The Changing Policy Conversation on Utility Shutoffs & Debt

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July 26, 2022

UCLA Luskin Center for Innovation

Luskin Center’s Goals

CLIMATE

100% carbon-free economy while protecting the most vulnerable populations and communities from climate change

ENERGY

100% renewable and affordable energy

ENVIRONMENTAL EQUITY

100% of us, regardless of race or income, have **access to environmental benefits** and are protected from **hazards**

TRANSPORTATION

100% zero-emission transportation systems

URBAN GREENING

100% of us have access to **active, healthy, and sustainable public spaces**

WATER

100% of us have **safe, affordable, and accessible drinking water**

Project example: LA 100 Equity Strategies

LA100 EQUITY STRATEGIES

LA DWP

NREL Transforming ENERGY

UCLA

The problem: affordability

- Defining affordability broadly as residential customers' ability to pay their bill: includes energy burden and insecurity concepts

- Pre-covid: "nearly 15% of U.S. households received a disconnection notice and 3%—more than three million households—experienced a service disconnection in 2015."

- Even more households (>1/3) make tradeoffs with other essential services and are thus energy insecure

Source: Hernández, D., & Laird, J. (2022). Surviving a shut-off: US households at greatest risk of utility disconnections and how they cope. American Behavioral Scientist, 66(7), 856-880.

The problem: Affordability + covid + transition

Electric affordability concern heightened in the last 2 years due to:

- Acceleration of utility debt due to job and income shocks at the onset of the pandemic

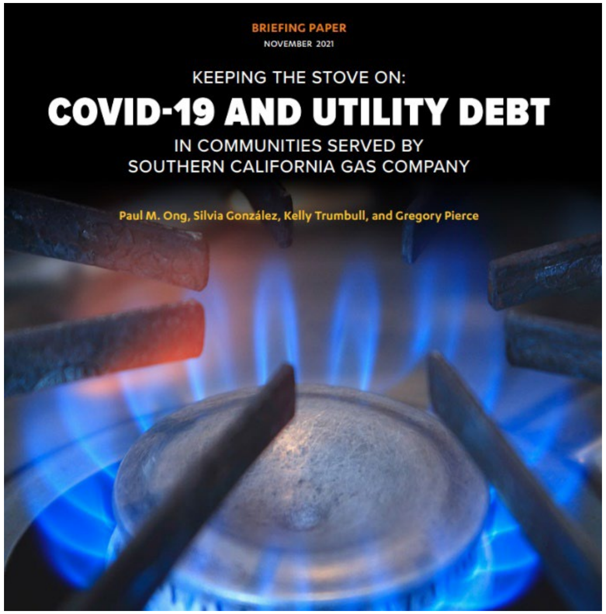
- Electric utilities' renewables commitments and associated transition cost, which necessitates additional utility revenue

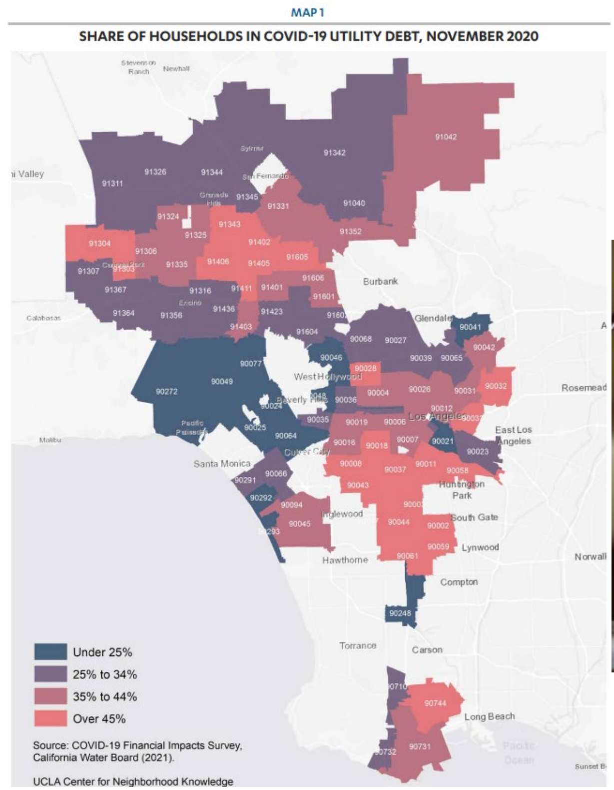
- Prospective folding of building and transport electrification expenditures into electric bill heightens affordability concerns

Ways to address electric affordability

- Rate structure and billing design
- Recurring assistance (% bill discount programs)
- Reducing demand through efficiency
- Increasing off-grid residential supply
- **Crisis assistance (debt and shutoff relief)**

