Low Income Consumers Won't Pay for MA Solar Programs

Across the country, advocates for low-income energy customers are grappling with rate design and fair solar power policies. The Massachusetts Department of Public Utilities (DPU) recently issued a decision that could help guide other successful advocacy work.

In late 2015, National Grid asked the Massachusetts DPU to raise the electricity rates that it can charge to its customers. The Massachusetts Low Income Weatherization and Fuel Assistance Network (or Low Income Network), which is represented by NCLC, intervened in this rate case to advocate for the rights of low-income ratepayers, and to support programs that benefit low-income ratepayers, such as the low-income discount rate and the Arrearage Management Program (AMP) to help manage overdue bills.

The Low Income Network advocated for, and won, utility consumer protections in three key areas:

- Rates: a fair rate design that would not unfairly burden low-income customers;
- Arrearages: better implementation of the AMP program by National Grid, and retention of the method that already was used successfully to compensate utilities for operating the AMP program; and
- Solar Charges: an adjustment to the rates paid by low-income people to effectively exempt them from paying for renewable energy incentives that almost exclusively benefit higher income customers

Rates

National Grid asked to raise charges for low-income customers in two phases. Phase I would have raised prices, and Phase II would have then introduced tiered charges, where customers would pay a higher monthly charge ranging from $6 to $20 depending on their electricity usage. Under the Phase II method, one sample month would be used to lock in the household's monthly charge for the following year. Then the customer would then continue paying that monthly charge for the next year with no opportunity to lower their rate through energy efficiency or other conservation measures until the year was up.

The Low Income Network introduced testimony from NCLC senior energy policy analyst John Howat and argued that the increased fixed monthly charge should be rejected for three reasons. The increased charge would disproportionately burden low income ratepayers, with some customer bills increasing by as much as 60%. This increase would be particularly unfair since low income households tend to use less electricity than higher income households. Finally, higher fixed charges are coupled with lower volumetric rates, and this arrangement weakens the financial incentive to adopt energy efficiency measures.

The DPU concluded that there were a number of problems with the company's tiered charge proposal, including concerns about energy efficiency incentives, customer confusion, and unnecessary complexity. The DPU rejected the utility company's tiered charge proposal entirely.

Arrearages

After analyzing utility company data, NCLC found that National Grid had a level of AMP participation that was well below the state average. The Low Income Network presented this evidence and an analysis by NCLC researcher Marina Levy, and questioned National Grid witnesses on the workings of its AMP. The Low Income Network requested that National Grid examine its AMP policies and practices, report on these to the DPU in six months, and put forth a plan to improve its AMP enrollment rates. National Grid did not dispute the evidence or proposed remedy.

The DPU agreed with the Low Income Network on the need to remedy the low AMP enrollment rate and ordered the company to submit the report requested by the Low Income Network. The DPU also agreed to continue to allow National Grid to collect AMP recovery costs using the same method that had been used successfully in past years, through the Residential Assistance Adjustment Factor (or RAAF).

Solar Charges

Massachusetts law contains a unique consumer protection for low-income utility ratepayers. The DPU must consider the impact of distributed generation on low-income customers, and must make adjustments to keep rates affordable for low-income households. In this rate case, the DPU applied this section of the law for the first time.

The Low Income Network presented evidence to show that all customers pay through their electric bills for certain renewable energy subsidies, including costs associated with net metering for solar power customers and costs of complying with the Massachusetts Renewable Energy Portfolio Standard (a requirement that electricity suppliers must obtain a certain percentage of electricity from solar power and other renewable sources). Low-income customers pay for these subsidies as well, and have absorbed an unaffordable 6% increase in their electric bills. Yet it is unlikely that many low income customers would be able to benefit from the renewable energy subsidies themselves. The Low Income Network argued that, given this impact on the bills of low income ratepayers, the DPU must adjust the low-income discount rate to make sure that low-income customers are not paying for subsidies and programs that they cannot use.

The DPU found that the deployment of renewable energy has grown, causing growth in the renewable energy subsidies. Bills for low-income households have increased as a result. Applying Massachusetts law, the DPU agreed that the correct remedy was to order a reduction in the rates charged to qualifying low-income households, and directed National Grid to make this adjustment and include it with the utility company’s compliance filings. The DPU also noted that other utility companies should do the same when they return to the DPU to seek increased rates.

The decision in this case, DPU 15-155, and the DPU’s acknowledgment of the impact of renewable energy subsidies on low-income ratepayers, represent a victory for low-income Massachusetts households who struggle to pay their electric bills. NCLC can assist advocates in other states who are interested in trying to get similar legislation adopted elsewhere, or otherwise seek similar rate adjustments through their utility commissions.

For more information, please contact Charlie Harak,

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