NARUC
Summer Committee Meetings

Committee On Consumer Affairs
Prepaid Electric Service
NARUC
July 11, 2015

Take control of your electric bill by paying what you want, when you want.

Prepay

• No more security deposit
• No more monthly bill

Whether you’re a new 4-County member or you already have an account, Prepay lets you take control of your electric bill by paying what you want, when you want.
Prepay Snapshot

June 2015

Total Accounts: 1829 (5% of eligible member base)

Average balance per account: $28

Average daily kWh use per account: 37

Average number of payments: 6

Average payment amount: $21.51
How Do Members Benefit?

The Four A’s

Affordability: No deposit, no large bills

Awareness: Increased information to member

Administration: Members control when and how much they pay

Alleviate: Debt cycle eliminated (non-punitive)
How Does 4-County Benefit?

Improved member satisfaction/interaction

Better debt recovery ($53K in UNC brought back to system, $38K paid off)

Lower write-offs (10 year low)

Roadmap to the future
Lessons Learned

It works
Don’t overthink it
Information is a very good thing
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Prepaid Electric Service

Nat Treadway
http://defglc.com
Sunday, July 12, 2015
Background

About DEFG

DEFG specializes in energy, focusing on retail consumers

We help utilities improve customer service, increase customer engagement and apply smart grid technologies and programs

- Low Income Energy Issues Forum
- EcoPinion Consumer Surveys
- Prepay Energy Working Group
- Annual Baseline Assessment of Competition in Canada and the U.S. (ABACCUS)

DEFG’s Prepay Energy Working Group

- Since 2010, the PEWG has been the utility industry’s leading forum for exploring prepaid energy service offerings in North America
- Participants include metering and software vendors, utilities and an advisory panel
- Research agenda:
  - Regulatory issues
  - Consumer and market research
  - Conservation impact assessment
  - Business and operational applications
  - Enhanced transaction research

DEFG welcomes commissioners and staffers as members

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Persons interested in energy consumers should “Join Our Mailing List” to receive announcements:
http://defgllc.com/publications/
Prepay Service May Become Commonplace

Everyone Prepays for Gasoline

Everyone Prepays for Groceries
What’s the Best Analogy?

Gasoline

Groceries
Assume the family food basket has 100 items.

Imagine a low-income household with a monthly food budget of $300. They shop weekly at a local store.

They select items and put them in the basket. No items are marked with a price.

They check out, and the clerk says, “an accurate bill will be sent at the end of the month.”

After four weeks—and a great deal of concern—the family receives a $400 grocery bill. There is no itemization, just the total dollars plus the number of items purchased over four weeks.

They are given several weeks to pay, so they pull money from next month’s budget.

They repeat this for four more weeks, reducing the number of items in the basket. The next bill is $350.

If they cannot pay the bill after a few months, they are not allowed to shop for groceries.

* This is sarcasm.
One Word to Describe Voluntary Prepaid Electric Service*

Customer Satisfaction with Prepay Service at Two Electric Cooperatives**


A Phrase to Communicate Individual Responsibility

A customer disconnected for failure to pay past-due utility bills

“You turned my electricity off”

A customer disconnected for a prepay service balance of zero

“My electricity ran out”

“a spirit of cooperation instead of blame”
Blue Ridge Electric Membership Corporation
Summary of Remarks about Prepaid Electric Service

- Protect customers
- Make it voluntary
- Focus on conservation savings and bill reductions; revenue recovery will improve
- Focus on customer segments that are poorly served with post-pay service
- Make the costs the same as, or lower than, post-pay service; reduce or eliminate fees
- Communicate frequently; communication is an opportunity to engage the consumer
- Understand you are shifting some responsibility to the consumer: the consumer should be rewarded for taking responsibility
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Prepaid Electric Service in Michigan

DTE Electric’s Program and Consumer Advocate Views

The views expressed in this presentation are not necessarily the views of the Michigan Attorney General
DTE Electric’s Prepaid Program

- Available to Residential and Small Commercial
- Same electric rate as credit customers
- Must have Advanced Metering Infrastructure (AMI)
- Participants that are seniors or participating households with a resident who has a serious medical condition must be identified and cannot be shutoff during the heating season.
- Low income participants must be identified and provided a 10-day advance notice of estimated disconnection along with information on ways to transition to other service alternatives and provided with information on shut-off assistance programs that may be available.
- Voluntary
- No reconnection fee
Michigan Utility Assistance

• State Law – No shut-offs during heating season for electric and natural gas utilities for (1) seniors, (2) recipients of Michigan Department of Human Service cash assistance, (3) recipients of Food Stamps or Medicaid, (4) Household income at or below 150% of the poverty level.

• Low income customers must make monthly payments of at least 7% for their estimated annual bill and pay portion of past due bills.

• Seniors not required to make monthly installments.

• Michigan Home Heating Credit/EIC/SEIC

• State Emergency Relief (LIHEAP dollars)

• Michigan Energy Assistance Program

• Elder Law of Michigan/OSA/Veterans
NASUCA Resolution 2011-3

• Maintain similar consumer protections for prepaid plan
• Provide reasonable disconnection grace period with same rules
• No LIHEAP or health/safety participants
• Voluntary
• Rates for prepaid service should be lower
• Demonstrate cost/benefit of program and allocation
• No security deposit or extra fees
• Ability to purchase credits 24/7
• Can return to credit based system
• Payments are promptly posted to account
• Prompt refund if company becomes insolvent
Conclusion

Thank You
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