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RURAL ELECTRIC COOPERATIVES AND THE TRANSITION TO A CLEAN ENERGY FUTURE

A Guide for Cooperative Leaders

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Ken Colburn retired as RAP's director of US programs in 2020. He continues to contribute to the clean energy transition part-time through his LLC, Symbiotic Strategies.

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E. Address Energy Burden With Programs and Policies

Access to electricity is a prerequisite for many aspects of our lives, including refrigeration, heating and cooling and health equipment, as well as internet-based necessities that connect people to employment, education, support services and resources and even health care. In modern-day life, electricity is not optional; it is a necessity, regardless of income. The ratio of the energy bill amount to income is called the energy burden.[171] Energy burdens are typically far higher for low-income people because they have less opportunity to reduce their energy consumption in relation to income and face barriers to utilizing advances in energy efficiency. In other words, when low-income members pay their energy bills, they have much less money left for other necessities than the average member. Additionally, people of color, renters and adults 65 and older have disproportionately high energy burdens compared with members who do not fall into those categories.[172]

The following section discusses policies cooperatives can adopt to help members facing high energy burdens pay their bills. Of course, payment plans and financial mechanisms discussed in this section are not a complete solution to dealing with the problem of energy burden. Targeted energy efficiency, weatherization and distributed energy programs are critical for lowering energy usage and costs in the first place. Taking a multisolution targeted approach that combines energy

171 More than 6% of income spent on energy costs is considered a high energy burden. Drehobl, A., Ross, L., & Ayala, R. (2020, September). *How high are household energy burdens? An assessment of national and metropolitan energy burden across the United States.* American Council for an Energy-Efficient Economy. https://www.aceee.org/sites/default/files/pdfs/u2006.pdf

172 Drehobl et al., 2020.

efficiency, bill assistance and payment plans can be useful, as many utilities are doing. See Section III-A for a discussion of energy efficiency and Section II-D-1-b for a discussion of community solar.

1. Bill Assistance Programs

For people with low income, managing the various costs associated with living, including energy, is a persistent struggle. Although a cooperative's available funds can be limited, there are various ways cooperatives can help reduce the bill that members receive each month, which can afford the member a chance to keep up with the obligations the cooperative sets.

a. Low Income Home Energy Assistance Program

The Low Income Home Energy Assistance Program (LIHEAP) is a federal program that allocates funds for bill assistance on a yearly basis. In 2021, $3.36 billion was allocated among the states, territories and Native American tribes.[173] Each state determines the amount of the benefit, which can be used for winter heating, summer cooling, crisis and weatherization as determined by the state. [174] Cooperatives can and should ensure that their members are included in the state allocation of funds for LIHEAP. This is an existing program that mainly requires outreach on the part of the cooperative.

b. Income-Based Discounts

California utilities with 100,000 customers or more are eligible for the California Alternative Rates for Energy program. Customers who are enrolled receive a 30% to 35% discount on their electric bill and a 20% discount on their natural gas bill based on income eligibility criteria, established at up to 200% of the federal poverty guideline.[175] Cooperatives implement these kinds of discounts themselves, too. Seattle City Light has a program providing a 60% discount retroactive to the date of the application for income-qualifying customers, which shows up as a 2% impact on rates as a whole.[176] Flathead Electric Cooperative in Montana has a basic charge waiver program, under which eligible members receive a credit equal to half the basic charge on their bill each month. In most cases this credit is $11.36 per month.[177] Some programs offer additional support to customers who qualify for LIHEAP. For example, Fort Collins Utilities in Colorado has an income-qualified assistance program that provides a 23% discount on certain elements of service. The program also offers educational resources on energy efficiency and conservation. Households that receive LIHEAP are eligible. North Attleborough Electric Department in Massachusetts offers a discount rate to customers eligible for LIHEAP.[178] Other utilities have multiple discount tiers for different incomes, which have been designed to address energy burden as it occurs in their communities.

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173 U.S. Department of Health & Human Services, Office of Community Services. (n.d.). *Low Income Home Energy Assistance Program (LIHEAP).* https://www.acf.hhs.gov/ocs/low-income-home-energy-assistance-program-liheap. For information on your state's allocation, see Initial FY 2021 funding release of LIHEAP Block Grant Funds to states and territories under the *Continuing Appropriations Act, 2021 and Other Extension Act* (Public Law 116-159) [Table]. https://web.archive.org/web/20210327103312/https://www.acf.hhs.gov/sites/default/files/documents/ocs/corr_liheap_crfundingdclattachment_1_fy2021_110520.pdf

174 U.S. Department of Health and Human Services. (2021, March). *State low-income energy assistance snapshots*. https://web.archive.org/web/20210318001028/https://liheapch.acf.hhs.gov/snapshots.htm. This webpage has additional information on various state or utility programs and some charitable bill assistance options.

