

# Survey

## Nonpayment of Energy Bills by Low-Income Customers

The National Regulatory Research Institute

June 2005

*Francine Sevel, Ph.D.*

Senior Consumer Affairs Policy Analyst  
The National Regulatory Research Institute

*Mitch Miller*

Director, Bureau of Consumer Affairs  
Pennsylvania Public Utility Commission

### EXECUTIVE SUMMARY

Disconnections, arrearages and applications for heating assistance reflect the gap between household incomes and rising energy prices. Recognizing the need for data collection on these problems, the NARUC Staff Subcommittee on Consumer Affairs Low-Income Work Group was formed in 2002. Goals of the workgroup include heightening awareness of the need for data collection, encouraging the states to require energy companies to collect and submit the data on an annual basis and passage of a NARUC resolution that speaks to the importance of data collection. In 2002 the workgroup conducted a survey of state public utility commissions concerning low-income consumers' inability to pay their energy bills. The study collected state-specific data for electric, gas and combination utilities regarding arrearages, disconnections, number of accounts receiving assistance and total revenue owed.

In 2004 the study was partially replicated using a shorter survey instrument. Sixteen states responded. This report contains the results. Over time we expect these surveys to be a valuable source of data on the critical aspects of the problems low-income customers have in paying their energy bills. We also hope to encourage more states to require companies to collect and submit collections data.

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## INTRODUCTION

The problems associated with the inability of low-income consumers to pay their utility bills are a salient and continual issue facing public utility commissions across the country. Without solid national information on collections and disconnections it is impossible to accurately assess the severity of the problem or the effectiveness of public policy regarding alternatives to disconnection. Recognizing the ongoing need for collection of data regarding arrearages and disconnections, in 2004 the NARUC Staff Subcommittee on Consumer Affairs and the NRRI sought to replicate the NARUC Staff Subcommittee on Consumer Affairs/NRRI 2002 Low-Income Energy Policy Survey.<sup>1</sup>

In order to expedite the data-collection process, a shorter survey instrument was used in 2004. The following information was sought from electric, gas and combination utilities.

1. Number of residential customers
2. Number of residential accounts in arrears
3. Dollar amount of residential accounts in arrears
4. Percentage of residential accounts in arrears
5. Number of residential terminations (disconnections)
6. Number of residential terminations (disconnections) for the calendar year
7. Percentage of residential terminations (disconnections)

The survey questions were reviewed by the NARUC Consumer Affairs Committee, the NARUC Staff Subcommittee on Consumer Affairs, and the NARUC Staff Subcommittee on Gas. In addition, the American Gas Association, Edison Electric Institute, the National Energy Agency Directors Association, the

National Consumer Law Consortium, the National Low-Income Energy Consortium Board and other stakeholders had the opportunity to provide feedback.

For the purposes of this survey precise definitions were used for accounts in arrears and disconnections/terminations (see box). States that were unable to produce the data according to the definitions were asked to still submit the data, but indicate the definition they used when compiling it.

### DEFINITIONS

**Accounts in Arrears:** A residential account that is at least 30 days overdue. According to this definition, the due date is considered to be day zero (0) for determining the starting time in the aging of accounts in arrears. Accounts in Arrears would include all accounts that are overdue including accounts with a payment agreement. This category would not include budget customers if they are current with their budget payments.

**Disconnections/Terminations:** The reason for termination is customer nonpayment. No adjustments should be made if reconnected in a short time period.

## BACKGROUND

Despite the efforts of many consumer groups, legislative offices and commissions to quantify the extent of the problem of nonpayment for low-income consumers, at present a body of national data which speaks to this issue does not exist. Although a number of individual states, such as Iowa, Massachusetts, Ohio, Pennsylvania and Rhode Island, regularly collect this data, there is a dearth of national information available regarding

*The difficulties low-income consumers have paying their energy bills is a salient issue to public utility commissions.*

*Recognizing the ongoing need for data, the NARUC Staff Subcommittee on Consumer Affairs and the NRRI have conducted two surveys.*

the actual number of residential electric and gas accounts unable to meet their payments.

In most instances where data is not obtainable, it is because states do not require the companies to collect it. From the company perspective, information on nonpayment is often considered to be confidential information and the company is reluctant to release it, even if aggregated with the data of other companies, for fear that it will reflect poorly on the company.

This information is vital for the assessment of the sufficiency of Low-Income Energy Assistance Program (LIHEAP) funding, as well as a baseline for addressing the issues of alternatives to disconnection. Not only is the data important to utilities and public utility commissions which directly address consumer problems associated with utility disconnections, it is also important to social service and government agencies that provide policies and programs that address the need for all consumers to have safe, reliable and adequate utility services, which are of course necessary to the health, safety and welfare of American households. Longitudinal data of this nature would be very beneficial for analysis of the impact of market forces and weather conditions on the ability of low-income consumers to pay their utility bills. This data would be extremely important to social service and government agencies who must deal with the fallout effects of low-income consumers being disconnected from utility services. This information is also vital to the budget forecasting of these agencies. Thus, it is recommended that states consider requiring companies to submit the data on a regular and systematic basis.

The release of LIHEAP emergency contingency funds is contingent on solid data. According to the LIHEAP statute,

the definition of “emergency” is as follows:

A significant increase in home energy disconnections reported by a utility, a state regulatory agency or another agency with necessary data.<sup>2</sup>

The longitudinal collection of state and national data regarding disconnections and the dollar amounts owed by residential customers will allow state commissions and other policymakers to understand the depth of the non-payment problem for both consumers and utilities. This valuable information would assist commissions, and other policymakers, when developing public policies that would enable customers to maintain utility service. For example, state commissions would be able to evaluate the success or failure of specific collection policies by looking at trend data and the relationship between arrearages and disconnections. This is especially critical when energy price increases result in higher utility bills. This in turn creates higher arrearages and more disconnections.

