

Climate Change and Rising Temperatures: Strategies to Protect Vulnerable Utility Customers



National
Consumer Law
Center
*Fighting Together
for Economic Justice*

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National Consumer Law Center (NCLC)

- Since 1969, the nonprofit National Consumer Law Center® (NCLC) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S.

Roadmap

- Extreme Heat and Utility Unaffordability
- What's Needed Now: Implementation of Proactive Policies Addressing Affordability and the Protection of Vulnerable Populations from Disconnections
 - Robust, tiered discount rates or percentage of income payment plans (or both)
 - Summer moratorium protections
 - Emergency orders invoking disconnection moratoriums
 - Disconnection protections for vulnerable populations (infants/children 6 and under; seniors, chronically ill and disabled customers)
 - New credit and collection provisions that lock in more flexible, less punitive practices
 - Monthly reporting of disconnections, arrearages, other unaffordability metrics via monthly zip code level data filings

2023: Warmest Year on Record

- 2023 was the warmest year in a 174-year climate record.
- 2024 expected to bring record heat

*Declared by The National Oceanic and Atmospheric Administration's ([NOAA](https://www.noaa.gov/))



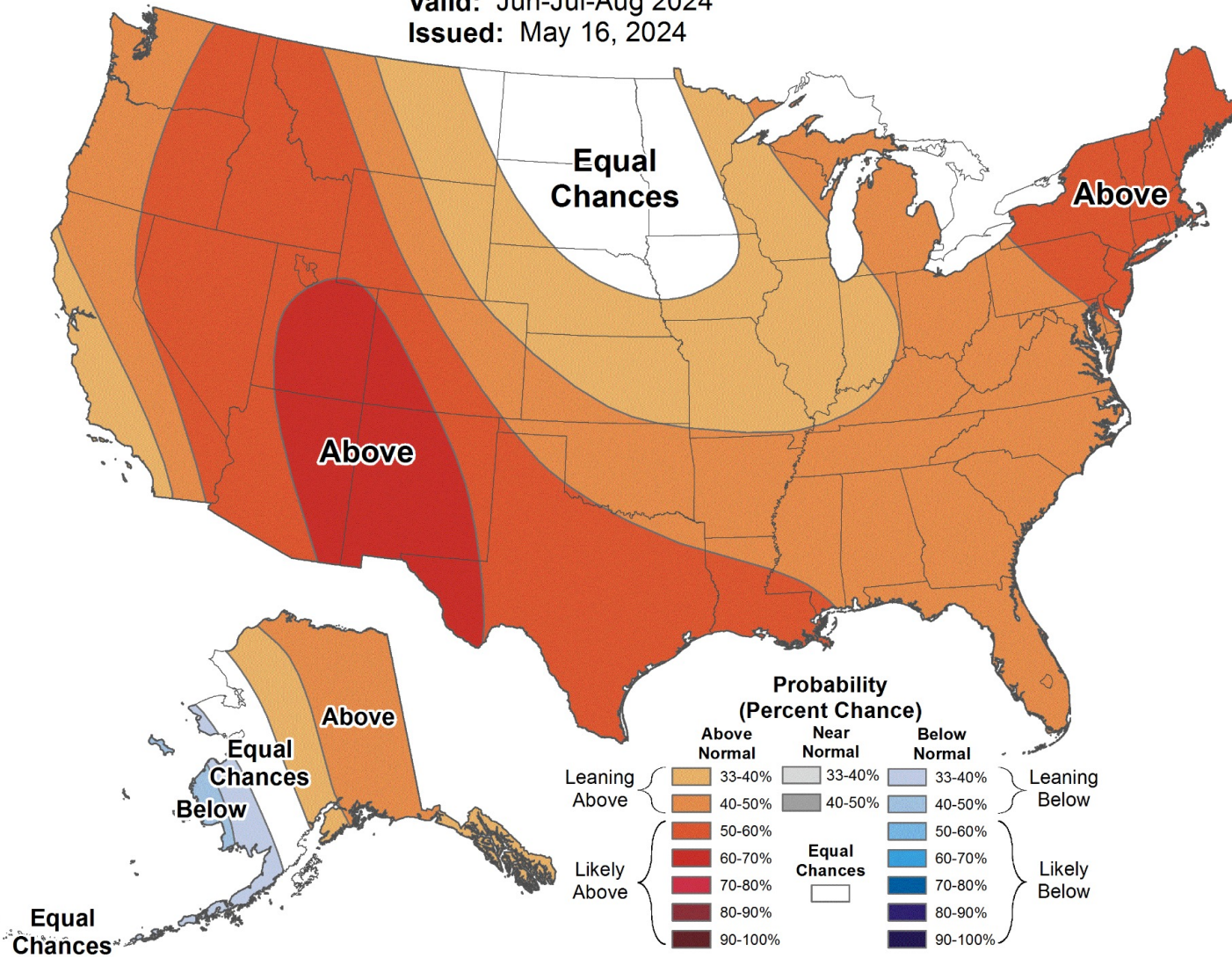


Seasonal Temperature Outlook



Valid: Jun-Jul-Aug 2024

Issued: May 16, 2024



Extreme Heat and Weather-Related Deaths

Extreme heat is the leading cause of weather-related deaths

- Nearly a quarter of people in the U.S. are vulnerable to extreme heat.
- According to the Centers for Disease Control and Prevention, approximately 1,220 people in the United States are killed by extreme heat every year.
- One estimate pegs the cost of heat events in the U.S. at \$1 billion in excess health care costs each year and if unaddressed, could cost the U.S. economy \$14.5 trillion over the next fifty years.

Dangers Accompanying Increased Heat

2023: Record number of heat-related deaths:

- Maricopa County, Arizona reported nearly 500 heat-related deaths, the region's deadliest year on record. ^①
- Texas Department of State Health Services reported 334 people died from heat-related causes -- more than double the number recorded in 2011. ^②
- In 1995, more than 700 Chicagoans died due to extreme heat in a single week. ^③

Urban Heat Islands

Heat Islands bring increased heat risk to vulnerable populations by increasing:

1 High all-day temperatures and pollution

2 Energy consumption

3 Utility Bills

Urban Heat Islands: Dangers of Increased Heat

Heat Islands exacerbate heat waves, leaving vulnerable populations at risk for serious illness and death:

Seniors

Risk Factors:

- Poor Health
- Lower Mobility
- Heat Sensitivity

Children

Risk Factors:

- Increased sensitivity to ozone pollution and smog

LMI Populations

Risk Factors:

- Poor housing conditions
- Lack of cooling access

Disabled and Chronically Ill

Risk Factors:

- Mobility constraints
- Diabetes
- Cognitive deficits

Outdoor Workers

Risk Factors:

- prone to heat exhaustion and stroke
- exposure to ozone pollution

Average Electricity Prices Increasing Across the U.S.

