



Remarks of Consumer Counsel Elin Swanson Katz Before CT Statewide Energy Assistance Conference



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I am on an advisory board for a series of scholarships at University of Hartford. A few weeks ago, as we were meeting to discuss the scholarship recipients, a university official told me that this year's pool of college applicants are needier than last year's, and that next year's pool is projected to be needier than this year, and the year after that, needier still. This is a trend that is seen by colleges and universities all over the country and is projected to continue – this trend of ever more needy college applicants.

As a consumer advocate, as a human being, this keeps me up at night. Are we heading towards a world of increasing poverty, increasing income disparity, and frankly, increasing social, economic, and political instability that is associated with high levels of poverty?

Let me be clear: I am an eternal optimist, so I believe that the activities of all of you in this room can and do make a difference to so many people in Connecticut survive and thrive. I

also believe that with the right actions and policies, some of which are already underway, we can turn around this alarming trend – but I definitely feel a sense of urgency about the need for collective action.

So let me start by thanking all of you for all the work that you do on the front lines of the battle to improve the lives of your clients to keep their homes lit and warm and able to access information. The comfort and assurance that you provide to families who leave your offices knowing that they can now continue to work and study and make progress in Connecticut while having access to affordable utility services is of enormous value, and is appreciated.

In my role as Consumer Counsel we advocate on behalf of all consumers, including residents and businesses, for fair, and low, and fairly low, utility rates while being consistent with the state's environmental goals and reliability. We deal with electric, gas, water, and broadband issues.

The raw numbers in terms of Eversource and UI customers who struggle to pay their bills are stark and troubling. Each year, both companies file reports as to the number of customers who have been carrying a balance beyond the payment date. These customers are divided into customers who have filled out the paperwork to demonstrate a financial hardship, and are therefore called hardship customers, and other customers who either don't meet the financial qualifications for hardship or who have not submitted the paperwork, called non-hardship customers. Hardship customers have some seasonal shut-off protections and can be eligible for matching payments to help bring down a balance.

We will have some 2017 data later this month—right now the most recent data is from 2016. I note that some of the data differs as between the companies because of different collection practices and tracking methods. As of May 1, 2016 for Eversource, there were 80,000 hardship customers, as well almost 203,000 non-hardship customers who had fallen so far behind on their bills that Eversource had agreed to negotiate an amortization agreement with them. This does not mean that they are on budget billing, but rather, they can't pay their bills. Together, that is over 1/4 of the overall residential customer base! Ultimately, for the period from November 1, 2015 to October 31, 2016, despite the programs we have in place and

amortization agreements, Eversource had to write off all or part of almost 45,000 accounts with an uncollectible balance of \$52 million.

For UI, the relevant data is there were 22,000 customers as of May 1, 2016, who were either in hardship status or who had fallen behind enough to warrant an amortization agreement, and the uncollectible write-off total for the period from November 1, 2015 to October 31, 2016 was about \$12 million. One figure that is higher for UI is that they had to ultimately write-off all or part of about 63,000 accounts, which is also about ¼ of their residential customer base. So, although they operate differently in terms of collections, it looks like from the raw data there are about 25% of residential customers at each company who struggle mightily to pay for their electricity and are sometimes unable to fully pay. This creates tremendous burdens on their lives, in terms of the risk of shut-off, fear and uncertainty, but also impacts the general customer base, who ultimately covers the uncollectible shortfall. This data can be found here:

<http://www.dpuc.state.ct.us/DPUCUndocketed.nsf/411bd1cb6513945b85256d0300565bc1?OpenView&Start=1&Count=30&Expand=3.2#3.2>

Given this situation, people naturally ask me, “Why does Connecticut have the highest or among the highest electric rates in the contiguous United States?” And the subtext of the question is, of course, “What are you doing about it?” In terms of the first question, why are our rates so high, there are a variety of factors. There are access issues in New England for the fuels that run power plants (mostly natural gas, these days), we are a high cost-of-living state generally which impacts payroll and benefits, we have to plan the electric system for both really hot summers and really cold winters, we have to do lots of tree trimming in our lush, green state, we have had major storm cost expenses earlier this decade, and our clean energy and efficiency programs do carry a price but of course they bring other benefits. And, it is certainly unhelpful we have had some unscrupulous retail suppliers out there, knocking on people’s doors and calling people repeatedly on the phone, and telling them that they are going to save them money, and then charging them exorbitant amounts instead. This has cost ratepayers in the aggregate tens of millions of dollars every year—in recent years about \$60 million or more.

