

# Consumer Protection: Utility Service Disconnection & Bill Payment

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# About Me





# Project Purpose

- **Research and identify** rules and programs that provide low-to moderate-income (LMI) electric and gas utility customers:
  - Protection from **disconnection of their utility service**; and that
  - Offer **bill assistance options** for those having difficulty making payment.
- **Assess the effectiveness** of existing consumer protection rules and programs.
- **Identify consumer protection best practices** that could further advance equity and affordability.



# Key Questions

- **Why is it important** to ensure utility customers are protected from disconnection and have access to bill payment assistance?
- What **consumer protection regulations and policies** are in effect in Vermont that apply to electric and/or gas utilities?
- What approaches do **Vermont utilities and consumer protection entities** use? Are they effective? If yes, how? If not, why not?
- Are there examples of **successful regulations, policies, and approaches in other states** that could inform future practices in Vermont?



# Methodology

- Conducted a **literature search** on national best practices for consumer protection rules and bill payment assistance for LMI customers.
- Researched and read **key Vermont laws and regulations** concerning LMI consumer protection.
- Interviewed **14 consumer protection advocates, low income program professionals, and utility professionals** to better understand current rules and practices in Vermont.





# The Policy Context - Vermont Legislation

Legislation	Overview	Implications
<b>Global Warming Solutions Act (GWSA) 2020</b>	Created <b>legally binding greenhouse gas emissions reduction requirements</b> that the state must meet in support of the transition to a clean energy economy.	Helped focus public and private leaders on the need to dramatically and quickly reduce GHG emissions as a key pathway for alleviating the negative impacts of climate change, <b>with equity as a key component.</b>
<b>Environmental Justice (EJ) Law 2021</b>	Established an <b>environmental justice policy</b> for and required all state agencies to incorporate EJ principles into their work, rules, and procedures.	<b>Increased attention to energy burden and equity</b> in current and future climate action, clean energy, and environmental justice activities. The Public Utility Commission and Public Service Department oversee energy regulation and consumer protection. Consideration of EJ in their work will be key.
<b>Affordable Heat Act (AHA) 2022</b>	Requires the Public Utility Commission to draft rules for a <b>Clean Heat Standard (CHS)</b> that is intended to reduce GHG emissions from the thermal (buildings) sector by January 15, 2025. The rules would go into effect, once approved by the Legislature.	If approved by the legislature, the CHS will have implications for fuel dealers that import fuel into Vermont, who will need to lower the GHG emissions of the fuel they provide, in accordance with GWSA requirements. Such reductions would be translated into and monetized as “clean heat credits.” <b>An important element is the law’s emphasis on social equity.</b>
<b>Renewable Energy Standard (RES) 2024</b>	Requires Vermont’s electric utilities to obtain <b>100% renewable electricity</b> on or before January 1, 2035 (with varying details by utility).	This update of a previous RES law is expected to accelerate the path to the use of only renewable electricity in Vermont and has <b>implications for future consumer protection practices</b> for low- to moderate-income households in Vermont.





# Why Consumer Protection for LMI Households Matters

Recent climate, renewable energy, and environmental justice laws in Vermont emphasize the need for an:

- **Equitable, just, and affordable** transition to a clean energy economy not reliant on greenhouse gas polluting fossil fuels.
- As shown in this graphic, the lowest income households in Vermont have the **highest energy burden** and **spend an average of 19% of their income on heating and electricity.**

**Vermont combined average household heating and electricity fuel costs and burden by income level, 2018-2022**



**Source:** U.S. Census Bureau, 2018-2022 American Community Survey 5-year Public Use Microdata Samples.  
**Notes:** Income categories are based on 2018-2022 median household income in Vermont of \$74,014. Energy burden refers to the share of annual household income spent on energy. Costs include fuel only and are not inclusive of equipment and maintenance costs.