175 California Public Utilities Commission. (n.d.). *California Alternate Rates for Energy (CARE).* https://www.cpuc.ca.gov/care/. Also of critical concern are those households whose income is just above the 200% threshold and who also are struggling to make ends meet and pay utility bills. To address this concern, California created the Family Electric Rate Assistance program for households with three or more people in which the total household income is at or below 250% of the federal poverty guideline. These households receive a 12% rate discount. This program highlights the need to create discounts that help more than just the lowest income customers.

176 Seattle City Light. (n.d.). *Residential rates.* City of Seattle. https://www.seattle.gov/city-light/residential-services/billing-information/rates

177 Residential members must qualify as low income according to the guidelines set by LIHEAP (150% of the federal poverty level). Members qualifying for LIHEAP after October 1 will automatically be eligible. Flathead Electric Cooperative. (n.d.). *Low income assistance.* https://www.flatheadelectric.com/account/low-income-assistance/. Flint Energy in Georgia has a similar program that provides a $15.50 discount off the $31 customer charge. Flint Energies. (n.d.). *Residential rates.* https://www.flintenergies.com/residential-rates

177 North Attleborough Electric Department. (2018, October 1). *Rates — tariff — Rate 5, 9-18* [Rate sheet]. http://www.naelectric.com/images/TARRIF-Rate_5_10-1-2018.pdf

c. Usage-Based Discounts

There are also programs that have differentiated rates based on the amount of energy used. For example, the rate for up to 500 kWh per billing period could be discounted. This reduction gives extra incentive for members to reduce usage. This approach pairs well with energy efficiency and weatherization programs, especially those designed to benefit low-income residents.

d. Percentage of Income Payment Plan

The percentage of income payment plan (PIPP) used by investor-owned utilities in Ohio, Pennsylvania and Illinois, as well as a few other jurisdictions, allows income-eligible customers[179] to pay a percentage of their income instead of the full bill every month to keep service connected. Ohio set the percentage of income at 6% each for gas and electric service, for a total of 12%. In Illinois, 3% is used as the percentage of income, which better matches the energy burden for customers who are not categorized as low-income. The unrecovered portion of the low-income customer's bill is recovered from all customers (residential, commercial and industrial) through a rider on monthly bills that is reconciled periodically. The utilities track the unpaid bill amounts as arrears for the customer that they are required to pay back once they are no longer eligible for the program due to increased income. Depending on how long the customer was on PIPP and the size of the monthly bill, these arrearage amounts can prove to be insurmountable obstacles to a sustainable debt-free life. Therefore, a critical component of the PIPP program is the arrearage forgiveness program whereby for every month the customer pays the current bill plus a portion of the arrearage, the utility writes off one month of arrearage. In Ohio, this allows the customer to be debt free after two years.

Table 4. **Traditional percentage of income payment plan mechanism**

Customer monthly income	$1,500
Customer payment (6% of income)	$90
Customer bill [$10 customer charge + (1,000 kWh x $.12/kWh)]	$130
Customer arrearage amount collected through surcharge (bill amount of $130 minus customer payment of $90)	$40

Source: Migden-Ostrander, J. (2021, April 13). *Use Less, Save More: Adding a Conservation Incentive to Percentage of Income Payment Programs*

The significant upside of this program is that it addresses head-on the energy burden and tries to make bills more affordable. The downside is that there is no incentive to conserve, as the utility bill is based on income and not usage. Table 4 demonstrates how the traditional PIPP program works using Ohio's 6% of income.[180]

Under the above scenario, the customer pays $90 of a $130 bill, with the remainder going into the PIPP rider account. Under the conservation incentive, if the customer does not conserve, the customer continues to pay the same amount as under the traditional PIPP mechanism. There is no penalty for not conserving. However, if the customer can reduce energy consumption, the savings from that reduction are split between the customer and the utility. This means customers pay a lower energy bill for the month in which they conserved, and the utility PIPP rider account increases by a lower amount. It creates a win-win scenario as illustrated in Table 5,[181] using the same numbers as in Table 4.

179 Eligibility in Ohio is set at 150% of the federal poverty guideline. The community action agencies that provide multiple services to low-income customers determine a customer's eligibility and certify it to the utility. The utility pays the agencies a small fee for their services.

