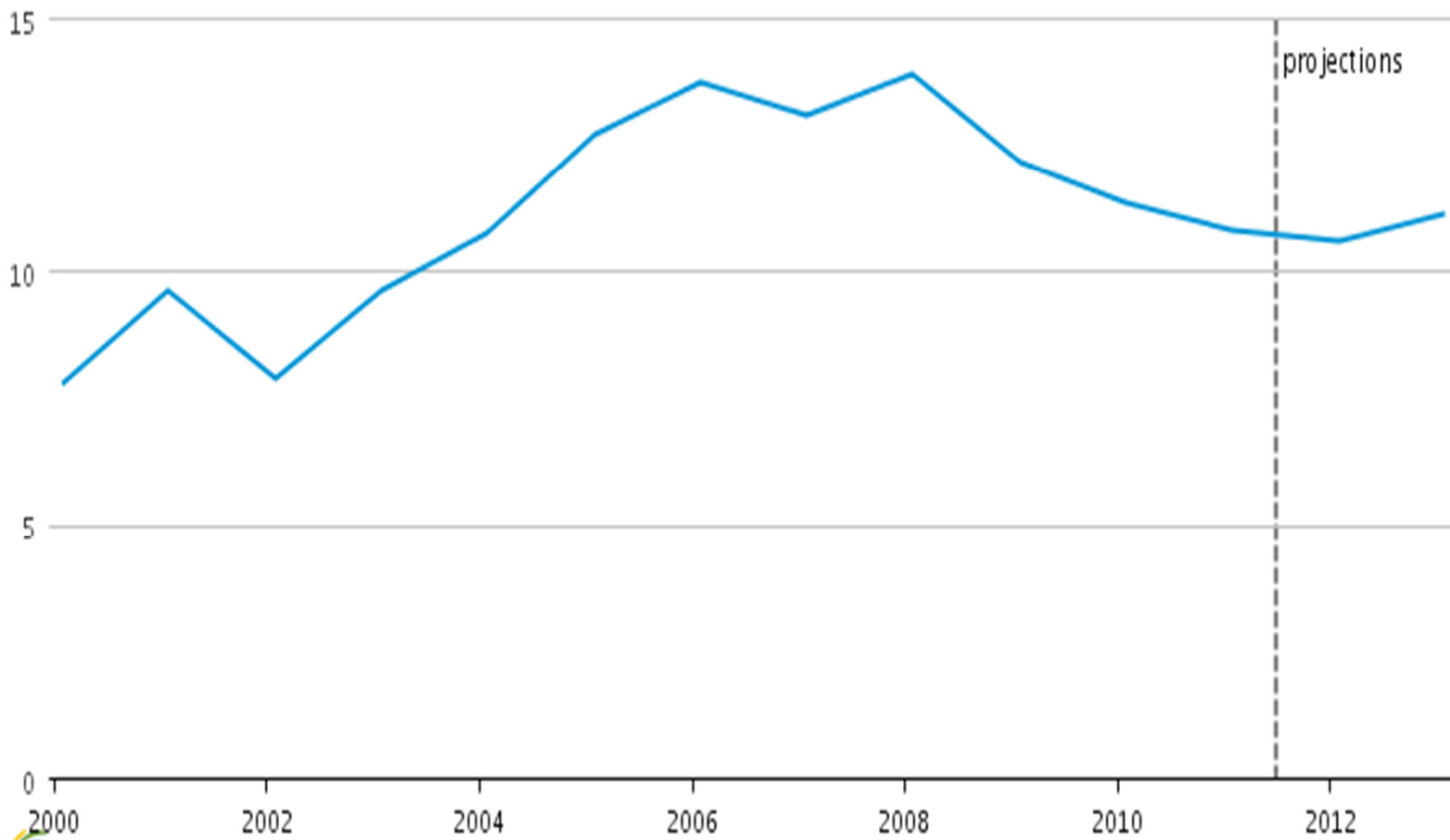
cents per gallon



Source: Short-Term Energy Outlook

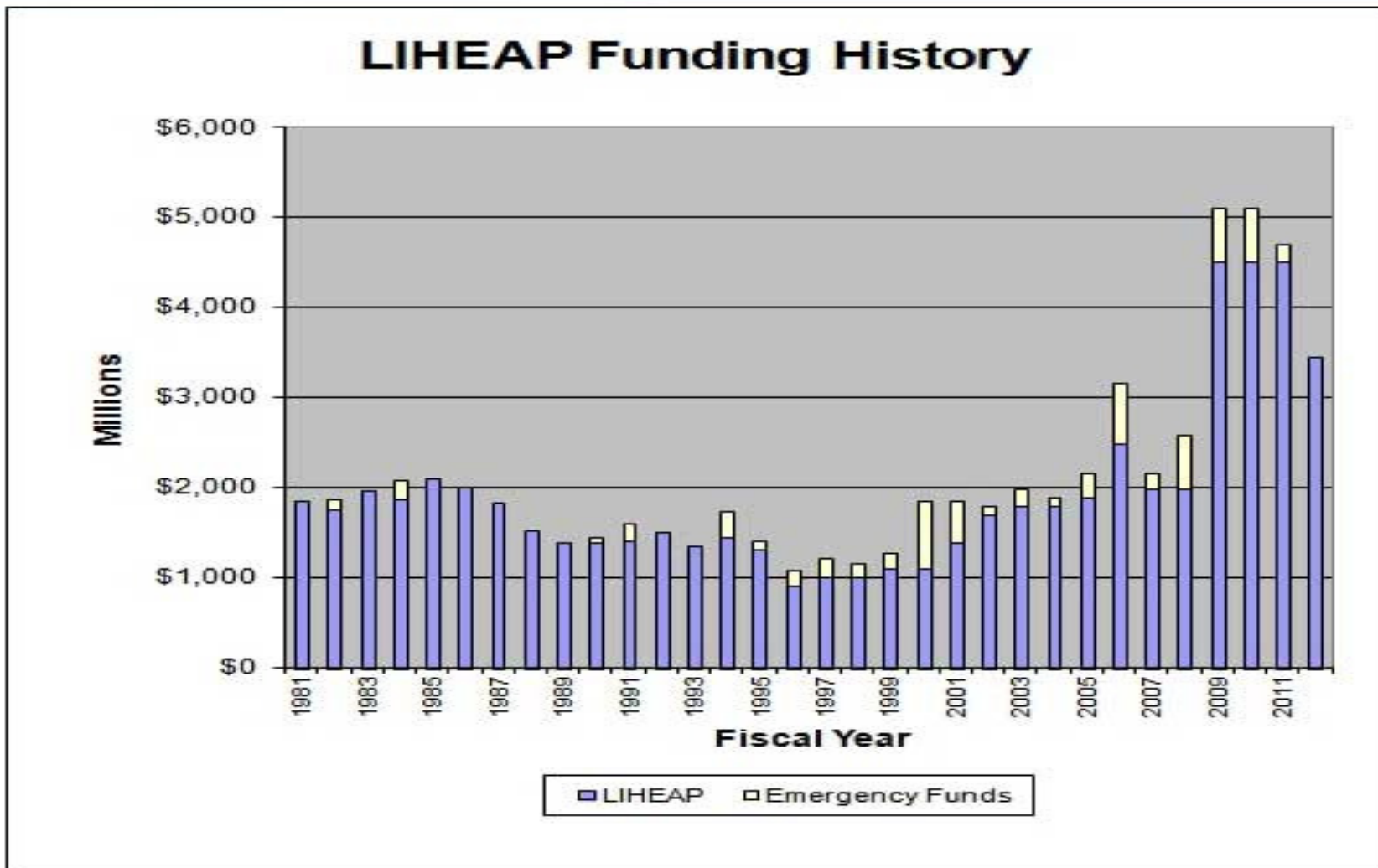
## Natural Gas Price Residential Sector, U.S. Average

dollars per thousand cubic feet



Source: Short-Term Energy Outlook

# Federal LIHEAP Funding





# Advanced Metering Technology

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- Smart meters: meters with digital, 2-way communications capability which can store data
- Remote reading, connection, disconnection and outage detections
- Two-way capability and storage enables “dynamic pricing” (e.g. time of use rates) and pre-payment.
- 65 million new to be deployed by 2015

