
Payment Assistance Program Advocacy – Defining the Terms of the Debate

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Presentation Focus

- Non-Federal Bill Payment Assistance Programs
 - Reduced current bill payments
 - Arrearage management
 - Electric, natural gas and water utilities
 - Not Telecom
- State and Regional Disparities
- Defining the Parameters of the Debate
- Moving Beyond Over-simplified Cost-effectiveness Analysis

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Why Ratepayer-Funded Programs?

- Rate-payer funding mechanisms provide reliable, predictable and robust funding stream
- Appropriations subject to annual debate and fiscal ups and downs
- Fuel funds subject to fluctuation, often insufficient to provide ongoing bill payment assistance for LIHEAP=eligible population

State and Regional Disparities in Selected State Payment Assistance Program Funding

State	Utility Ratepayer and State/Local Government Funding of Low-Income Payment Assistance Programs*	Total Population (x 1,000)	% Below 125% Poverty in 2006	Persons (x 1,000) Below 125% Poverty	\$ Per Person Below 125% Poverty
AL	\$1,700,000	4,532	20.2%	873	\$2
AR	\$91,427	2,748	24.3%	593	\$0
AZ	\$22,132,737	6,256	19.8%	1,463	\$15
CA	\$815,326,072	36,160	17.4%	7,196	\$113
LA	\$615,205	4,206	22.4%	1,055	\$1
MA	\$73,325,694	6,324	15.1%	934	\$79
NH	\$16,760,721	1,308	8.7%	124	\$135
NJ	\$220,629,795	8,650	11.6%	1,074	\$205
OH	\$289,224,054	11,297	16.6%	2,035	\$142
PA	\$351,445,967	12,326	14.4%	1,763	\$199
TN	\$0	5,916	20.4%	1,339	\$0
TX	\$30,000,000	23,208	22.2%	5,380	\$6
WV	\$3,000,000	1,810	20.6%	369	\$8

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Business Case For Payment Assistance Should Not Be Narrowly Defined

- Narrow Definition of Program Costs
 - Foregone Revenues
 - Arrearage Retirement
 - Program Administration
- Narrow Definition of Program Benefits
 - Mitigated Credit And Collection Costs
 - Reduced write-offs
 - Reduced carrying cost of arrears
 - Reduced disconnections and reconnections
 - Reduced disconnection notices

The Narrow Business Case Trap

- “BCR” of < 1.0
- Incapable of addressing cross-subsidization arguments
- Narrowly defined program are readily quantifiable but benefits (particularly prospectively) are not
- Oversimplified parameters of not accurately reflect true costs and benefits of well-designed payment assistance programs

Arguments to Overcome in Re-Casting the Debate

- “There can be no cross-subsidies”
 - Interclass, Intraclass
 - Examples of cross-subsidization
 - Economic development rates
 - Variable cost of extending distribution lines for new service hook-ups
- “Utility regulation may not encompass “non-utility” public policy questions regarding public welfare”
- “Payment assistance leads to over-consumption”
- Blame the victim

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Quantification Issues

- Narrowly-defined short-term program costs are relatively easy to quantify (prospectively or retrospectively)
 - Foregone revenues
 - Arrearage retirement
 - Program administration
- Many payment assistance program benefits can be very difficult to quantify – especially prospectively
 - Before and after payment data required; or
 - Assumptions regarding altered payment behavior required
 - Relationship between new program advocacy and program evaluation

Present-day advocacy paradigm – Some component pieces (cont.)

- Organize!
- Think long-term
- Be at the table for a broad range of utility dockets and debates
- Dangle the prospect of federal leveraging
- Incorporate regulatory consumer protection enhancements consistent with policy objectives of payment assistance
 - Payment agreements
 - Deposits and late fees
 - Premise visits and shutoff notice requirements
 - Smart meters, prepayment, service limiters

Non-utility Benefits

- Examples include but not limited to
 - Health
 - Safety
 - Education
 - Mobility
- Expanding body of literature supporting links to unaffordable energy bills and a range of non-utility impacts
- Precise quantification of the value of mitigating impacts may be nearly impossible
- However, difficulties in quantification do not imply that benefits do not exist

Present-day advocacy paradigm – Some component pieces

- The ever-present need for data
- Moving beyond over-simplified cost-effectiveness analysis
- Account in cost-benefit analysis not only for offset credit and collection costs, but also for *effectiveness* of billing, credit and collections (See Roger's presentation)
- Framing the debate in the appropriate forum
 - Regulatory (utility system benefits) or legislative (societal benefits)
- Building participant responsibility into program design
- Incorporate energy efficiency components to program design and implementation