The Public Utilities Commission of Ohio (PUCO) used this type of data to evaluate the need for special winter reconnection rules. As a result of this information Ohio crafted specific payment plans that must be offered to all residential customers. Analysis of this data enabled Ohio to target weatherization efforts to areas with the highest arrearages.

The Pennsylvania Public Utility Commission has used its utility collection data to track utility disconnections across time and to evaluate the level of households without service as cold weather approaches and throughout the winter period. Pennsylvania has found this information to be particularly useful in evaluating the need for universal

*Other government and social service agencies as well can make use of information on arrearages and disconnections of low-income consumers.*

*Pennsylvania and Ohio are among states that have collected information on the difficulties low-income consumers have in paying their bills.*

service program expansion and in evaluating the success of company collection efforts. Pennsylvania has also used utility-supplied collection data to advise both individual utility and industry representatives on successful collection efforts. The Pennsylvania PUC used this information to make recommendations about customer payment arrangements, special budget offerings and other special programs that allow Pennsylvania's utility consumers to maintain utility service while holding the line on utility debt. This state would value having comparison collection data from neighboring states and from states that are demographically and geographically similar to Pennsylvania.<sup>3</sup>

Nationally, this data will allow Congress and other policy makers to accurately assess the effects of energy prices and economic conditions on consumers and utilities. Arrearages affect utilities' financial health and disconnections have a direct effect on the public health and safety. Access to national collection data would allow policy makers to determine the level of consumer need that is so critical in determining the level of funding for LIHEAP as well as LIHEAP emergency appropriations. Such information is particularly valuable in times of budgetary constraints and poor economic conditions.

## **RESULTS AND RECOMMENDATIONS OF THE 2002 SURVEY**

In 2002, the NRRI and the NARUC Staff Subcommittee on Consumer Affairs Low-Income Work Group conducted a survey of state public utility commissions concerning the low-income consumers' inability to pay their energy bills.

## **Results**

Nineteen states responded to the survey.<sup>4</sup> In most instances the states did not collect the data and had to rely on the energy companies to furnish the data. In some instances the participating states were not able to collect data from all of the energy companies within the state.

In other instances a number of the collection variables were not available from either the state or the company. In still other instances the following problems ensued:

- A number of collection data variables are not uniform at the company level or the industry level.
- In some cases, data quality issues existed. Partial responses are an example.

## **Recommendations**

Study co-authors Francine Sevel, NRRI Senior Consumer Affairs Policy Analyst, and Mitch Miller, Consumer Services Director, Pennsylvania Public Utility Commission, recommended the following steps regarding data collection.

- The Staff Subcommittee on Consumer Affairs should consider requesting a resolution proposing that NARUC support the effort to motivate all states to collect the relevant data by stressing the importance of this effort. Also the proposed resolution would lay out the design of a standard data dictionary for the states to use and the states would distribute it to the companies. This data dictionary would serve as the Model Guidelines for collections reporting. The resolution would encourage states to undertake the following steps:

*The 2002 survey resulted in recommendations for a more concerted state data collection effort.*

- Each commission should generate a list of state commission contacts that, in turn will develop and maintain a current list of company contacts.
- In order to ensure consistency of data collection state commissions will direct the companies to forward all questions to the commission contact, who in turn, will then forward the questions to the NRRI.
- The state commission contacts will combine the company level data into appropriate industry summary level data and submit it to NRRI for analysis. This would include data troubleshooting.
- The state commission contacts would document all variations and exceptions in the data.

- The percentage of residential counts in arrears as of March 31, 2004
- The number of residential account disconnects from April 1, 2003 to March 31, 2004
- The percentage of residential disconnections from April 1, 2003 to March 31, 2004

As indicated by Table 2, several states had special reporting circumstances.

### Recommendations

With regard to recommendations, the study authors uphold the recommendations of the 2002 study. The goals of the NARUC Staff Subcommittee on Consumer Affairs Low-Income Workgroup continue to focus on heightening awareness of the need for data collection, encouraging the states to require energy companies to collect and submit the data on an annual basis and passage of a NARUC Resolution that speaks to the importance of data collection. The workgroup is hoping to collaborate with the NARUC Consumer Affairs Committee to develop a resolution for the NARUC 2005 annual convention advancing the recommendations of the 2002 study.

*The NARUC Low-Income Workgroup hopes to develop a resolution on collection of information on nonpayment problems for the NARUC 2005 annual convention.*

## RESULTS AND RECOMMENDATIONS OF THE 2004 STUDY

### Results

Sixteen states responded to the survey (see Table 1). However, as in the 2002 study, all responding states did not collect data for all three energy sectors and states were not required to answer all questions. Similar to the 2002 study, this study collected state-specific data for electric, gas and combination utilities regarding arrearages, disconnections and total revenue owed. The results of the study contain information concerning residential electric, gas and combination utilities regarding the following factors:

- The number of residential accounts as of March 31, 2004
- The number of residential accounts in arrears as of March 31, 2004
- The dollar amount of residential accounts in arrears as of March 31, 2004

**TABLE 1  
RESPONDING STATES**

States Responding to the Survey*
1. California
2. Colorado
3. Connecticut
4. Delaware
5. Florida
6. Indiana
7. Illinois
8. Iowa
9. Ohio
10. Maine
11. Missouri
12. Montana
13. Nevada
14. Pennsylvania
15. Tennessee
16. Wisconsin

\* All states did not respond to all sections of the survey.  
Source: Author's construct.

