

Addressing Energy Burden with CRED

PJM Roundtable on Post-COVID 2020



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Even before this crisis, energy was unaffordable for US households



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One in three households in the US deal with energy insecurity.

30 million households pay more than 6% of their income toward energy bills.

Studies have found that households in disadvantaged communities use less than affluent households, but pay more of their paycheck.

But COVID-19 has put those issues into hyperdrive.



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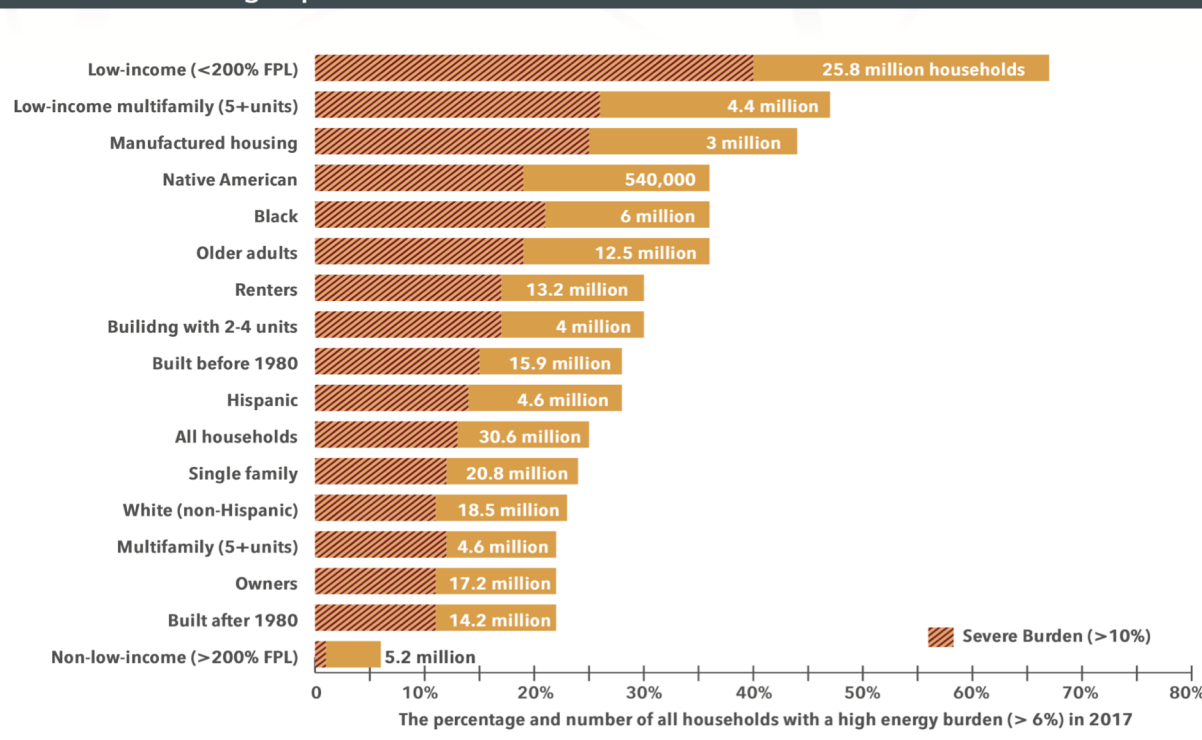
Source: US Department of Labor

Energy Burden Not Shared Equally



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FIGURE 2. The percentage and number of households nationally with a high energy burden (> 6%) across different subgroups in 2017