The line of victims of retail suppliers is very long and includes the infamous example of the literal rocket scientist, an aeronautic engineering specialist, which Rep. Lonnie Reed of Branford used to reference, who even got ripped off. So, you can't say that you would have to be a rocket scientist to understand the offers these people are making, because even being a rocket scientist didn't help. So what hope do the rest of us have when wrangling with these retail suppliers?

So, we are trying to do what we can about all these issues. We have worked very hard to increase consumer protections against retail suppliers. We have tried to promote greater New England access to natural gas for power plants. We work in the regional electricity markets developed through ISO-New England to try to make sure that power plant owners and electric transmission utilities will be fairly compensated, but not overcompensated. At the state level, we have encouraged our electric utilities to get leaner and cut costs and incentive packages. We are working with the Department of Energy and Environmental Protection, DEEP, through the Comprehensive Energy Strategy to try to reform out-of-date and expensive programs and make renewable energy less expensive. It's a lot of work in a lot of different forums, I assure you. And, the good news is, although Connecticut is still comparably expensive, the gaps with the rest of the country are starting to close. Still, that is not particularly comforting to those who struggle to pay their bills, and I get that. So, let me highlight one specific issue where OCC has made a concerted, ongoing effort to try to protect the needs of low-income users: the fixed electric customer charge.

The fixed customer charge—I will just call it the customer charge from here—is the base portion of the electric bill, that is, the fixed amount that you need to pay before you have used any electricity. The residential electric bill is basically divided into two pieces, you have the customer charge, and then you have the majority of the bill which is volumetric—based on your usage. All else equal, when customer charges are low, low-use customers pay less than they otherwise would, while heavy-use customers pay more. To most folks, that seems natural and appropriate—use more means pay more. When customer charges are increased, low-use customers pay more than they had been paying, while high-usage customers get a break. Note that the customer charge debate is not about the utility making more money in the aggregate—

it is about how we are dividing the cost responsibility among low-usage versus high-usage customers.

Since low- and moderate-income households tend to also have lower usage, our office favors low customer charges. We have expressed the common sense concern that struggling families in small homes, with low-usage and often little access to air conditioning, ought to have low customer charges and low bills. Also, we have argued that high customer charges reduce the ability for a consumer to control his or her electric bill by getting more efficient and using less.

So, that is an example of just one issue where we are trying to fight for the rights of working families who are struggling to pay the bills.

I know another issue on people's minds is renewable energy. With the numerous storms that occurred in just the last few months, it underscores the moral imperative we have to address climate change. Our efforts to develop a cleaner power supply in Connecticut and New England have, for example, reduced air pollution significantly. I don't need to tell this audience that a lot of power plants have disproportionately been developed in cities and near low-income neighborhoods. So, as we have cleaned up the fleet, this has made the air cleaner and promoted public health, reduced lung diseases and asthma, etc. Also, for a variety of reasons, including since low-income communities also suffer disproportionately from floods and other disasters, it is important that Connecticut due its part in the international efforts to reduce global warming emissions.

But, this effort comes at a cost. And I would like to focus at recent hot topic in this area—residential solar. I don't need to tell you that a lot of folks, particularly with larger homes and roofs, are putting solar panels on their roofs. There are state programs out there to incentivize that activity. What does it mean for low and moderate-income families?

Generally, when someone puts solar panels on their house, unless they make a bad deal, they save money. Unfortunately, some of those savings create a cost shift to other customers, at least for a while. Some quibble with the cost shift, but I think it is pretty clear and unescapable. So, those who put the solar panels up pay less, and others pay more. As more and more consumers adopt the technology, the shifted costs are starting to become noticeable.