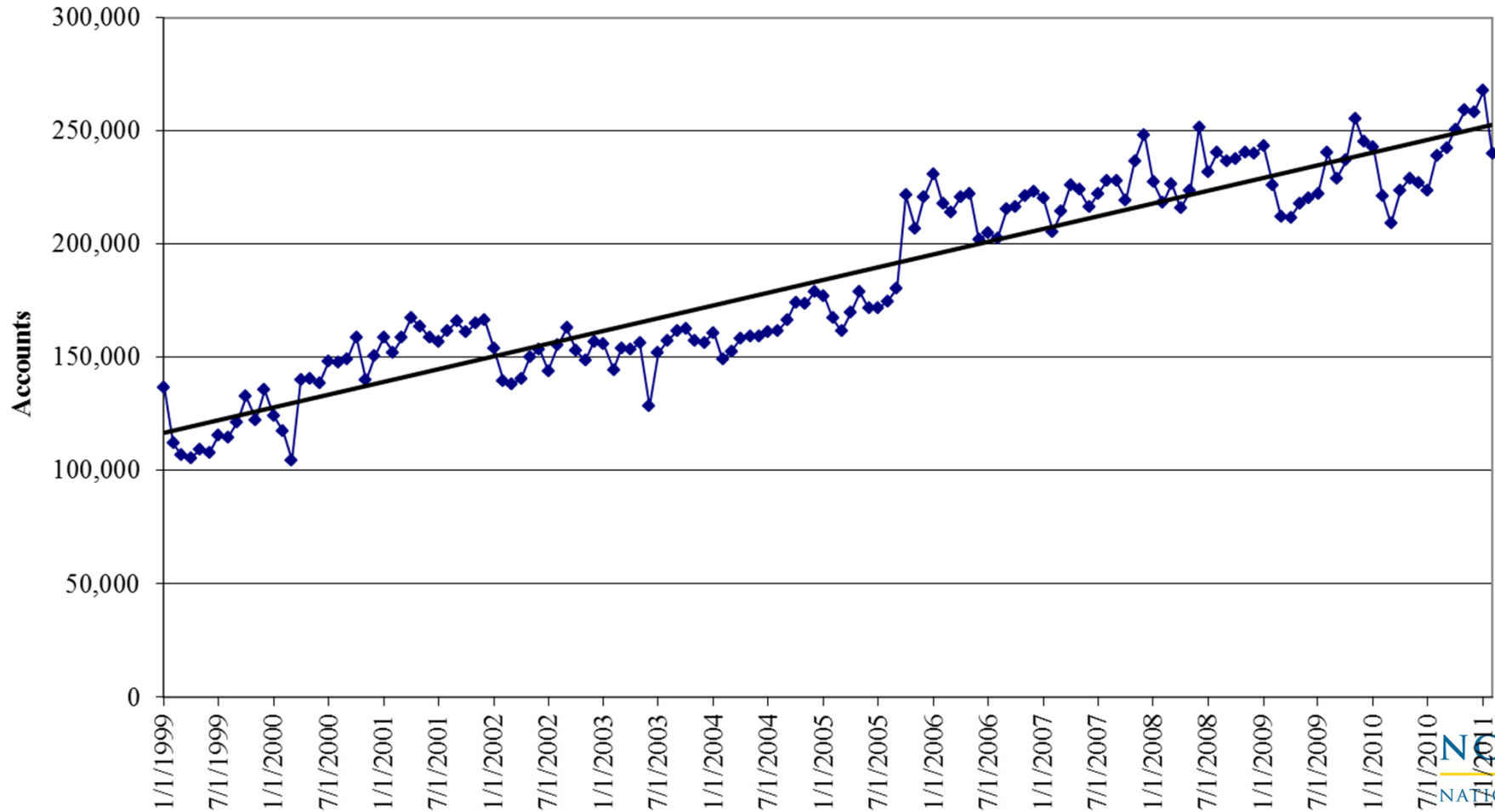


# Remote Disconnection Capabilities of AMI

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- Disconnection of traditional, analog utility meters
  - Requires utility field personnel to physically shut off the meter at the customer's home or place of business
  - Limited by the number of field personnel and vehicles available to the utility company
- Advanced Metering Infrastructure (AMI)
  - Provides utility companies with the capability to disconnect service remotely
  - No need to send field personnel to the residential customer's home.