**TABLE 2**  
**SPECIAL STATE REPORTING CIRCUMSTANCES**

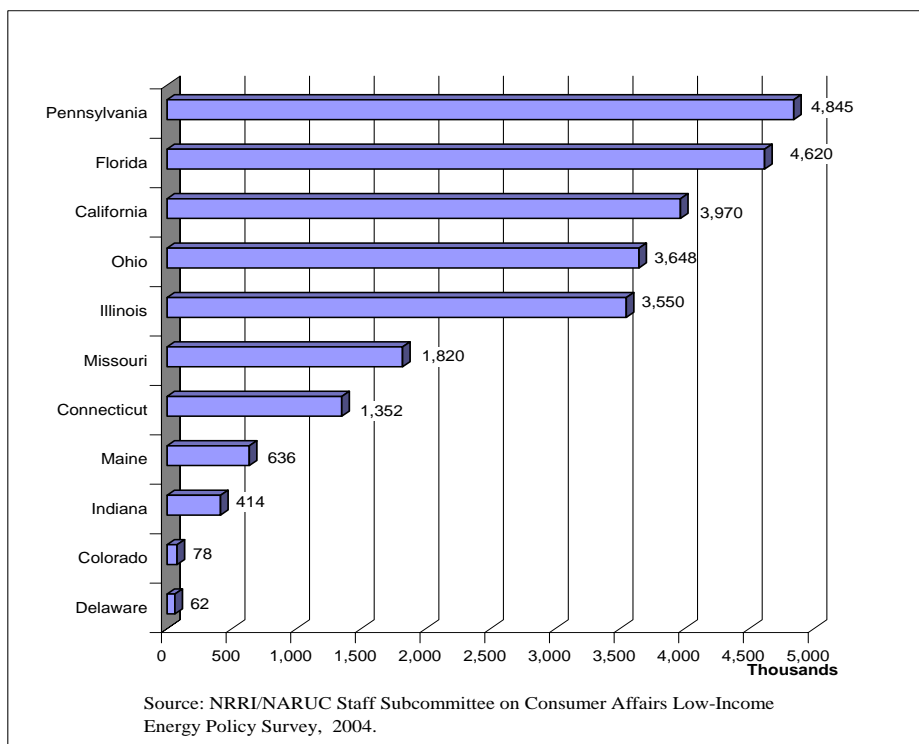
State	Reporting Circumstances
Colorado	<ul style="list-style-type: none"> <li>• In the gas utility section, one Colorado company could only provide the number of accounts in arrears and dollars in arrears in accounts for accounts that are more than 60 days past due with a balance of more than a \$100. These numbers were included in the aggregate total.</li> <li>• Another company could only provide the number of accounts in arrears and dollars in arrears for both residential and commercial customers. Because we were unable to separate the two, those numbers are included in the aggregate total even though they do not match the definitions.</li> </ul>
Nevada	<ul style="list-style-type: none"> <li>• We only have one natural gas utility and they were unable to make a distinction between residential and commercial, so the numbers provided represent a combination of those two customer classes.</li> </ul>
Pennsylvania	<ul style="list-style-type: none"> <li>• PECO is treated solely as an electric company in our reporting even though it is a dual fuel utility.</li> <li>• Philadelphia Gas Works is excluded from our gas data.</li> </ul>
Wisconsin	<ul style="list-style-type: none"> <li>• Data only includes the five major investor-owned utilities.</li> <li>• One utility was not able to provide data for the total number of residential accounts in arrears as of March 31, 2004. The utility explained that their data systems cannot differentiate counts and dollars in arrears for combined accounts. For example, customers having an arrearage that is 90-120 days in arrears are also counted in the categories of 30-60 and 60-90 days in arrears. Adding counts in each category would lead to duplicate counting of customers and inaccurate totals.</li> </ul>

*Four states noted special issues affecting their survey responses.*

Source: Author's construct.

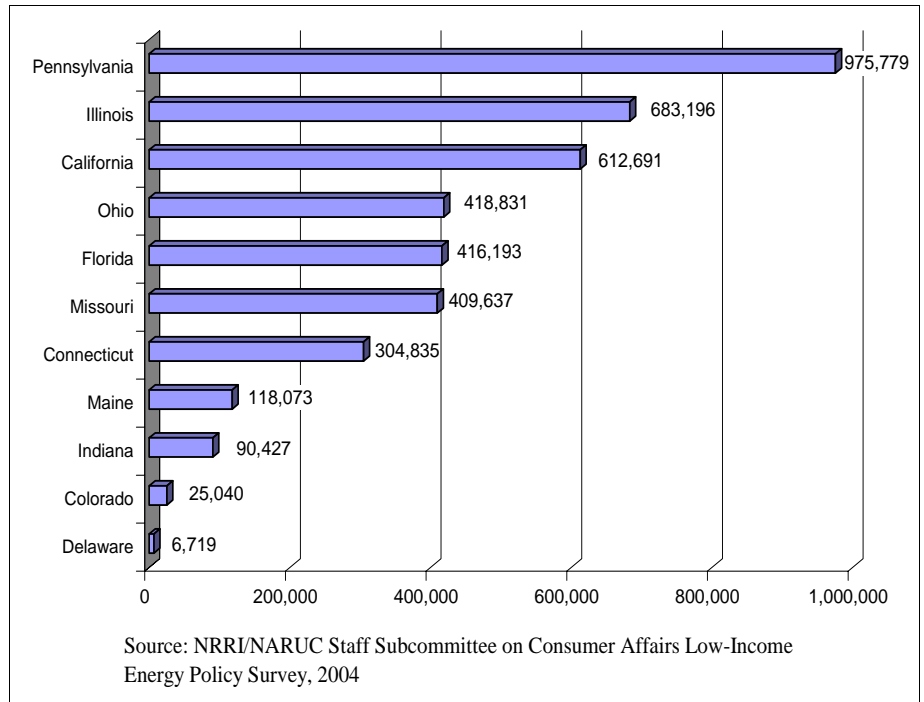
## ELECTRICITY

All 16 responding states did not collect data for all three energy sectors and states were not required to answer all questions in order to participate. Eleven states responded to the questions on electricity.