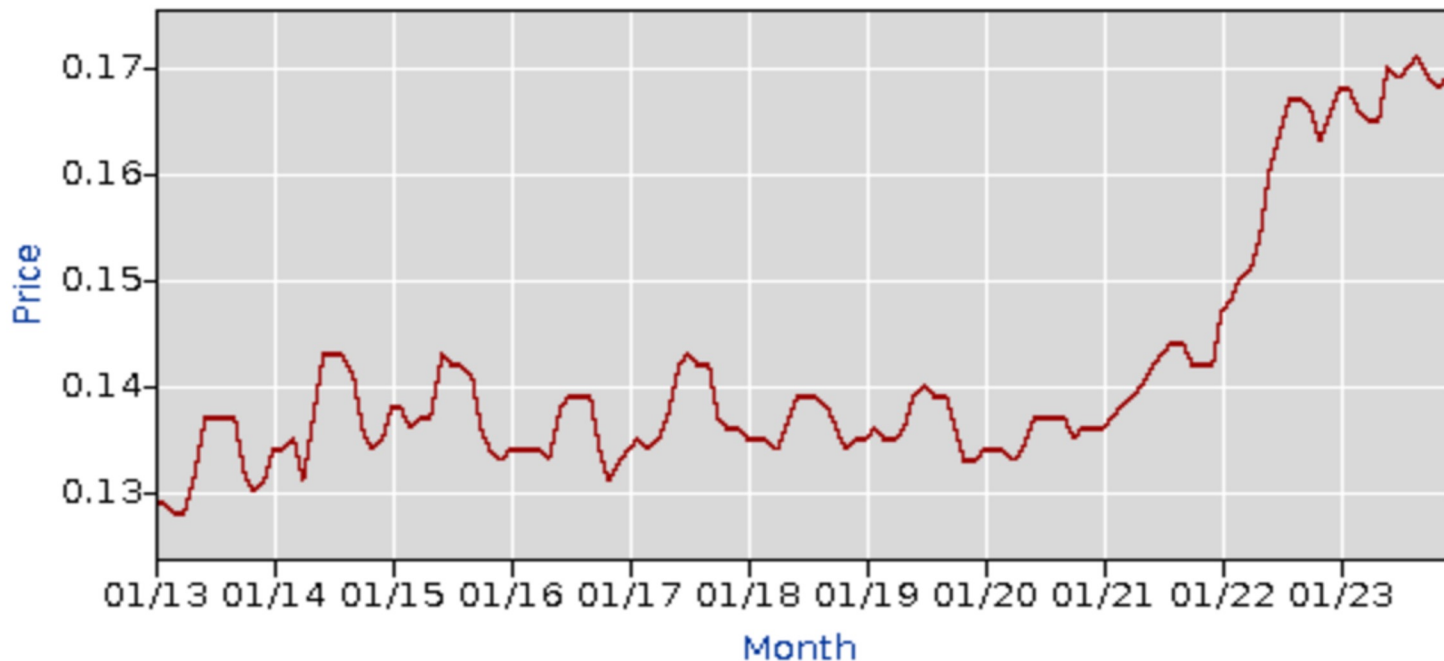
Consumer Price Index Average Price Data

Series Id: APU000072610

Series Title: Electricity per KWH in U.S. city average, average price, not seasonally adjusted

Area: U.S. city average

Item: Electricity per KWH



Energy Burden

- 44% of Americans, or about 50 million people, qualify as low-income and have a disproportionately high energy burden
- As such, the percentage of gross household income they spend on energy is three times higher than it is for non-low-income Americans. “This disparity stands in the way of nationwide energy accessibility and affordability.”

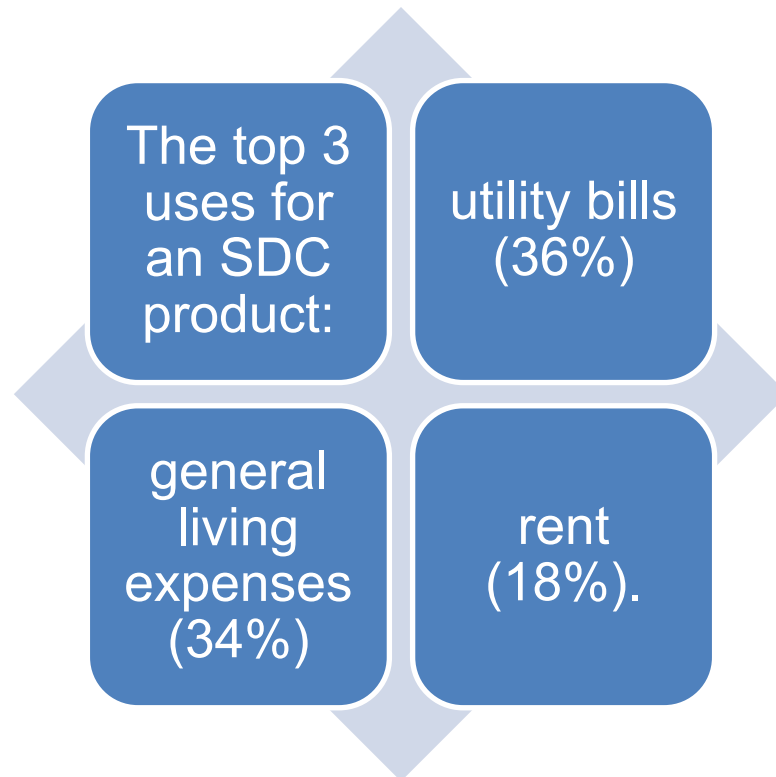
Climate Change Policies can Increase Utility Bills

Utility customers are being asked to subsidize new state clean energy goals and climate change policies through the monthly utility bill.

- State legislators and regulators rely on the utility bills to subsidize the transition away from fossil fuels to renewable energy sources and EV.
- New clean energy policies have placed upward pressure on utility rates, increasing the need for regulatory and public policy additional assistance for low-income customers.

Utility Debt is the No. 1 Reason for Payday Loans

When utility bills become unaffordable, the likelihood that consumers will seek expensive payday loans significantly increases.