# Drivers of High Household Energy Burden

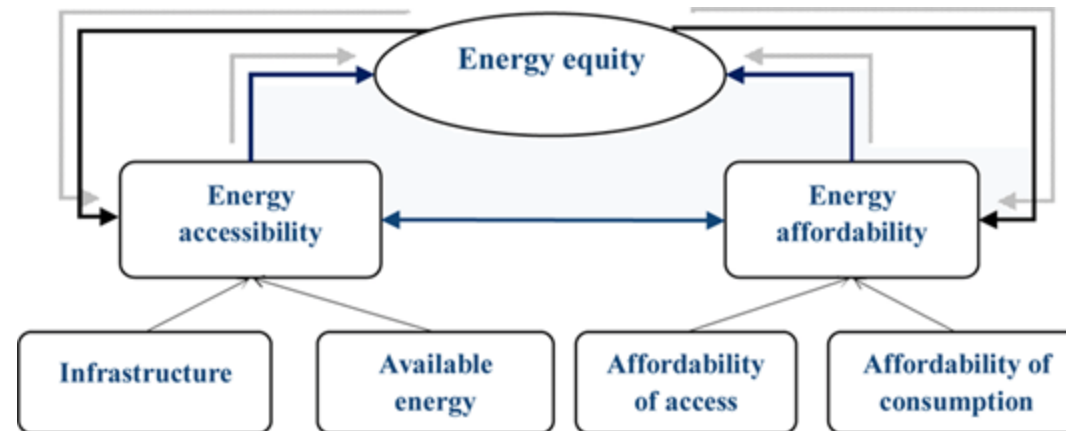
Drivers	Examples of Factors that Affect Energy Burden	
Physical	<ul style="list-style-type: none"> <li>• <b>Housing age</b> - older homes are often less energy efficient</li> <li>• <b>Housing type</b> - manufactured and mobile homes can be lower- quality construction</li> <li>• <b>Building envelope</b> - poor insulation, leaky roofs, inefficient and/or poorly maintained heating and cooling system</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Heating and cooling system</b> – age, efficiency, fuel type and cost</li> <li>• <b>Appliances and lighting efficiency</b></li> <li>• <b>Topography and location</b></li> <li>• <b>Warming weather</b> - increased cooling needs</li> </ul>
Socio-economic	<ul style="list-style-type: none"> <li>• <b>Chronic economic hardship</b> - due to persistent low incomes</li> <li>• <b>Sudden economic hardship</b> - severe illness, unemployment, or climate disasters</li> <li>• <b>Inability to afford (or difficulty affording)</b> - up-front costs of energy efficiency investments</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Difficulty qualifying for credit</b> - for financing options to make efficiency</li> <li>• <b>Systemic inequalities</b> - relating to race and/or ethnicity, income, disability, and other factors</li> </ul>
Behavioral	<ul style="list-style-type: none"> <li>• <b>Lack of awareness</b> – of bill assistance and energy efficiency programs</li> <li>• <b>Lack of trust and/or uncertainty</b> - about expected savings</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Unsuccessful outreach and education</b> – due to lack of cultural awareness by program providers</li> <li>• <b>High energy and comfort needs</b> - due to occupant age, household size, health needs, or disabilities</li> </ul>
Policy-Related	<ul style="list-style-type: none"> <li>• <b>Insufficient policies and programs</b> – for bill assistance, energy efficiency, and weatherization services for LMI households</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Regressive utility rates and fees</b> – that don't adjust for income in rates, fixed charges, late bill payment, and other fees</li> </ul>





# Energy Equity

- Energy equity is defined as the:  
“Fair and just distribution of the benefits and burdens of energy production and consumption.”



- Vermont’s **Environmental Justice Law of 2022** elevates **in law** equity as a central component of state government, including the roles of utility regulation and consumer protection.
- **Regulators and utilities in Vermont must increasingly consider equity** when setting rates and designing and implementing new policies and programs.



# The Role of Utility Regulation in Consumer Protection

- Utility regulation has historically been based on three premises:
  1. Regulators are charged with setting electricity rates that are “**just and reasonable**”.
  2. Rates should not result in “**undue preference or advantage**” for certain customers.
  3. Utility regulations should result in “**just compensation**” for utilities who perform an important and needed public service.
- Historically, utility rate design has not typically assessed affordability for individuals or taken into account energy burden and energy insecurity.
- In addition, utility regulators are tasked with promulgating utility service disconnection rules and are authorized to review and approve bill payment assistance plans.





# What is a Disconnection Rule?

- In all 50 states and D.C., utility commissions set rules regarding when and how utilities can terminate service.
- Rapidly rising energy prices in the 1970s led many state legislatures and Public Utility Commissions to create new consumer protections.
- Importance and context has since shifted.
- Many consumer protections established decades ago do not meet current needs.





# Common Components in Disconnection Rules

Key issues **commonly addressed in disconnection rules** include:

- Provision and denial of service;
- Provision of consumer information;
- Security deposits and advance payment for service;
- Late payment fees;
- Disconnection, termination, and restoration of service;
- Establishment of payment plans; and
- Resolution of disputes between customers and utility companies.