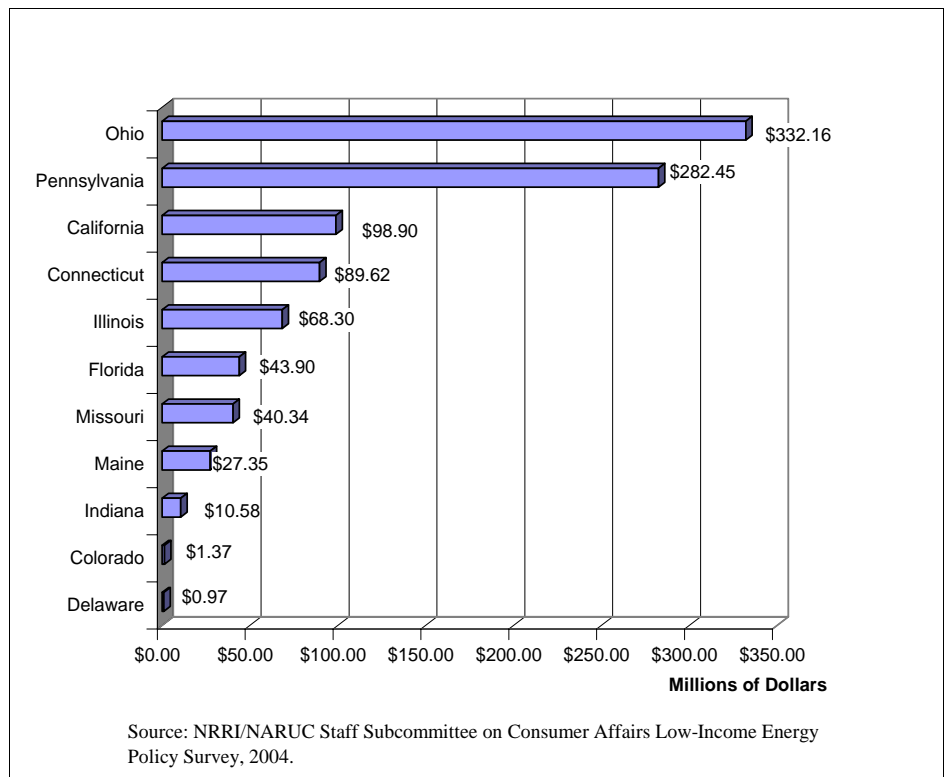
*The reported number of residential accounts ranged from a high of almost five million to a low of 62,000.*

**Fig. 1:** Number of electric residential accounts as of March 31, 2004.



**Fig. 2:** Number of residential electric accounts in arrears as of March 31, 2004.

*Ohio reported the highest dollar amount of electric residential account arrearages: \$322,160,000.*



**Fig. 3:** Dollar amount of electric residential accounts in arrears as of March 31, 2004.

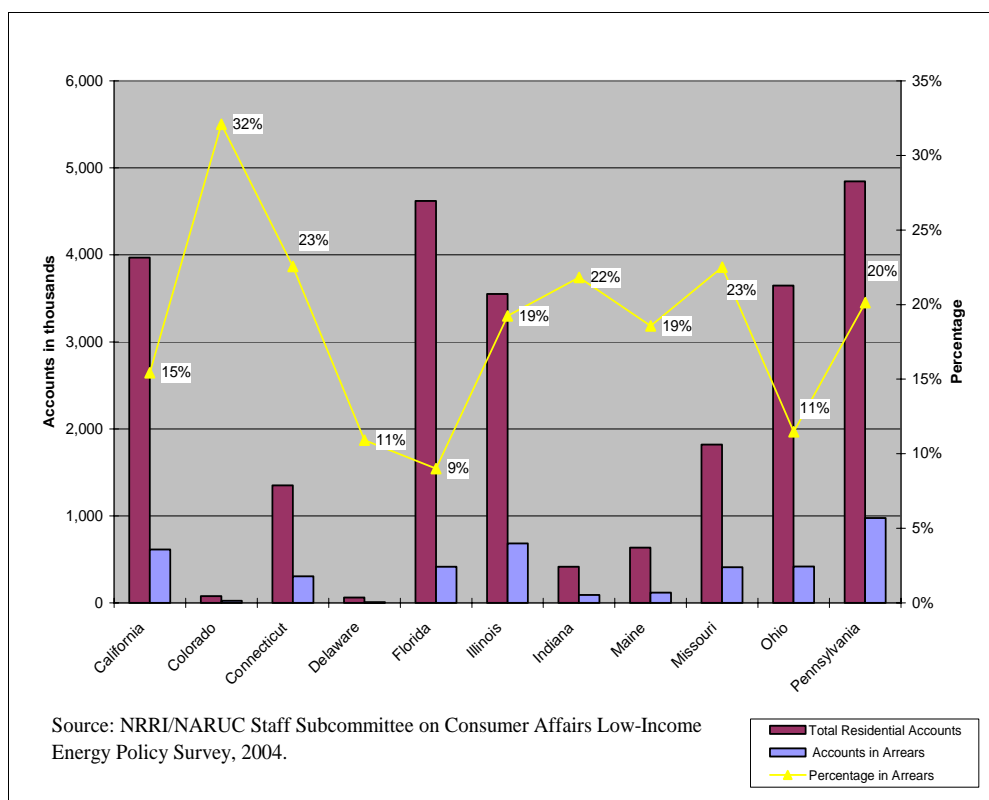


**TABLE 3  
PERCENTAGE OF ELECTRIC RESIDENTIAL  
ACCOUNTS IN ARREARS AS OF MARCH 31, 2004**

State	Number of Electric Residential Accounts	Number of Electric Residential Accounts in Arrears	Percentage of Electric Residential Accounts in Arrears
California	3,970,000	612,691	15.43
Colorado	78,021	25,040	32.09
Connecticut	1,351,574	304,835	22.55
Delaware	61,549	6,719	10.92
Florida	4,619,840	416,193	9.01
Illinois	3,550,035	683,196	19.24
Indiana	414,345	90,427	21.82
Maine	635,558	118,073	18.58
Missouri	1,820,323	409,637	22.50
Ohio	3,648,142	418,831	11.48
Pennsylvania	4,844,680	975,779	20.14