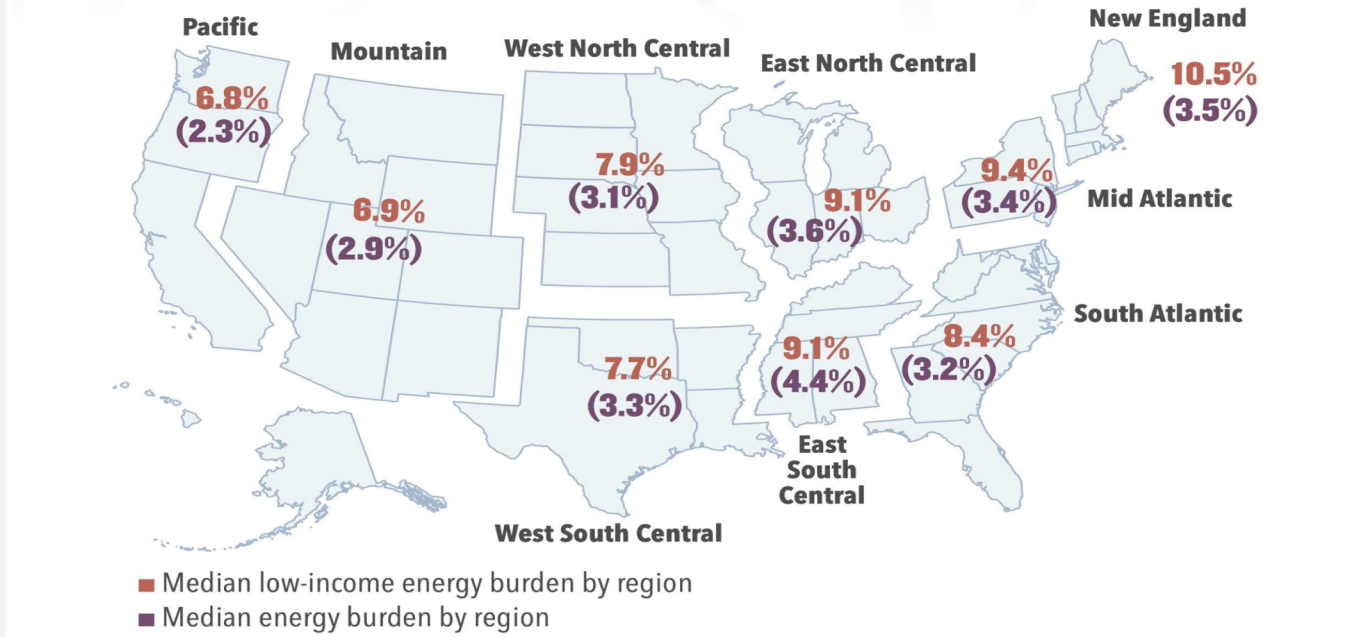
Source: ACEEE <https://www.aceee.org/sites/default/files/pdfs/u2006.pdf>



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Regional Energy Burdens

FIGURE 3. Median low-income (< 200% FPL) energy burdens by region (red) compared to median energy burdens by region (purple)



Source: ACEEE <https://www.aceee.org/sites/default/files/pdfs/u2006.pdf>

Vote Solar Out Front in Projecting Problem Scale



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In May, 2020 we found that:

NATIONAL ARREARAGE RELIEF PROGRAM BUDGET

ARREARAGE RELIEF, BY UTILITY IN BILLIONS	
Electricity	\$10.4
Gas	\$275
Water	\$3.9
Wastewater	\$3.8
Broadband	\$5.2
TOTAL ARREARAGE RELIEF	\$26.0
Administrative Costs	\$1.1
TOTAL PROGRAM BUDGET	\$27.1 billion

- **Coronavirus could plunge 20% of families into utility bill debt over the ensuing four months.**
- **The average household pays more than \$250 per month for critical utilities.**
- **Potential for \$26 billion in total utility bill debt over four months.**



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Principles for Protecting Electric Utility Customers in the REGULATORY RESPONSE TO COVID-19



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Principles for Protecting Electric Utility Customers in the REGULATORY RESPONSE TO COVID-19

As we change our communities, electric utilities across the country are being asked to do more than ever. While shut-off protection has helped protect the most vulnerable customers, many are still unable to pay their utility bills in a time when staying at home is the only way to stay safe.

Electric utilities have generally responded by ensuring that they are able to continue to provide service to all customers. While shut-off protection has helped protect the most vulnerable customers, many are still unable to pay their utility bills in a time when staying at home is the only way to stay safe. As states consider reopening and the economic crisis continues, regulators and utility decision makers are now wrestling with what the next phase of the response should be. In particular, two issues are at stake: First, what measures should be taken, and for how long? And second, what's the appropriate regulatory response to utility business practices that have changed and unexpected costs?

This document illustrates a few key principles of a just and reasonable response for regulatory decision makers, as well as some key policy recommendations. These recommendations were designed with utilities under regulation from public utility commissions (i.e. larger, investor-owned utilities) in mind, however, the same principles also apply to unregulated, non-profit utilities.