Now, some moderate income homeowners with decent credit can probably also lease solar panels, but, by and large, we expect that low and moderate-income customers are going to be on the “pay” side of this equation. Yes, there are other benefits, from reduced pollution and public health, but shifting costs to those with less ability to pay is still a major concern.

So, what can we do about that? OCC is doing two things. The first thing we are doing is trying to reduce any excessive incentives to install solar by reforming net metering. I won’t get into too much detail on net metering, but basically it leads to high payments to homeowners for installing solar and it doesn’t create an impetus to reduce those incentives and lower costs for the general public. So, we are working with DEEP in the Comprehensive Energy Strategy process to try and reform net metering while still encouraging solar panel installation. We are trying, in short, to “right-size” the incentives.

The other thing we are doing is working with the legislature, PURA, and DEEP on a program called “community solar” also sometimes known as “shared clean energy.” This approach would allow individual customers in multi-family housing, or an entity like a Housing Authority, to buy a share of a large solar facility that is located in a field rather than putting solar on their own roofs. This would allow consumers who cannot afford the upfront expense of putting solar panels up or who do not own their homes a chance to participate in renewable energy and lower their costs while doing their part to improve their environment. Community solar has had some successes in other states, but so far Connecticut is in the pilot stage, and there are some real challenges around incentive structures, the rights and obligations of consumer participants, and consumer protections. So, a lot of work still needs to be done, but community solar has the potential at least to make the overall situation fairer by broadening opportunities to participate.

We also work on broadband issues, working to ensure that all citizens have access to fast, affordable access to broadband services. I am particularly focused on school-age children, the digital divide, and the homework gap. If we are going to make progress on the income disparities in our state and our country, we need to make sure that every student has access to the resources they need to do their school work. Failing to provide the resources to access the internet when we’re assigning work online seems particularly cruel and harmful to children.

So what can we do together to help low-income consumers?

- Urge customers to read their electric bills.
- Report abuses. If your clients are being harassed by retail suppliers, with repeated, unwanted door-to-door inquiries, telephone sales calls, claims that the salesperson is “from Eversource” or “Eversource doesn’t want you,” or “you are required to switch,” and especially if you feel like a community is being targeted because it is low-income, or English as a second language, or elderly, I would encourage you to let me know and I need you to encourage and instruct your clients to file a complaint with PURA in writing or over the telephone. Please assist them with this if need be. I am becoming increasingly concerned that retail suppliers are targeting these communities and either slamming them (switching their supplier without permission) or giving promises of savings, and sometimes with relatively small gift cards, and then after a few months charging them huge and unaffordable prices for their electricity. So if you would help me with that problem we share, I would greatly appreciate that.
- Warn your clients about the increasing number of utility scams. There is a proliferation of scams related to utilities where someone will call you or knock on your door and tell the consumer that unless they go to Walgreens or the supermarket and get a prepaid card, their electricity (or water) will be shut off in two hours. They particularly encourage the use of MoneyPak, a type of money card that, once you read them the numbers, apparently cannot be traced or recalled. Please warn your clients that utilities almost never make these kinds of calls, and they should immediately call their utility if they get such a call, and certainly should confirm with them before paying. We are working with a group called, “Utilities United Against Scams,” which will be disseminating a Consumer Protection guide for community leaders with educational materials. The guide will include one-page info sheets for community centers, senior centers, churches, etc.

- Finally, please talk to us. We need your feedback. We need to find creative ways to assist low-income consumers with their utility bills. I recently heard a talk by a Southern Company officer about a pre-payment option that many low-income consumers in their territory like. Would it be useful to your clients to have a weekly payment option, or to pre-pay, then get an alert with the balance is nearing zero? These are the types of ideas that we'd like to discuss. With 7% of Americans being "unbanked," i.e., without bank accounts, what are options to assist them?

And again, thank you for all the work you've done to help low-income, and thank you for support you've given me and my office. As I said, I'm an optimist, and I believe our efforts have and will continue to make a difference, and that there are better days ahead for many of our struggle families, seniors, and most vulnerable customers.

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