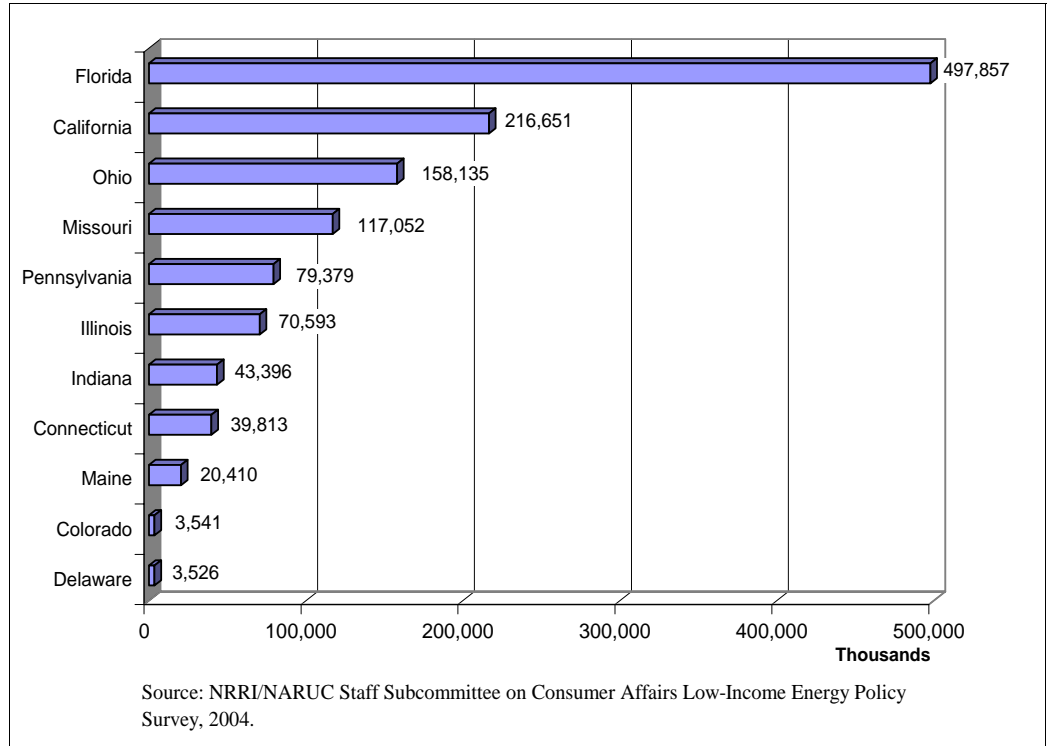
*Florida reported the lowest percentage of electric residential accounts in arrears.*

Source: NRRI/NARUC Staff Subcommittee on Consumer Affairs Low-Income Energy Policy Survey, 2004.