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[...or any other economic crisis]

Data Collection & Sharing

- Can't manage what you don't measure
- Utility companies don't report information on how many customers may be disconnected
- Where we do have data, we see a looming crisis:

State	Housholds at risk of disconnection
Florida	At least 560,000
North Carolina	More than 1 million
Pennsylvania	800,000
Arizona	136,000

The Philadelphia Inquirer

OPINION

Utility shutdowns are the COVID-19 consumer threat no one's talking about | Opinion

Posted: July 30, 2020 - 6:00 AM

[Emma Horst-Martz, For the Inquirer](#)

Support Low Income Families

- Plan for an extended financial crisis that would disproportionately impact low income customers and households of color
- NCLC notes, Arrearage Management Plans (AMPs) actually have a positive impact on utility revenues
- Illinois Commerce Commission and Indiana Regulatory Commission approved consumer protections

Northam pushes for overdue electric bill forgiveness

Support Low Income Families

Vote Solar's policy recommendations include:

- **Disconnection moratorium until crisis is fully over**
- **Facilitate reconnections**
- **Remove punitive fees**
- **Consider just rate design**
- **Deferred payment agreements**
- **Leverage LIHEAP bill affordability options**

Utilities Can Reduce and Share the Burden



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- **Who should bear the burden of economic disruption?**
 - ◆ **Ratepayers impacted by COVID-19?**
- **Analysis shows that Duke Energy, Dominion, and PacifiCorp could cover five times their 2019 bad debt by refinancing 25% of existing debt***
- **Utilities should be required to pursue all measures to reduce costs of bad debt, including securitization and refinancing**

*Pearl Street Station Finance Lab: <https://www.pssfinancelab.com/post/like-a-homeowner-i-ous-should-refi-debt>



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Build Back Better

Take the opportunity to address the underlying drivers of energy bill unaffordability *and*

Modernize and optimize the operation of the grid

- Expand EE and DSM to include customer generation + storage
- Maximize deployment of this combined portfolio of assets
- Use these assets to drive down peak load and grid costs



Build Back Better: CRED

Clean Relief for Energy Debt (CRED) is a win-win-win

- Match consumers who need debt relief with utility incentive program (EE/DSM/DG/DR)
 - ◆ TOU, ADR, Smart Thermostat, RA
- Pair with arrearage management plan (AMP)
- Rate base incentives for tech
- Share savings across all ratepayers
- Maintain consumer protections

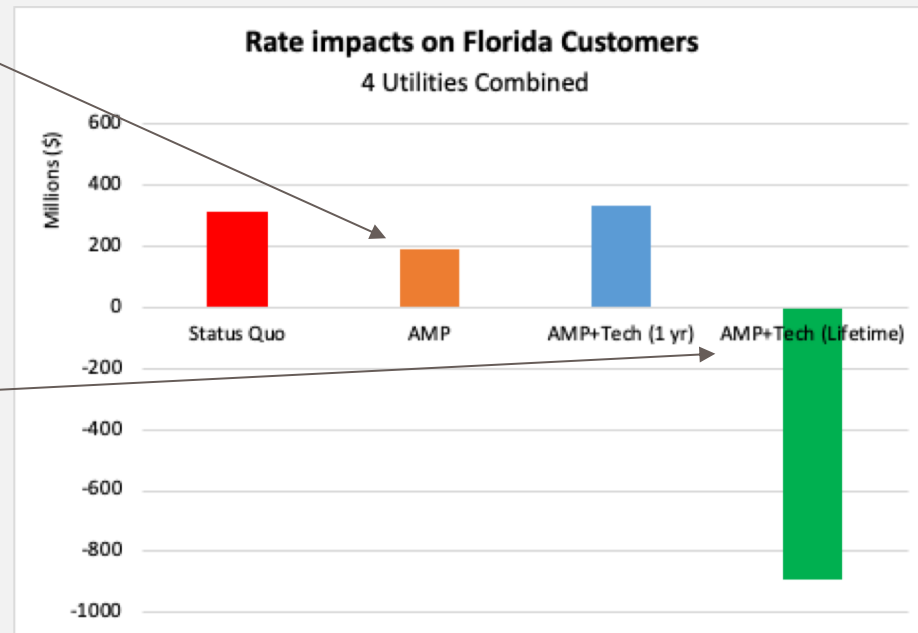


Results: CRED benefits all ratepayers



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- » All ratepayers better off if “bad debt” is reduced through arrearage management plans
 - > Customers in arrears continue to pay what they can, while avoiding shut-offs
- » Upfront costs (in year 1) more than made up for over the lifetime of the measures
 - > DR brings value to the utility and grid and lowers system operational costs
 - > EE measures
 - + lower customer energy burdens making repayment easier,
 - + lower operational costs, and
 - + Reduce risk of future bad debt