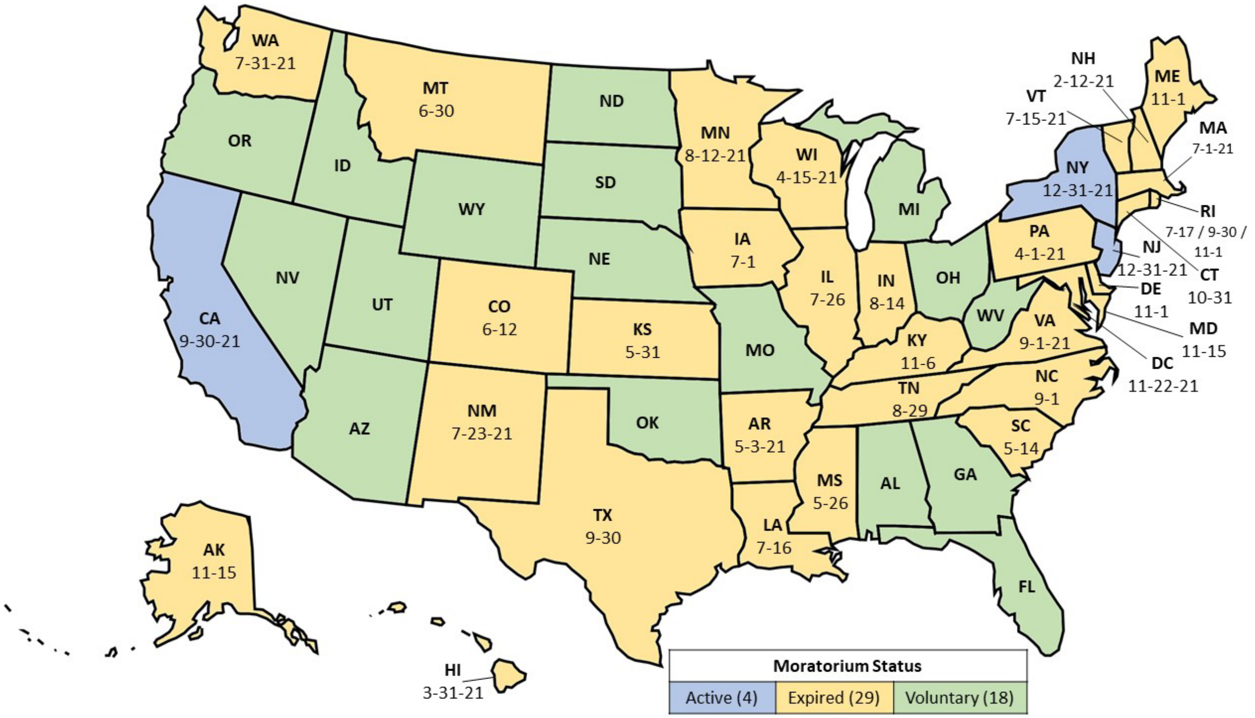
Upward trends in utility debt burden





See more: Graff, M., Carley, S., Konisky, D. M., & Memmott, T. (2021). Which households are energy insecure? An empirical analysis of race, housing conditions, and energy burdens in the United States. Energy Research & Social Science, 79, 102144.

Covid changed the policy discussion on shutoffs!



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

Manageable problem: Debt & residential shutoffs

Arguments against debt and shutoff leniency are:

- Not plausibly about revenue recovery
- Legal, especially for publicly-owned utilities
- Protective of utility borrowing ability
- In many cases anecdotal, classist and racist

Solutions to utility debt burden

Deepening old approaches:

- Reducing bill liability upfront
- Extended repayment plans

Expanding or new approaches:

- Enforcement of due procedure
- Shutoff moratoria (including climate related)
- Debt relief funds

Solutions to debt burden: relief with strings?

Table 1. SCE Households in Arrears and Enrolled in AMP from July to December 2021

	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Total SCE Customers	4,468,023	4,469,650	4,475,058	4,482,476	4,479,396	4,491,053
Total Customers in CARE or FERA	1,492,980	1,488,796	1,474,187	1,452,253	1,423,756	1,378,239
Total Customers >90 days in arrears	338,041	331,984	346,250	384,645	471,659	534,164
Total CARE and FERA Customers >90 Days in Arrears	176,661	173,334	181,081	200,594	239,038	267,322
Number of CARE and FERA Customers who Owe More than $500	100,027	110,009	126,546	145,059	143,764	140,420
Total AMP Enrollment (Cumulative)	22,689	27,808	27,585	25,894	21,635	21,135
AMP Customers Involuntarily Removed	1,404	2,048	4,028	4,237	5,297	1,756
Number of Customers Removed from AMP within last 6 months	3,962	5,748	10,160	14,243	18,920	19,685
Share of CARE and FERA Customers who owe >$500 in AMP*	23%	25%	22%	18%	15%	15%

*Note: This number may underestimate the share of eligible customers who are enrolled in AMP, as not all CARE and FERA customers who owe more than $500 qualify unless they are more than 90 days in arrears.

Source: California Public Utilities Commission. (2022). Southern California Edison Company's (U 338-E) Monthly Disconnect Data Report and Amended Monthly Disconnect Data Reports.

Source: Work in progress by Gregory Pierce, Rachel Connolly, Silvia R. González, Kelly Trumbull, and Shona Paterson (UCLA)

Thank you!
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See: innovation.luskin.ucla.edu

Next steps for research and policy

- Better quantify shutoffs which are due to inability to pay
- Transparent revenue case for or against shutoffs
- If not moratoria, explicit shutoff reduction targets
- Shutoff messaging without enforcement
- Values messaging to higher income and non residential customers