Effects of Extreme Heat and Payday Loan Activity

More extreme temperature days in a month increases payday loan demand.

More extreme heat days in a month leads to deteriorating performances of existing payday loans.

Increases in online payday loan inquiries, delinquency, and default rates with decreases in accounts opened and credit issued with more extreme heat days.

Payday loan lenders reduce credit supply during extreme heat days out of concern for an increase in default and delinquency rates.

Practical Strategies to Address Affordability



Proactive monthly bill affordability programs

Percentage of Income Payment Plans (PIPPs)

- **Ohio PIPP:** Gas heat customers pay 5% of gross household income for gas bill, and 5% gross household income for electric bill.
- If electric heat, the monthly payment is 10% of gross household income. The balance of utility bill is subsidized by the state of Ohio. Minimum monthly payment of \$10.00.
- Paying on-time and in-full each month reduces customer's outstanding balance. If 24 on-time and in-full payments made, the outstanding utility arrearage is eliminated.

Other PIPP Programs

- **Illinois PIPP:** Heat and electric bill set at 6% of monthly income, but with benefit cap; currently budget-constrained
- **California PIPP Pilot:** Monthly bill caps based on 4% of monthly income
 - Customers with incomes between 0-100% FPL -- \$37
 - Customers with income 101-200% FPL -- \$109 bill cap

Proactive monthly bill affordability programs

Tiered discount rates

- Percentage discounts should aim for energy burden reduction, similar to PIPPs: e.g., tiered discounts set at 3% energy burden for financially eligible electricity customers and 3% for financially eligible gas customers rates

Illinois Gas Utility Discount Rates, (October 1, 2024)

- **Peoples Gas Light & Coke Co. discounts (serving City of Chicago):**
 - ***Tier 1 (0-50% FPL): 83%***
 - ***Tier 2: (50-100% FPL) 68%***
 - ***Tier 3: (100-150% FPL) 45%***
 - ***Tier 4: (150-200% FPL) 20%***
 - ***Tier 5: (200-300% FPL) 5%***

- **Nicor discounts (serving Northern Illinois suburbs and outer counties):**
 - ***Tier 1 (0-50% FPL): 75%***
 - ***Tier 2 (50-100% FPL): 55%***
 - ***Tier 3 (100-150% FPL): 25%***
 - ***Tier 4 (150-200% FPL): 10%***
 - ***Tier 5 (200-300% FPL): 5%***

Illinois Gas Utility Discount Rates, (October 1, 2024)

- **Ameren Gas discounts (serving Central and Southern Illinois):**
 - *Tier 1 (0-50% FPL): 75%*
 - *Tier 2 (50-100% FPL): 55%*
 - *Tier 3 (100-150% FPL): 25%*
 - *Tier 4 (150-200% FPL): 10%*
 - *Tier 5 (200-300% FPL): 5%*

- **North Shore Gas discounts:**
 - *Tier 1: (0-50% FPL): 79%*
 - *Tier 2: (50-100% FPL): 68%*
 - *Tier 3: (100-150% FPL): 36%*
 - *Tier 4: (150-200% FPL): 12%*
 - *Tier 5: (200-300% FPL): 5%*

Arrearage Management Programs

Arrearage Management Programs

(AMPs): reduce customer debt by 1/12 for every on-time monthly bill payment

- When accompanied by PIPPs or discounted rates, wipes out customer debt
- Examples: MA AMPs, Illinois PIPP, Washington State programs

Extreme Heat Protections

- Best Practices: Calendar-Based Moratoriums
 - Example: Arizona: June 1 – Oct. 15
 - Lessens the disparate burden on residents in urban heat islands, multifamily housing, housing in poor condition, mobile homes
- In the alternative, if temperature is chosen it is essential to add heat index (Nat'l Weather Service warnings) to account for humidity
- Most effective if part of a comprehensive set of affordability and disconnection protections

Arizona Weather-Related Disconnection Regulation

A. Restrictions on termination of service. . .

11. A utility shall adopt only one of the following conditions under which it shall not terminate residential service:

a. During any period for which the local weather forecast, as predicted by the National Weather Service, indicates that the weather in the customer's service address:

i. Will include temperatures that do not exceed 32° F;

ii. Will include temperatures that exceed 95° F; or

iii. Will include other weather conditions that the Commission has determined, by order, are especially dangerous to health; or