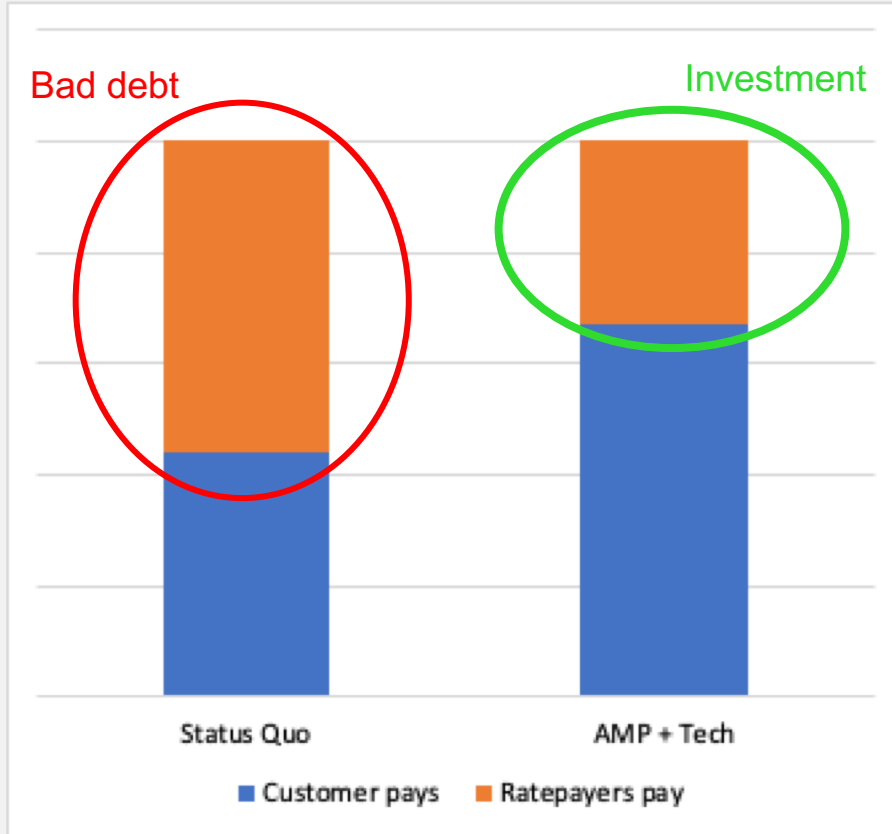
Presented to Florida PSC in Gulf Power's COVID deferred asset request docket

Participants receive a smart thermostat, 10 LEDs, and a replacement AC (at failure)



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CRED yields big impacts



- Individual customers pay more of what they owe
- Ratepayers pay smaller amount
- Money from ratepayers is *invested* in EE, DR measures to
 - Lower bills in the short run
 - Reduce system-wide costs in the long run

Thank you!



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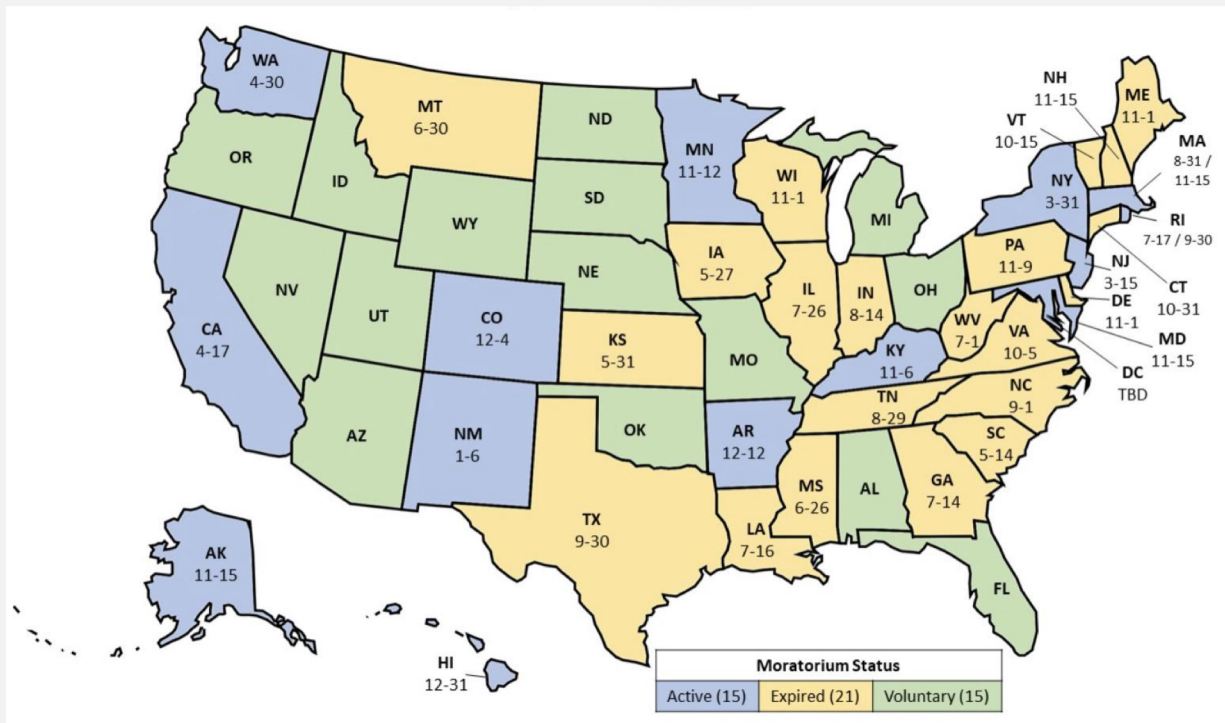
Questions???