## Iowa Electric and Natural Gas Utilities: *General Residential Accounts Past Due*



# “Dynamic” Pricing of Electricity

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- Dynamic pricing—based on when kilowatt hour is used
- Time of use—electricity usage priced differently at different hours, usually determined in advance.
- Real time pricing—retail price changes hourly or even more often based on wholesale market prices
- Critical peak pricing—retail price changes during critical peak periods of high wholesale price and/or shortages
- Peak Time Rebate—rebate for decreased usage during critical peak period
- Prepayment—pre-pay for usage; meter shuts off when money runs out

# Dynamic Price Theory

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- Assumption that all or most customers can shift usage or reduce usage according to their “sensitivity to price”
- Control usage with in-home displays, web based information and “smart” appliances
- Empower consumers to save money by shifting usage to off peak
- Reduce system peak load and reduce generation supply prices

## Dynamic Pricing: Consumer Concerns

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- Consumers want and need stable and fixed prices for service essential to their health and well being
- Time of Use rates have proven unpopular with consumers
- Would dynamic pricing be mandatory?
- Concern about bill impacts on some customer groups: low income; elderly; disabled. These groups generally have lower “elasticity” and cannot shift usage to other times of day

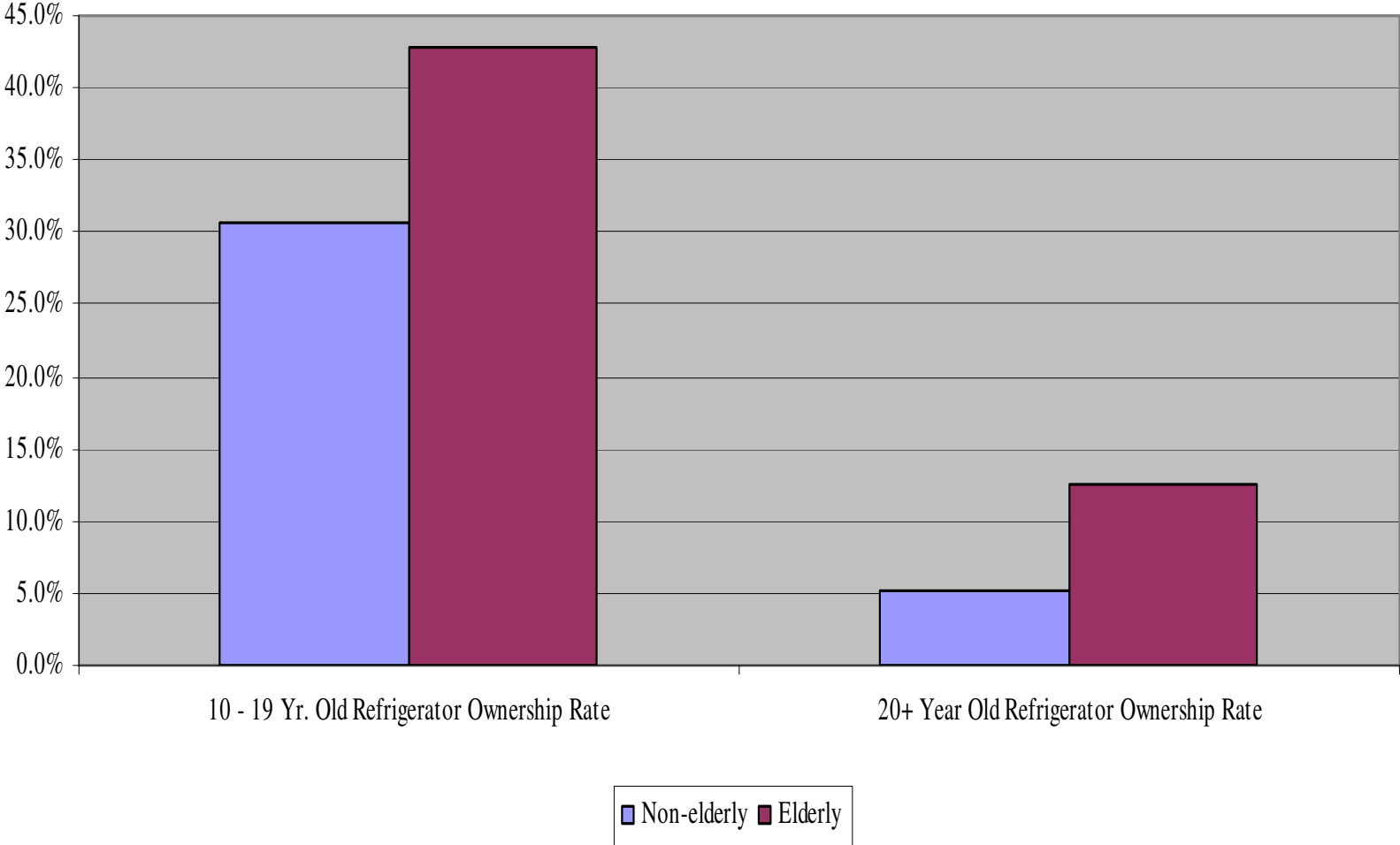
# Ability to Adjust to Price Signals

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- Dwelling Unit
  - Size
  - Energy Efficiency
- Household Appliances
  - Inventories
  - Age
  - Access to High-efficiency and Programmable Appliances
- Vulnerability to Extreme Temperatures
- Tech-savvy



# Elderly and Non-elderly Refrigerator Ownership Rates by Age of Refrigerator



## Other Concerns with AMI

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- System Costs
- Privacy
- Data Security

# Specific AMI Advocacy Considerations

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- No mandatory dynamic pricing
- Enhancement and No Degradation of Regulatory Consumer Protections (more on this later)

# The Need for Essential Consumer Protections

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# Prepaid Electric and Gas Service

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- Many AMI systems include capacity to provide utility service providers with the option to offer or require prepaid billing programs
  - Customers pay in advance for service
  - May be delivered with or without in-home readout device to monitor billing credits and usage
  - When billing credits are used, service is disconnected remotely
  - Marketed to payment troubled customers – service concentrated in low-income households
  - Very high rates of service disconnection
  - Often more expensive than traditional, credit-based service
  - Often significant transaction fees and deposits required

# Prepaid Service Fees

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- Monthly program fees