*b. **During the calendar days of June 1 through October 15 of each year,** which shall be specified as non-termination dates in a utility's tariffs.*

Emerging heat-related moratorium strategies

Illinois: 220 ILCS 5/8-205(b):

If gas or electricity is used as the only source of space cooling or to control or operate the only space cooling equipment at a residence, then a utility may not terminate gas or electric utility service to a residential user, including all tenants of master metered apartment buildings, for nonpayment of bills:

(1) on any day when the National Weather Service forecast for following 24 hours covering the area of the utility in which the residence is located includes a forecast that the temperature will be 90 degrees Fahrenheit or above;

(2) on any day preceding a holiday or weekend where National Weather Service for the following 24 hours covering the area of the utility in which the residence is located includes a forecast that the temperature will be 90 degrees Fahrenheit or above during the holiday or weekend; or

(3) when National Weather Service issues an excessive heat watch, heat advisory, or excessive heat warning covering the area of the utility in which the residence is located.

Appendix 1: Summer and Winter Shutoff Protections by State

Protections Listed by State			
Summer Protections	No Summer Protections	Winter Protections	No Winter Protections
Arizona	Alabama	Alabama	Alaska
Arkansas	Alaska	Arizona	California
Colorado	California	Arkansas	Colorado
Delaware	Connecticut	Connecticut	Florida
District of Columbia	Florida	Delaware	Hawaii
Georgia	Hawaii	District of Columbia	Kentucky
Illinois	Idaho	Georgia	North Dakota
Louisiana	Indiana	Idaho	Virginia
Maryland	Iowa	Illinois	
Minnesota	Kansas	Indiana	
Mississippi	Kentucky	Iowa	
Missouri	Maine	Kansas	
Nevada	Massachusetts	Louisiana	
Oklahoma	Michigan	Maine	
Oregon	Montana	Maryland	
Texas	Nebraska	Massachusetts	
Washington	New Hampshire	Michigan	
Wisconsin	New Jersey	Minnesota	
	New Mexico	Mississippi	
	New York	Missouri	
	North Carolina	Montana	
	North Dakota	Nebraska	
	Ohio	Nevada	
	Pennsylvania	New Hampshire	
	Rhode Island	New Jersey	
	South Carolina	New Mexico	
	South Dakota	New York	
	Tennessee	North Carolina	
	Utah	Ohio	
	Vermont	Oklahoma	
	Virginia	Oregon	
	West Virginia	Pennsylvania	
	Wyoming	Rhode Island	
		South Carolina	
		South Dakota	
		Tennessee	
		Texas	
		Utah	
		Vermont	
		Washington	
		West Virginia	
		Wisconsin	
		Wyoming	

Source: Center for Energy Policy and Climate

Emergency Disconnection Moratorium Orders

- California enacted a model emergency disconnection moratorium (and other protections) order post wildfires that the Commission now can re-issue when needed to address public health and safety concerns that arise, including during extreme weather events.
- *“We recognize the need for prompt Commission consideration of disaster preparedness and disaster relief as California experiences the harsh effects of climate change, which increases the probability and severity of disasters like wildfires.”*
- *“The aim of this decision is to provide continuity and support to customers during times of crisis by establishing interim, minimum disaster relief emergency protocols and protections to assist customers with recovery from indiscriminate harm.”*

Vulnerable populations need protection from disconnection

Moratorium on disconnection for vulnerable customers, including:

- Seniors (customers age 60 and older)
- Infants/children (households with children under the age of 6)
- Disabled and chronically ill

What else is needed?

Change in Current, Punitive Approach to Credit and Collections Procedures

Overdue for change: Our 100+-year-old approach to collecting utility revenue that punishes people for being poor.

- End late fees
- No security deposits for residential customers
- No reconnection fees for AMI customers (cost-based for non-AMI)
- End discriminatory risk-ranking
- Longer deferred payment arrangements (DPAs) that assess customer's ability to pay monthly bill
- Improve medical certification rules (Does the provision address the realities of illness in terms of the length of the protection? Does it provide certification access to a variety of health care providers?)
- No disconnections of customers waiting to hear on LIHEAP applications

Impact of Unaffordable Utility Services

- Who most frequently bears the hammer of disconnection?
- Zip code data reveal that Black and Brown/environmental justice communities are disproportionately impacted.