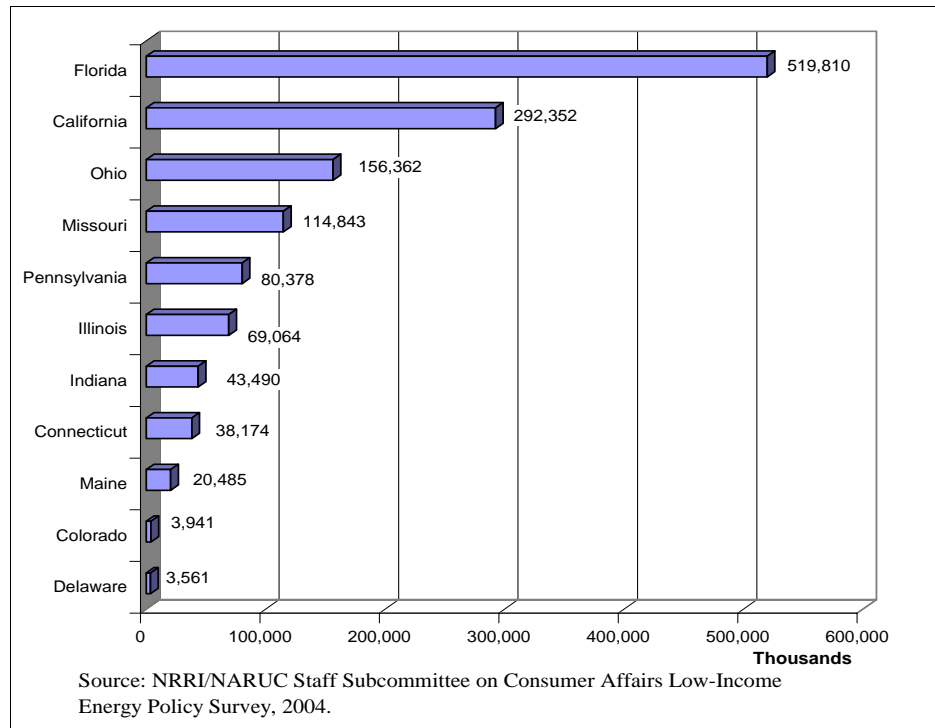


**Fig. 4:** Percentage of electric residential accounts in arrears as of March 31, 2004.

*Florida reported 497,857 electric residential account disconnections.*



**Fig. 5:** Number of electric residential account disconnections (April 1, 2003, to March 31, 2004).



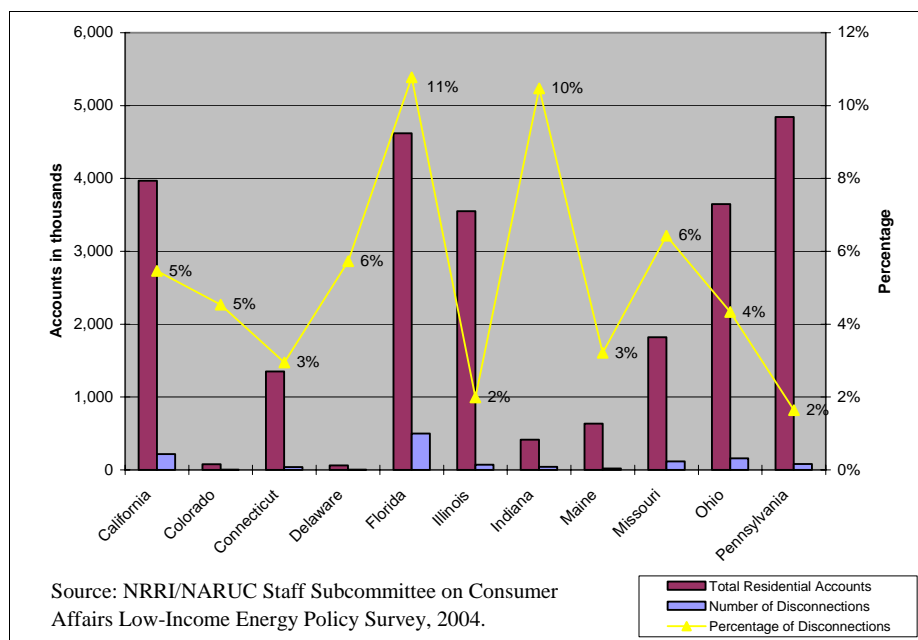
**Fig. 6:** Number of electric residential account disconnections (calendar year 2003).

**TABLE 4**  
**PERCENTAGE OF ELECTRIC RESIDENTIAL ACCOUNT**  
**DISCONNECTIONS (APRIL 1, 2003 TO MARCH 31, 2004)**

State	Number of Electric Residential Accounts	Number of Electric Residential Disconnections	Percentage of Electric Residential Account Disconnections
California	3,970,000	216,651	5.46
Colorado	78,021	3,541	4.54
Connecticut	1,351,574	39,813	2.95
Delaware	61,549	3,526	5.73
Florida	4,619,840	497,857	10.78
Illinois	3,550,035	70,593	1.99
Indiana	414,345	43,396	10.47
Maine	635,558	20,410	3.21
Missouri	1,820,323	117,052	6.43
Ohio	3,648,142	158,135	4.33
Pennsylvania	4,844,680	79,379	1.64

*Pennsylvania reported the lowest percentage of electric residential account disconnections.*

Source: NRRI/NARUC Staff Subcommittee on Consumer Affairs Low-Income Energy Policy Survey, 2004.