- Reconnection fees
- Transaction fees
- In our analysis of one cooperative, customers paid 11% more for electricity because of transaction fees

# Positive alternatives to prepay

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- Arrearage management program
  - Arrearage write-down over time with timely payment of current bills
- Reduced deposit requirements for low-income
- Effective energy efficiency programs
- Bill payment assistance
- REASONABLE deferred payment agreement
  - Limited down payment
  - Repayment term based on customer income and expense circumstances
  - Ability to renegotiate upon changed circumstances or showing of good faith effort to repay under terms of initial agreement

# Prepaid Service Poll – Question 1

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- How do you think prepaid service affects or will affect elderly or low-income households (check all that apply)?
  - Increase home energy security
  - Detract from home energy security
  - Increase shut-offs
  - Decrease shut-offs
  - Prepaid service will have no effect on elderly or low income households



## Prepaid Service Poll – Questions 2 and 3

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- Is prepaid electric service appropriate for seniors?
  - Yes
  - No

Is prepaid electric service appropriate for low-income households?

- Yes
- No

## Prepaid Service Poll – Question 4

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- What are some concerns that you have with prepaid electric service (check all that apply)?
  - Remote disconnection
  - Payment difficulties
  - High fees and costs
  - Customer confusion

# State Regulatory Authority

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- State jurisdictional authority
  - Pricing
  - Procurement
  - Customer service
- Consumer protections and programs
  - Provision and denial of service
  - Security deposits and advance payment for service
  - Late payment fees
  - Termination, disconnection and restoration of service
  - Establishment of payment plans and agreements
  - Bill payment assistance and arrearage management
  - Energy efficiency programs

# Utility consumer protection structure

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- Regulatory Policies
  - Bill payment timeframes
  - Disconnection protections
  - Deposits and fees
  - Deferred payment agreements
  - Disconnection notification requirements
- Programs to Enhance Affordability
  - Bill payment assistance
  - Arrearage forgiveness/management
  - Energy efficiency

# Regulatory Consumer Protection Principles

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- Punitive vs. Compassionate
- Regulatory structure should contain provisions based on recognition of the extent to which nonpayment occurs as a result of inability to pay
- Clear link between regulatory termination protections and a affordable payment programs

# Bill Payment Timeframes

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- Examples of Bill payment due date
  - AL, 10 days
  - AK, 45 days
  - AR, 14 days
  - CT, 33 days
- See PSC Rules

# Deposits

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## Hurdle to low-income access to service