Disparate impacts of disconnection policies -- ComEd

- There is a striking overlap between race and service disconnections.
- ComEd: Among the 20 zip codes with the highest disconnections ratio, 13 were among the top 20 zip codes with the highest non-white populations.*
- 16 of the 20 zip codes cited fall within Environmental Justice Communities and all 20 fall within the state's definition of Equity Investment Communities.**
- Relevant data point: Only 14.7% of Illinois' population is Black; Latiné or Hispanic population is 18.0%. (60% white) (<https://www.census.gov/quickfacts/IL>)

Case in Point: What Illinois Zip-Code-Level Data Reveals

- Tufts University analysis of zip-code-level disconnection data, 2013-2020*:
 - Controlling for income distribution and other demographics, customers in non-white neighborhoods were four to five times more likely to have their power disconnected, both in normal times and during the COVID-19 pandemic.
 - During the COVID-19 pandemic, there was a 9X expansion in low-income assistance to pay utility bills, but disconnections were double and deferred payment plans triple their historical averages in October 2020. About 20% of all accounts were charged late fees. The odds for each of these measures were multiples higher in non-white zip codes.
- How to change these outcomes? Significant change in disconnection practices is needed – now and in future.

**The incidence of extreme economic stress: Evidence from utility disconnections, S. Cicala, Tufts University, June 28, 2021.*

New evidence from University of Minnesota researchers highlighting racial disparities in shut-offs in Xcel Energy service territory

■ Non-Disadvantaged ■ Disadvantaged

Figure 3. Disconnected households, comparing non-disadvantaged versus disadvantaged CBGs in Xcel Energy’s service area and in Hennepin and Ramsey Counties from 2017-2021.