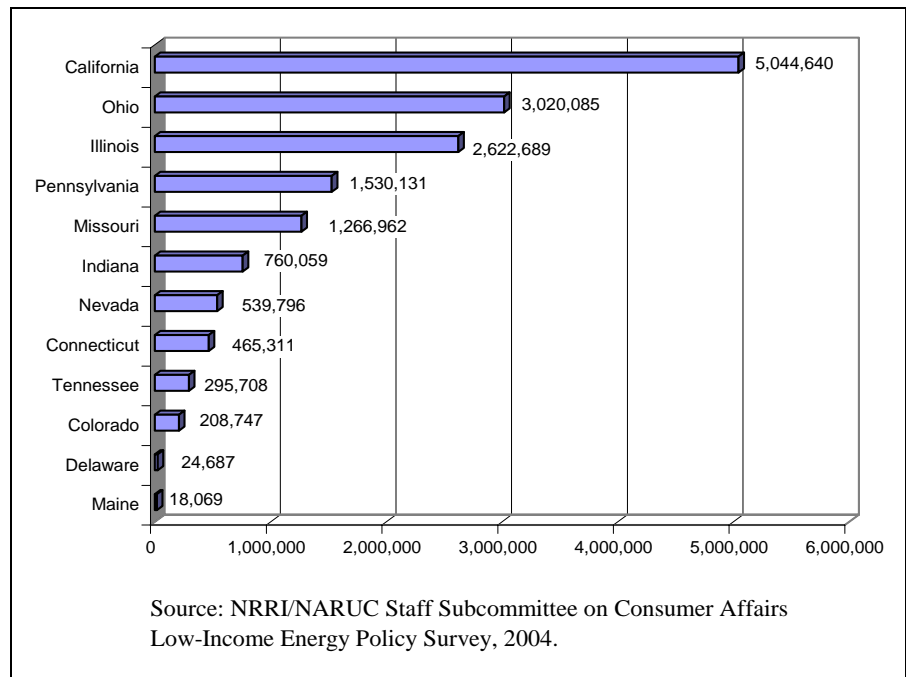


**Fig. 7:** Percentage of electric residential account disconnections (April 1, 2003, to March 31, 2004).

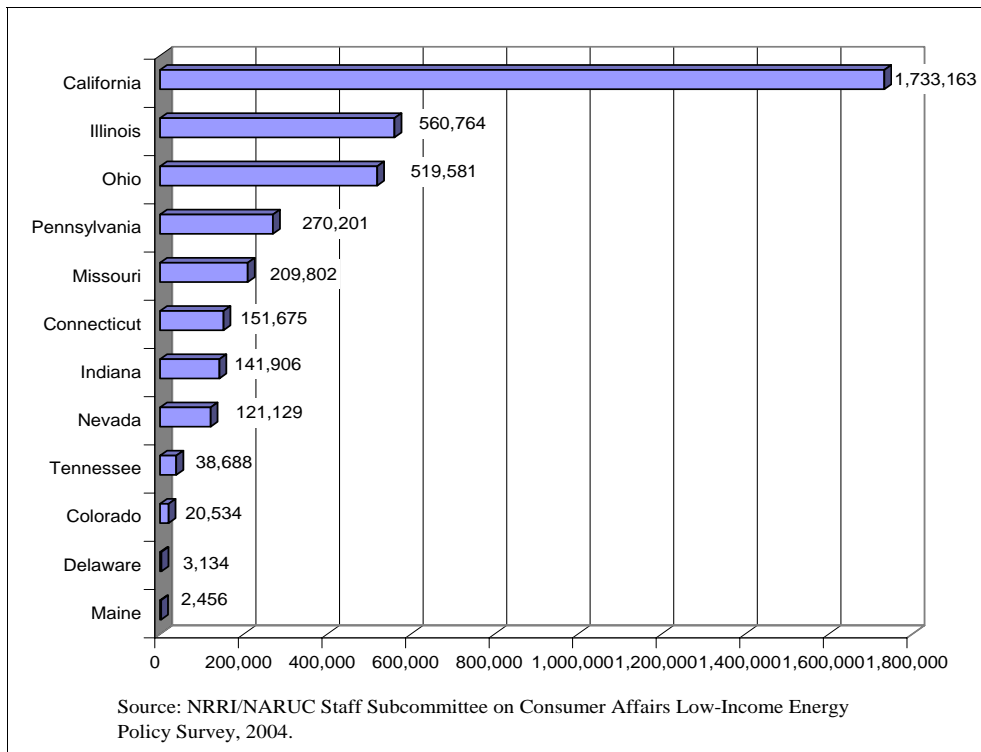
## NATURAL GAS

All 16 responding states did not collect data for all three energy sectors and states were not required to answer all questions in order to participate. Twelve states responded to the questions on natural gas.

*California reported over five million natural gas residential accounts.*

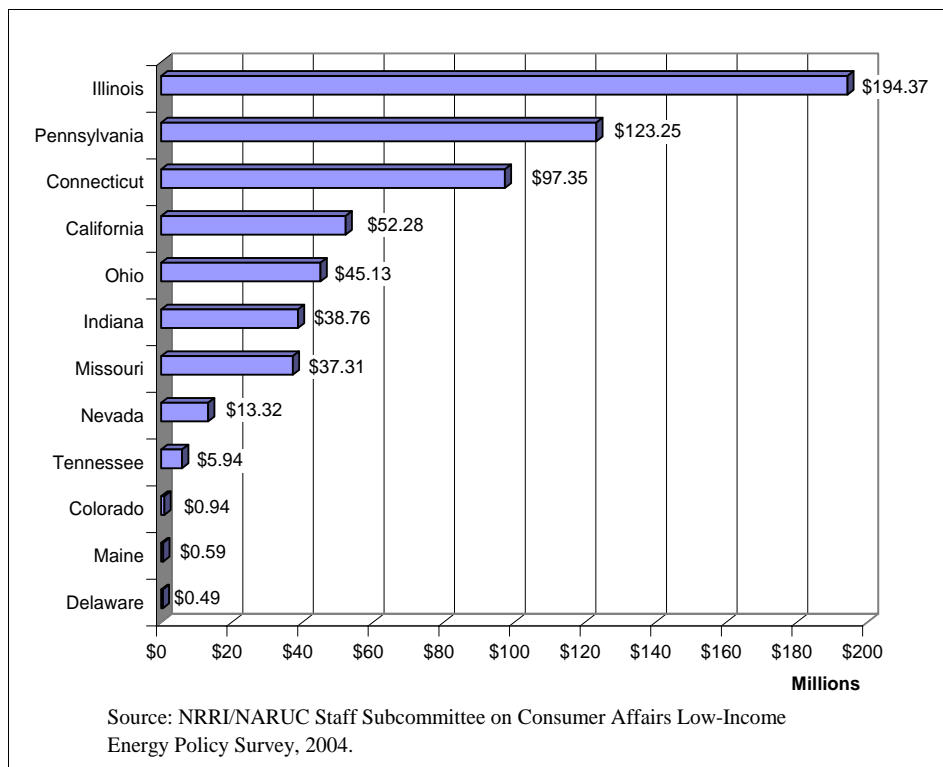


**Fig. 8:** Number of natural gas residential accounts as of March 31, 2004.



*Maine reported the lowest number of natural gas residential accounts in arrears.*

