

Increased Utility Debt Threatens Universal Access to Utility Service

New Regulatory Reforms are Needed

Press Release

Since the 1970s, National Consumer Law Center has tracked low-income energy policies, programs and pricing. I am here today to address the inadequacy of the existing state regulatory framework to address the energy burden crisis currently faced by millions of low-income households in the U.S. As described a moment ago by David Bradley, and as documented in Meg Power's new report that you have, *the close of the winter heating season does **not** mark the end of this energy burden crisis.*

Today, we call on utility companies and regulatory agencies across the country to work with us to ensure that no one loses access to vital utility service simply because of an inability to pay high bills. Without swift new actions, and in light of continued high bills and prices, the close of this year's state fuel assistance programs, the expiration of winter shutoff moratoria in many states, and the high levels of outstanding utility debt that currently exist across the country, a flood of new utility service terminations will threaten the health, safety and well-being of many low-income households.

A recent survey by the National Energy Assistance Directors' Association indicated that in a limited sample of 19 states and the District of Columbia, arrearages totaling \$870 million were owed by 3.6 million families. The number of households with utility debt and the average amount owed are up sharply across the states.

Shutoff moratoria can provide temporary protection to vulnerable households, but are not universally available. Cold weather moratoria as they exist, have already or will shortly expire. *Clearly, new long-term arrearage management strategies are needed if we are to avoid loss of universal access to utility service in this country.*

There is broad recognition in our society of the necessity nature of utility service. Our courts and legislative bodies have often noted the necessity of utility service. Even in recently-enacted state legislation to restructure the utility industry, access to affordable utility service is noted. Here are but a few examples of legislative language that addresses the notion of universal service:

MAINE: electricity is a basic necessity to which all residents of the State should have access, ...[1](#)

MASSACHUSETTS: Electricity service is essential to the health and well-being of all residents of the commonwealth...Affordable electric service should be available to all consumers on reasonable terms and conditions...[2](#)

NEW HAMPSHIRE: Universal Service . . . electric service is essential and should be available to all customers . . .[3](#)

OKLAHOMA: "mechanisms that enable . . . consumers with limited incomes to obtain affordable essential electric service" shall be ensured [4](#)

However, existing state regulations set out the means by which utility companies may terminate customers for non-payment. **These regulations, summaries of which I have attached to this statement, need to be modified in light of the existing energy burden crisis, and if we are to live up to the ideal of universal access to utility service.** The existing regulations fail to recognize the extent to which non-payment occurs as a result of inability to pay.

Most states' regulations set forth requirements that proper notice be delivered prior to termination. Some states even require that utilities not terminate customers who are elderly, who have a disability, when weather is severe, or in the event of a serious illness. However, state utility regulations generally do not address the affordability issue head on. The bottom line on the existing regulations: for the households that do not pay their bills simply because they cannot afford to do so, there is a very high risk of losing access to essential utility service.

What changes are required?

First and foremost, people should only be required to pay what they can actually afford. The economic analysis provided to you today shows that there are millions of households who simply cannot afford to pay both their utility bills and for the other necessities of life. As a result, regulation at the state level should, at a minimum -

- Prohibit service terminations in cases where residential customers can show that they lack the income required to pay off existing utility debt or pay for new charges, and
- Require realistic payment plans and budget billing that allow customers to make payments at the level they can afford.

Several states and utility companies have recently taken steps to alleviate the current energy burden crisis. As mentioned earlier, some states have extended cold-weather shutoff moratoria for a number of weeks. In addition, some utility companies, such as Keyspan Energy, that operates in some New England states and New York, provided funding specifically targeted to low-

income households with trouble paying their bills. There are many other examples of efforts geared toward helping needy households right now.

Despite these well-intentioned efforts, continued high prices in the energy sector mean that the threat to universal service will not go away. The time has arrived to adopt the regulatory and customer service reforms that will work over the long-term and that are more reflective of the real energy market conditions that exist.

Thank you very much for your time and attention. We welcome your questions.

¹ Maine Rev. Stat. Tit. 35-A, 3214(1)

² Mass. St. 1997, C-164, § § 1(a), 1(b), 1(j), 1(n).

³ N.H. Rev. Stat. C-374-F: 3(v)

⁴ Okla. Stat. Tit.17§194.4.