National: Customers at Risk of power shut-offs



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Map of Disconnection Moratoria

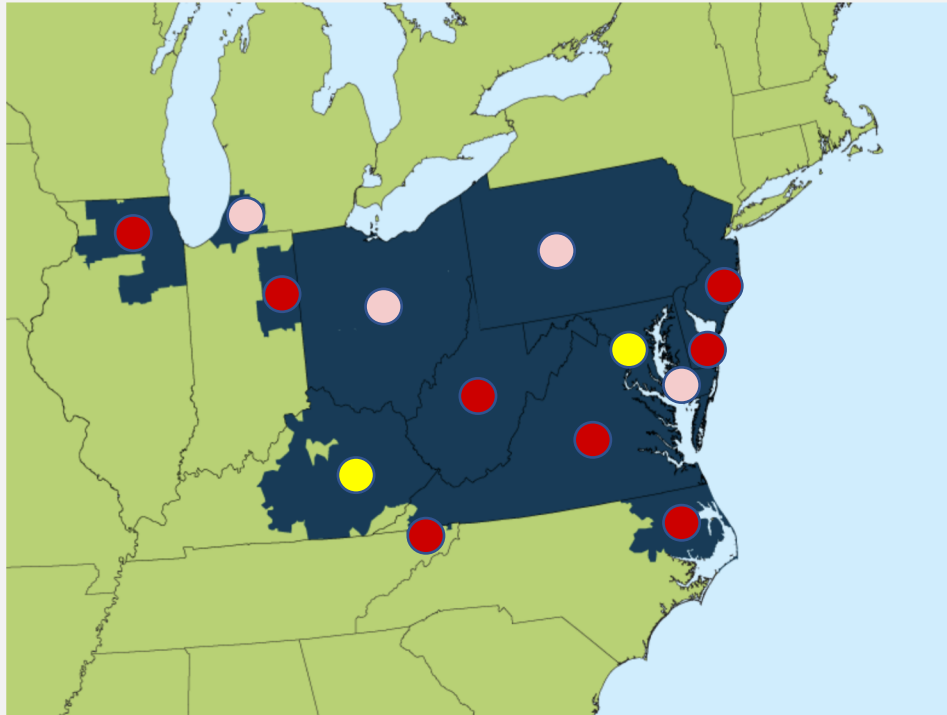


Source: NARUC <https://www.naruc.org/compilation-of-covid-19-news-resources/map-of-disconnection-moratoria/>




PJM: Customers at Risk of power shut-offs



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~6-20 million at risk customers

-  Moratorium Expired
-  No Moratorium/Expiring
-  Moratorium in Place

CRED: An illustration from FL



- » Looked at Florida's 4 biggest IOUs
- » Estimated the outstanding customer debt as of July 2020
- » Modeled impacts to ratepayers of CRED plan:
 - > All customers in debt put on arrearage management plan
 - > 30% of debt amount forgiven over 12 months of repayment
 - > Received 10 LEDs, smart thermostat, and replacement AC