180 Migden-Ostrander, J. (2021, April 13). *Use less, save more: Adding a conservation incentive to percentage of income payment programs.* Regulatory Assistance Project. https://www.raponline.org/blog/use-less-save-more-adding-a-conservation-incentive-to-percentage-of-income-payment-programs/

181 Migden-Ostrander, 2021.

Table 5. **Percentage of income payment plan mechanism with conservation incentive**

Customer monthly income	$1,500
Customer payment (6% of income)	$90
Customer historical bill [$10 customer charge + (1,000 kWh x $.12/kWh)]	$130
Customer current bill with incentive mechanism [$10 customer charge + (900 kWh x $.12)]	$118
Value of savings due to conservation (1,000 kWh minus 900 kWh = 100 kWh x $.12)	$12
Customer share of savings on bill ($12 x $.50)	$6
Customer total bill ($90 minus $6)	$84
Customer arrearage amount collected through surcharge (bill amount of $118 minus ustomer payment of $84)	$34
Reduction in PIPP collection account ($40 minus $34)	$6

Source: Migden-Ostrander, J. (2021, April 13). *Use Less, Save More: Adding a Conservation Incentive to Percentage of Income Payment Programs*

In the example in Table 4, the customer reduced their monthly consumption by 100 kWh, which reduced the monthly bill by $12. That $12 is shared 50-50 with the customer so that the monthly bill amount goes from $90 to $84. The amount that goes into the PIPP rider account decreases from $40 to $34.

e. State and Local Community Programs

Many states, rural electric cooperatives and community organizations have programs for bill assistance. For example, HeatShare, a program of the Salvation Army, raises private money that elderly, disabled and low-income customers can apply toward heating and air-conditioning bills. When sufficient funds are available, HeatShare grants can cover emergency repairs to energy-related equipment as well as broken windows and doors. Decatur Utilities in Alabama has Operation: Warm, which provides assistance to people who don't qualify for LIHEAP. The community action agency that administers Operation: Warm decides who receives funds based on income and necessary expenses, such as medications. The program runs from December 1 through May 31, during which applicants are eligible for assistance only once.[182] Donation-based programs can be helpful but should not be relied upon as the primary way to address energy burden. Thus, in addition to facilitating charitable donations, the cooperative can also employ some of the other mechanisms discussed in this section that lower the affordability threshold for low-income members through discounted rates and significant energy efficiency, which lowers consumption and thus bills.

f. Extended Payment Plans

An extended payment plan is the key element to avert a disconnection, but it only works if the plan is flexible and realistic in terms of what a member can afford to pay each month. Plans can be designed so the member pays the current bill plus a percentage of the arrearage over a period of months (e.g., the current bill plus 10% of the arrearage) or pays a percentage of the total bill plus the arrearage over a period of months (e.g., 25% of the combined total of the current bill and arrearage, until the arrearage is paid off). Putting a member on a budget bill also helps manage the seasonal highs and lows by having the member pay one-twelfth of the estimated annual usage each month. However, it is important to provide the member with information on actual usage and energy efficiency savings, both to help keep the overall bill low and to avoid the surprise of a high reconciliation payment amount at the end of the year if actual usage exceeds estimated budget usage.

g. Moratoriums, Arrearage Management Plans and Debt Forgiveness

Disconnection moratoriums have been used in the past to avert tragedy due to disconnections during events with significant health impacts, such as cold weather. Due to the COVID-19 pandemic, an unprecedented number of members found themselves with significant unpaid utility balances. Moratoriums on disconnections protected these members who lost their incomes, but arrears still grew. This reinforced the need for better and more flexible arrearage management plans than utilities may have traditionally offered. Some members received automatic grants, but those who saw the most debt relief were members who entered into agreements, similar to extended payment plans, in which they make certain payment amounts per month related to their arrears, and the utility waives a portion

182 Decatur Utilities. (n.d.). Residential — *Bill assistance & energy efficiency.* https://www.decaturutilities.com/bill-assistance-efficiency

of their balances each time. Maine's Versant Power forgives one-twelfth of the outstanding balance, with a cap of $300, per bill, so long as the eligible member meets the payment conditions.[183] For members whose arrearages had grown to insurmountable levels, a significant amount of forgiveness was the only practical way to move forward for both the utility and the member.

2. Late Fees and Reconnection Fees

Late fees are meant to operate as a disincentive for being delinquent on bills. But when a member is delinquent on a bill because he or she does not have the money to pay when it is due — either because the member has not received a paycheck yet or because he or she lives on a fixed income — this is not a viable disincentive. Late fees and reconnection fees levied against low-income members only make payment plans harder to manage and further reduce their means to cover their cost of living. Cooperatives should either eliminate these charges and incorporate them into the general rate that all members pay or waive these charges for low-income members.

3. Disconnection Policy

Electricity is an essential service, and establishing policies to keep members connected is vital. By prioritizing cost-saving access to energy efficiency upgrades and distributed energy for low-income members, employing a combination of the programs listed above and fostering trust through clear communication and robust community engagement, a utility can avoid having members face disconnection in many cases.