**Households Involuntarily Disconnected
(disconnections per 1,000)**

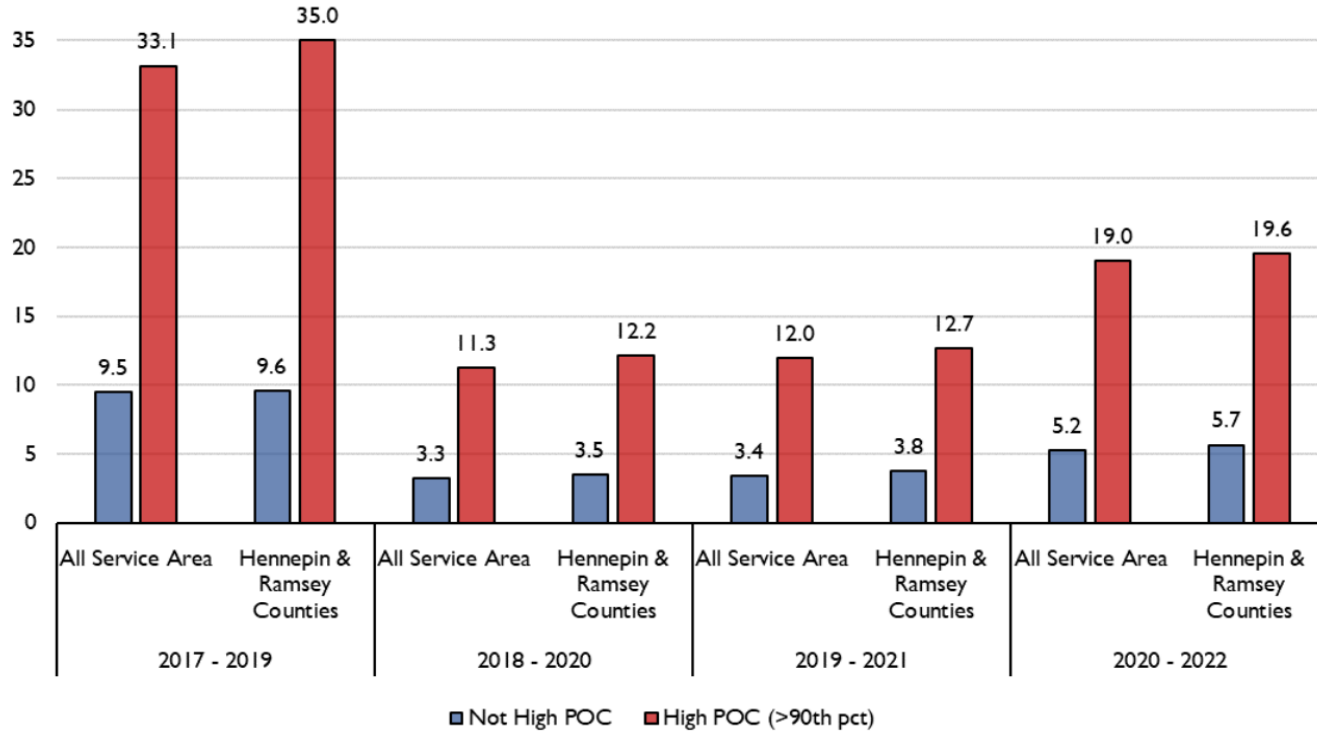


Figure 4. Disconnected households, comparing CBGs with high percentage of people of color (POC) with others in Xcel Energy’s Service Area and in Hennepin and Ramsey Counties from 2017-2022.

Monthly, Zip Code-Level Reporting Needed

- Monthly zip-code level (or Census tract) data filed by all electric, gas, water/sewer utilities
- IL: (220 ILCS 5/8-201.10) Requires monthly reporting of data, including customer numbers, disconnection notices, disconnections, existing DPAs, new DPAs, failed DPAs, reconnections, deposits, late fees, arrearages past 30 days, number of customers in arrears
- Broken down by customers class, including total residential and low-income subset

In a nutshell...



Promoting Continued Access to Essential Utility Services

Strategies:

- **Robust, tiered discount rates or PIPPs** for eligible customers that keep energy burden at no higher than 6% of monthly income for heat and electricity.
- **Summer moratorium protections** to incorporate heat index assessments and non-voluntary winter disconnection moratoria
- **Emergency orders invoking disconnection moratoriums**
- **Year-round disconnection protections for vulnerable populations** (infants/children 6 and under; seniors, chronically ill and disabled customers)
- **New credit and collection provisions** that lock in more flexible, less punitive practices:
 - End discriminatory risk-ranking
 - Longer deferred payment arrangements (DPAs) that assess customer's ability to pay monthly bill
 - Improve medical certification rules (Does the provision address the realities of illness in terms of the length of the protection? Does it provide certification access to a variety of health care providers?)
 - No disconnections of customers waiting to hear on LIHEAP applications
- **Monthly reporting of** disconnections, arrearages, other unaffordability metrics via monthly zip code level data filings

Citations