# Best Practices for Disconnection Rules

Disconnection rules that meet best practices provide:

- 1. Medical or serious illness protections**
- 2. Weather-related protections**
- 3. Elder and child protections**
- 4. Deferred payment agreements**
- 5. Minimal deposits, late fees, and other customer fees**

## Minimizing Shut-offs and Tracking Energy Insecurity

### CONSUMER PROBLEMS

Consumers with health conditions who require the maintenance of essential utility services face the threat of disconnection, putting their health and safety at risk.

Consumers unable to afford their utility bills in periods of extreme cold or heat face life-threatening disconnections of utility service.

Vulnerable consumers are harmed or die because the loss of utility service results in dangerous living conditions.

Families struggle to pay energy bills and are facing disconnection, but little public data exists about accounts in arrears and disconnections of utility service.

### STATE SOLUTIONS

Require all utilities to implement medical certification policies that protect all infirm customers from termination of utility service.

Prohibit disconnections of essential utility service during the winter months and periods of extreme heat.

Prohibit, year-round, all disconnections of low-income households with infants or vulnerable elderly or disabled residents.

Require utilities to track – and make publicly available – critical data points concerning uncollectibles, payment arrangements, and disconnections by household income.

Source: National Consumer Law Center



# Key Recommendations for Bill Assistance Programs

- Lower program participants' energy burdens to an affordable level;
- Promote regular, timely payment of utility bills by program participants;
- Comprehensively address payment problems associated with participants' current and past-due bills;
- Be funded through a mechanism that is reliable while providing sufficient resources to serve all income-eligible customers and to meet policy objectives;
- Serve customers who are income-eligible to participate in the Low Income Heat Energy Assistance Program (LIHEAP) or other means based programs; and
- Be administered efficiently and effectively







# Best Practices for Bill Payment Assistance

## 1. Payment Plan Examples

Program Types	What Customer Pays	Pros	Cons
Percentage of Income Payment Plan (PIPP)	<b>Payment is capped</b> as a predetermined percent of income (not more than 6% when energy burden is a factor)	<ul style="list-style-type: none"><li>• Tailored to household income.</li><li>• Protects income-eligible customers from rising retail rates.</li></ul>	<ul style="list-style-type: none"><li>• If the value chosen for income-eligibility is too low, may result in insufficient protection for households.</li><li>• Greater administrative complexity.</li></ul>
Tiered Discounts	<b>A discount rate</b> is developed for each income tier and achieve a predetermined limit on the level of burden.	<ul style="list-style-type: none"><li>• Tailored to household income.</li><li>• Avoids need to calculate bill or credit each month.</li></ul>	<ul style="list-style-type: none"><li>• Administrative costs are greater than a flat discount but lower than a PIPP.</li></ul>
Flat Percentage Discounts	<b>Total bill is reduced</b> by a certain per cent or dollar amount.	<ul style="list-style-type: none"><li>• Relatively low cost to administer.</li></ul>	<ul style="list-style-type: none"><li>• Same discount for all eligible customers does not distinguish among incomes.</li></ul>



# Bill Payment Assistance Best Practices

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## 2. Arrearage Management and Arrearage Forgiveness

- Arrearage Management Programs (AMPs) encourage on-time payment by reducing debt every time a customer pays until the arrearage is completely eliminated. When done effectively, this approach benefits both the customer and the utility.
- A utility can offer a full arrearage forgiveness, or write down the amount based on the customer successfully completing timely bill payments.

## 3. Eligibility Guidelines and Automatic Enrollment

- This approach aligns program eligibility requirements with other social service programs and allows for automatic enrollment.
- There is the opportunity to minimize recertification burden, enable use of a central tracking system, and create a self-certification and enrollment system.<sup>16</sup>



# Both Disconnection Protection & Bill Assistance are Essential

**“When consumer protections are inadequate and energy security is compromised, the protections for low income households actually work counter to the goals and objectives of federal and state payment assistance and energy efficiency programs.”**

US DOE & Lawrence Berkeley National Laboratory,  
*Advancing Equity in Utility Regulation*



# Vermont's Utility Regulatory Landscape

The governing bodies for utility regulation and consumer protection in Vermont include the:

- **Public Utility Commission (PUC)** - whose responsibilities include setting rates and overseeing the quality of service provided.
- **Public Service Department (PSD)** - whose responsibilities include representing the public interest in utility matters and operating a Consumer Affairs Division.
- The major regulation affecting utility consumer protection in Vermont is **PUC Rule 3.300 “Disconnection of Residential Gas, Electric, and Water Service”**. The rule addresses how, when, and if a utility can disconnect service as well as providing guidelines for other protections.
- In addition to setting rates, the **PUC** also has authority to approve **utility bill payment assistance plans**.