If a member does end up facing disconnection, clear communication is vital, and certain protections should be guaranteed. Utilities should provide 30 days' notice for disconnection with ample communications to ensure members are aware of their options and know the utility is there to help them stay connected. Minimal partial payments should be set at a small percentage of the outstanding debt (e.g., 10%) while the member sets up an extended payment plan.

Some members should be protected from disconnection regardless of payment status:

- Those that have a physician's note or medical certificate that states that access to electricity is vital for the health of a household member. These policies exist in all 50 states for all investor-owned utilities,[184] and many cooperatives have adopted similar protections. Allowing for self-certification in emergencies or short-notice situations is recommended.
- Members who are already working to get assistance or take advantage of one of the utility's programs.
- All members during periods of unsafe weather conditions, including when the forecast high temperature is 32 degrees Fahrenheit or below, during a dangerous heat index and when the air quality index is at unhealthy levels.
- All members during public health emergencies, following the precedent of utility shutoff moratoriums during the COVID-19 pandemic,[185] as appropriate considering local circumstances.

Ultimately, utility service is a necessity like food and shelter. Disconnection removes access to that necessity, and all steps should be taken to work and communicate with members to avoid that outcome. Unfortunately, members are often afraid to be proactive in addressing an inability to pay, so it is incumbent for the utility to reach out and clearly communicate options that can help members stay connected. This is not only in the best interests of a member facing disconnection, but it is good for society as a whole and helps the cooperative by mitigating lost revenues from lost service.

183 Versant Power. (n.d.). *Arrearage Management Program (AMP).* https://www.versantpower.com/residential/programs-and-services/arrearage-management-program/

184 For state-specific criteria, see National Consumer Law Center. (2021). *Protecting seriously ill consumers from utility disconnections; Appendix A: Serious illness criteria in each of the 50 states and D.C.* https://www.nclc.org/images/pdf/energy_utility_telecom/consumer_protection_and_regulatory_issues/Serious_Illness_Ap_A.pdf. In some states where the utility commission has capacity to regulate cooperatives these may apply, but individual cooperatives should make sure their policy is not allowing customers to fall through the cracks.

185 For a list of states that issued moratoriums applicable to investor-owned utilities, see National Association of Regulatory Utility Commissioners. (2021, September 9). *Map of disconnection moratoria*. https://www.naruc.org/compilation-of-covid-19-news-resources/map-of-disconnection-moratoria/. Many, but not most, public power entities issued their own moratoriums.

Tracking progress on energy burden with performance incentive metrics

Performance incentive metrics are a useful tool to measure progress on issues that have been identified as public policy priorities. Reporting on metrics is a transparent way to inform the public of a cooperative's actions and progress in meeting those metrics. In Hawaii, for example, performance incentive metrics were established that required the utility to report on:

- Energy burden in terms of the typical and average annual bill as a percentage of average income for low-income households.
- Percent of customers entering into a payment arrangement.
- Percentage of disconnections due to nonpayment.

Puerto Rico has also established performance metrics to address low-income issues. The metrics include the number of:

- Disconnections by customer class.
- Customers enrolled in a payment plan by class.
- Customers defaulting from a payment plan by class.
- Customers completing a payment plan by class.

The latter two are especially important to ensure that the payment plans the utility establishes are flexible, realistic and achievable.[186]

Useful Resources on Energy Burden

Brankovic, S., Lacayo, C., McDonald, S., Spratling, D., Gumerman, E., Madhavan, S., & Cox, M. (2021). *Milwaukee: A Trailblazing City Mitigating Energy Burden.* Greenlink Analytics. https://www.equitymap.org/milwaukee-a-trailblazing-city-mitigating-energy-burden

California Energy Commission. (n.d.). Energy Equity Indicators. https://www.energy.ca.gov/data-reports/tracking-progress/energy-equity-indicators

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Farley, C., Howat, J. Bosco, J. Thakar, N., Wise, J. & Su, J. (2021, November). *Advancing Equity in Utility Regulation.* National Renewable Energy Laboratory. Future Electric Utility Regulation Series Report No. 12 (Schwartz, L., ed.). https://emp.lbl.gov/publications/advancing-equity-utility-regulation

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U.S. Department of Energy. (n.d.). *Promoting Energy Justice.* https://www.energy.gov/promoting-energy-justice

U.S. Department of Health and Human Services. (2021, March). *State Low-Income Energy Assistance Snapshots.* https://web.archive.org/web/20210318001028/https://liheapch.acf.hhs.gov/snapshots.htm

186 Puerto Rico Energy Bureau, Case No. NEPR-MI-2019-007, Resolution and Order on May 14, 2019. https://energia.pr.gov/wp-content/uploads/sites/7/2019/06/MI20190007-Resolution-and-Order.pdf