Slide 5: National Weather Service/National Oceanic and Atmospheric Administration (NOAA) Seasonal Temperature Outlook, June – August, 2024:

https://www.cpc.ncep.noaa.gov/products/predictions/long_range/seasonal.php?lead=2

Slide 6:

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Slide 7:

1. <https://www.maricopa.gov/ArchiveCenter/ViewFile/Item/5722>

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3. See *Cooked: Survival by Zip Code*, J. Helfand, <https://www.pbs.org/independentlens/documentaries/cooked-survival-by-zip-code/#:~:text=About%20the%20Documentary&text=Cooked%3A%20Survival%20by%20Zip%20Code%20tells%20the%20story%20of%20this,%2C%20elderly%2C%20and%20African%20American.>

Slide 8: See <https://www.epa.gov/heatislands>

Slide 9:

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Slide 9 (cont'd):

Source: U.S. EPA; <https://www.epa.gov/heatislands/lheat-island-impacts>

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Slide 10:

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Source: *Extreme Weather and Low Income Household Finance: Evidence from Payday Loans*, S. Xie, V. Wenxin Xie, X. Zhang, January 8, 2024

Slides 16, 17: (PIPP Programs)

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Illinois: <https://dceo.illinois.gov/content/dam/soi/en/web/dceo/communityservices/utilitybillassistance/documents/pipp-brochure-2019.pdf>

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Slide 18: (Discount rates)

WA Util and Trasp. Comm, See, e.g. *Dkt. UE-230560, UE-230539, UG-230551, UG-230739*

Slides 19, 20: (Tiered discount rates)

See Illinois Commerce Commission Docket Nos. 23-0066 (Nicor Gas)

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Slide 26: *See Decision Affirming the Provisions of Resolutions M-4833 and M-4835 as Interim Disaster Relief Emergency Customer Protections*, California Public Service Commission Rulemaking 18-03-011, August 20, 2018

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Slide 32:

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Questions?

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