- LA
  - 2.5 average bills
- MS
  - 60+ waiver; 12 timely payments waiver
  - 1 month average bill unless deemed by utility to be inadequate
- AR
  - 2 – 6 average bills
- MA
  - Residential deposits prohibited
- MN
  - No use of credit reports to determine deposit

# Late Payment Fees

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- AR
  - 10% of first \$30, 2% on remainder
- LA
  - 5%
- MA
  - No late payment fees allowed



# Disconnection Protections - Weather

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- Shutoff Moratoria
  - Extreme temperatures (cold, hot)
  - Date-based vs. temperature-based
  - Protection with pitfalls
    - Necessary Safety Net
    - Non-payment and arrearages
- AR
  - 11/1 – 3/31
  - < 32, >95
    - Elderly, disabled or medical emergency
- MS
  - 12/1 – 3/31
    - Extreme financial hardship or medical emergency

# Disconnection Protections - Age

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- Elderly (many states), Infant (MA)
- Seasonal disconnection prohibitions
- Utility report to PUC
- PUC approval required
- Additional notification requirements
- Payment plan requirements

## Disconnection Protections – Serious Illness or Disability

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- Postpone disconnection if loss of service would threaten health or safety
- Demonstrate financial hardship
- Certification requirements
- Re-certification Requirements

## Regulatory Consumer Protections – Deferred Payment Agreements

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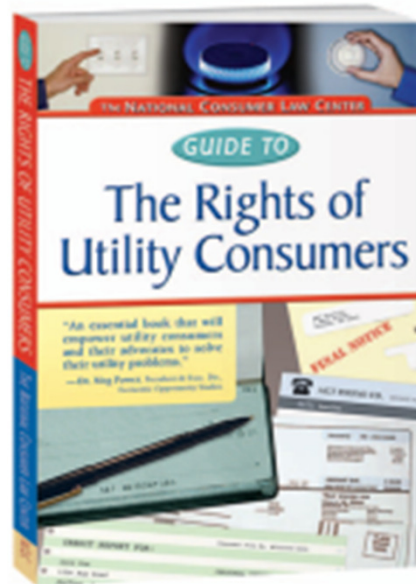
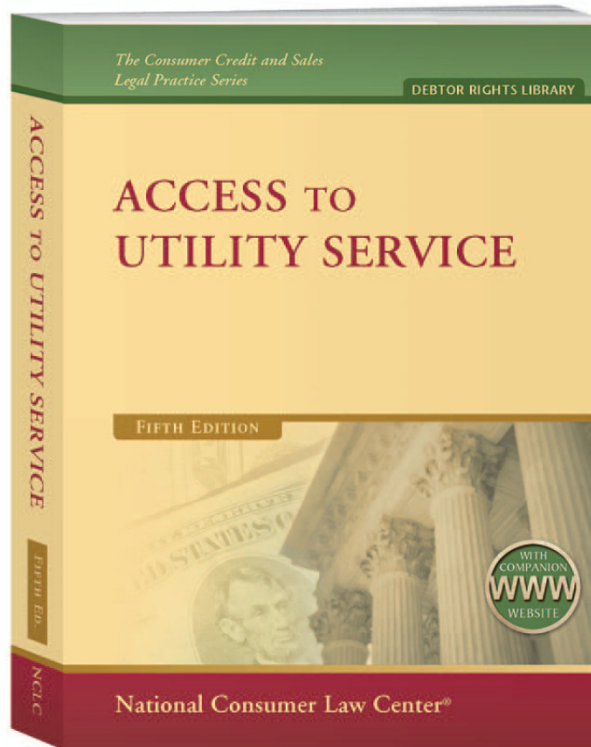
- Offered to customers as alternative to service disconnection or as condition of service restoration
- Term
- Down Payment
- Subsequent Agreement

## Deferred Payment Agreements – Ingredients for Success

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- Initial payment plan of sufficient duration to account for customer's household financial circumstances
- 12-month minimum
- If initial payment plan fails and customer has demonstrated a good-faith effort to pay, a subsequent payment plan of equal or greater duration should be offered (Iowa)

# For More Information on Consumer Utility Protections, Programs, and Practices see these NCLC's Titles:



## Definitive Legal Manuals and Guides

from National Consumer  
Law Center

For details, visit the NCLC Bookstore  
[www.nclc.org](http://www.nclc.org)

# Contact Information

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