# Vermont's Disconnection Rule

Vermont PUC rule 3.300 **Disconnection of Residential Gas, Electric, and Water Service** meets many of the nationally recognized best practices for consumer protection:

- 1. Medical or serious illness protections**
- 2. Weather-related protection (including elder protection provisions)**
- 3. Deferred payment agreements**
- 4. Minimal deposits, late fees, and other customer fees**

However, some advocates question whether elements of the best practices articulated in the rule are sufficient.





# Vermont's Bill Payment Assistance Approaches

- Vermont leaves it up to each utility to design and propose an approach and to then obtain approval for the approach from the PUC.
- Vermont's five Community Action Agencies and the Department of Children and Families also play critical roles providing additional energy assistance options, crisis programming, and as a source of information on assistance options statewide for Vermonters.





# What Programs are Available in Vermont?

Utility	Bill Payment Assistance Plan
<b>Vermont Gas Systems (VGS)</b>	For households with incomes at or below 185% of the Federal Poverty Level, VGS offers a low-income <b>flat rate discount of 20% of the bill.</b>
<b>Green Mountain Power (GMP)</b>	One of the largest programs in the state, GMP's Energy Assistance Program offers customers at or below 185% of the Federal Poverty Level a <b>flat rate discount of 25% and one time arrearage forgiveness.</b>
<b>Burlington Electric Department (BED)</b>	A <b>flat rate discount of 12.5%</b> is offered to customers at or below 185% FPL.
<b>Vermont Electric Cooperative (VEC) &amp; Washington Electric Cooperative (WEC)</b>	Customers at or below 185% FPL are eligible to participate in a new <b>Affordable Community Renewable Energy (ACRE) Program.</b> The program will offer a no-cost sponsorship to a community solar array and a \$45 monthly bill credit to 400 people for 5 years.
<b>Community Action Agencies (CAAs)</b>	The CAA's offer assist Vermonters in paying their energy bills using federal <b>Low Income Home Energy Assistance Program (LIHEAP)</b> funds as well as other sources of money.



# *Vermont Opportunities for Enhancement:* **Disconnection**

- The PUC is currently updating rule 3.300 on utility disconnection.
- Updates to the disconnection rule will be developed hand in hand with the Energy Cost Stabilization Study that the Commission has been tasked with completing for the legislature due back by December 1, 2025.
- Vermont has the opportunity to be a leader in utility service consumer protection and follow the National Consumer Law Center's recommendation that **no customer should be disconnected based on the inability to afford essential utility service.**



## *Vermont Opportunities for Enhancement:* **Bill Payment Assistance**

Vermont has **investigated where the state's gaps are in payment assistance**, identified barriers, and assessed **new ideas for increased access** and support through:

- Assessment of Green Mountain Power's Energy Assistance Program contracted by the PSD; and
- PUC case number 20-0203-INV, a low-income rate investigation.

While **select Vermont utilities do offer payment assistance programs**, it is generally accepted that the discount plan and amount are not helping enough people in a meaningful way, and **disparities are evident throughout the state**. More can be done.



# *Vermont Opportunities for Enhancement:* **Rate Design**

- The most recent PUC low income rate investigation determined, among other issues, that the **PUC has the authority to establish a statewide low income rate and an accompanying funding source.**
  - However, a statewide low income rate has yet to be established in Vermont, despite the **PUC acknowledging the disparities in the current approach.**
- California's recently approved income-based fixed charge is a new rate design approach to keep electric bills affordable and encourage electrification.
  - As a state with a deep commitment to increasing electrification of heating and transportation, **lessons learned from others states on successful low income rate approaches could help our efforts here.**



As the effects of climate change become more unpredictable and devastating and as Vermont continues progress towards a clean energy economy ...

**There is opportunity to further protect Vermonters' utility service as a necessity and a human right.**

Specifically, **consumer protections for low income Vermonters** should be “front and center” during:

- Updates to **PUC Rule 3.300**;
- Completion of the **Energy Cost Stabilization Study** due to the Legislature by December 1, 2025; and
- Much needed follow-on to the previous **Low income Rate investigation**.



# Thank you!

Questions and Comments?

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