**Fig. 9:** Number of natural gas residential accounts in arrears as of March 31, 2004.



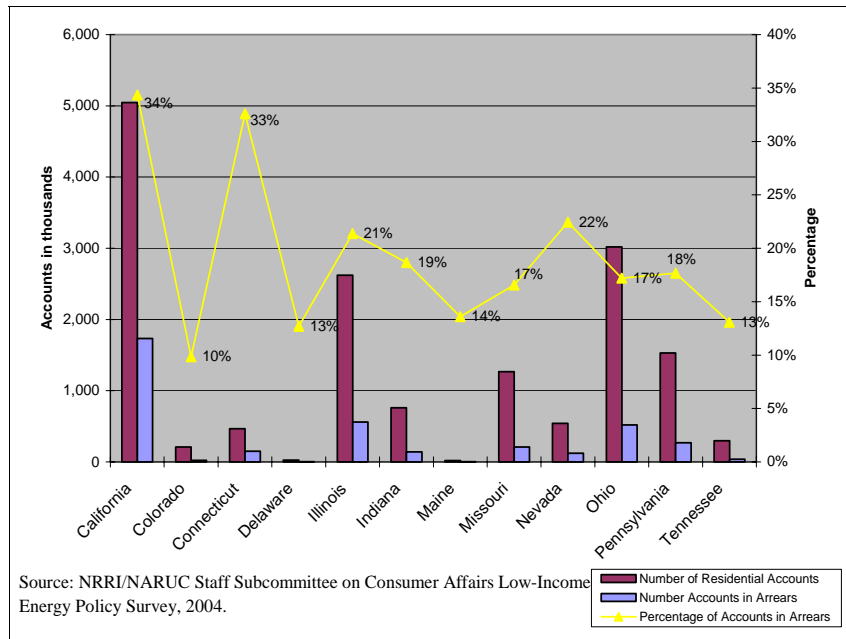
**Fig. 10:** Dollar amount of natural gas residential accounts in arrears as of March 31, 2004.

**TABLE 5  
PERCENTAGE OF NATURAL GAS RESIDENTIAL  
ACCOUNTS IN ARREARS AS OF MARCH 31, 2004**

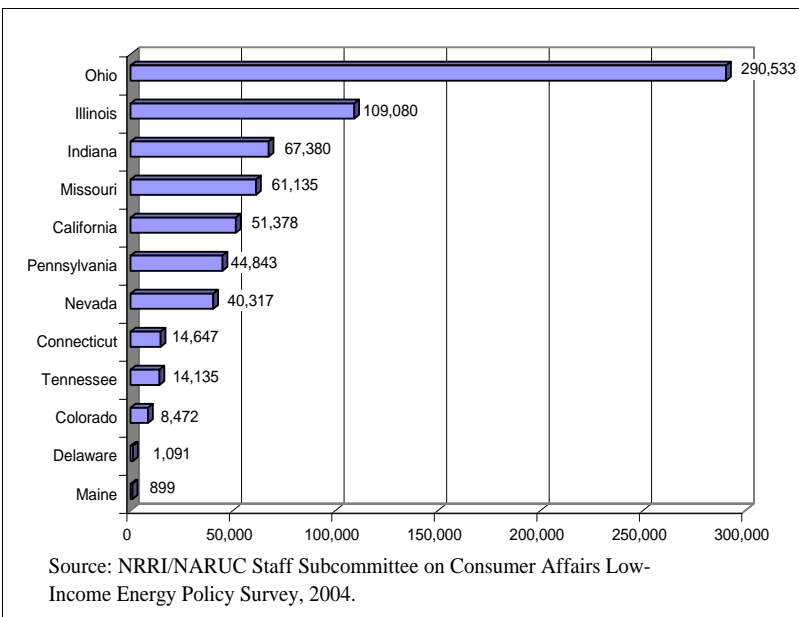
State	Number of Natural Gas Residential Accounts	Number of Natural Gas Residential Accounts in Arrears	Percentage of Natural Gas Residential Accounts in Arrears
California	5,044,640	1,733,163	34.36
Colorado	208,747	20,534	9.84
Connecticut	465,311	151,675	32.60
Delaware	24,687	3,134	12.69
Illinois	2,622,689	560,764	21.38
Indiana	760,059	141,906	18.67
Maine	18,069	2,456	13.59
Missouri	1,266,962	209,802	16.56
Nevada	539,796	121,129	22.44
Ohio	3,020,085	519,581	17.20
Pennsylvania	1,530,131	270,201	17.66
Tennessee	295,708	38,688	13.08

*California reported the highest percentage of natural gas residential accounts in arrears: 34 percent.*

Source: NRRI/NARUC Staff Subcommittee on Consumer Affairs Low-Income Energy Policy Survey, 2004.

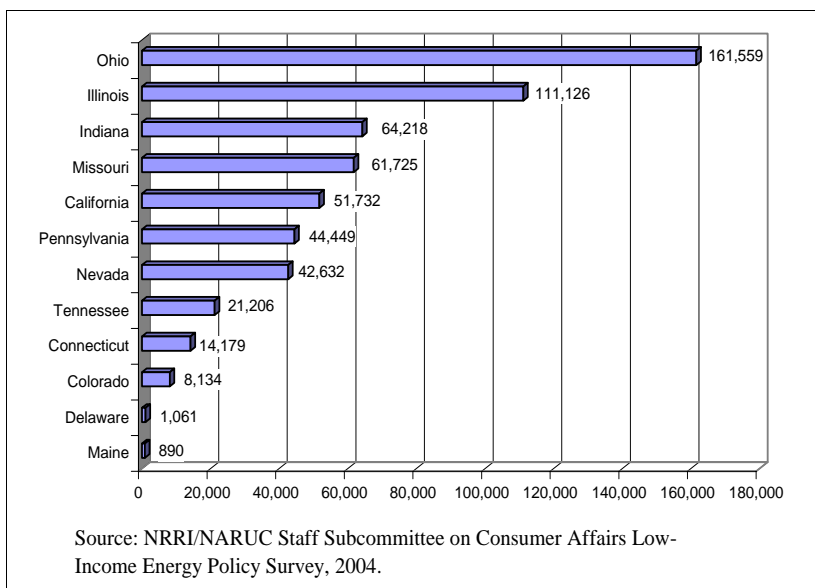


**Fig. 11:** Percentage of natural gas residential accounts in arrears as of March 31, 2004.



*Ohio reported the highest number of natural gas residential account disconnections.*

**Fig. 12:** Number of natural gas residential account disconnections (April 1, 2003, to March 31, 2004).



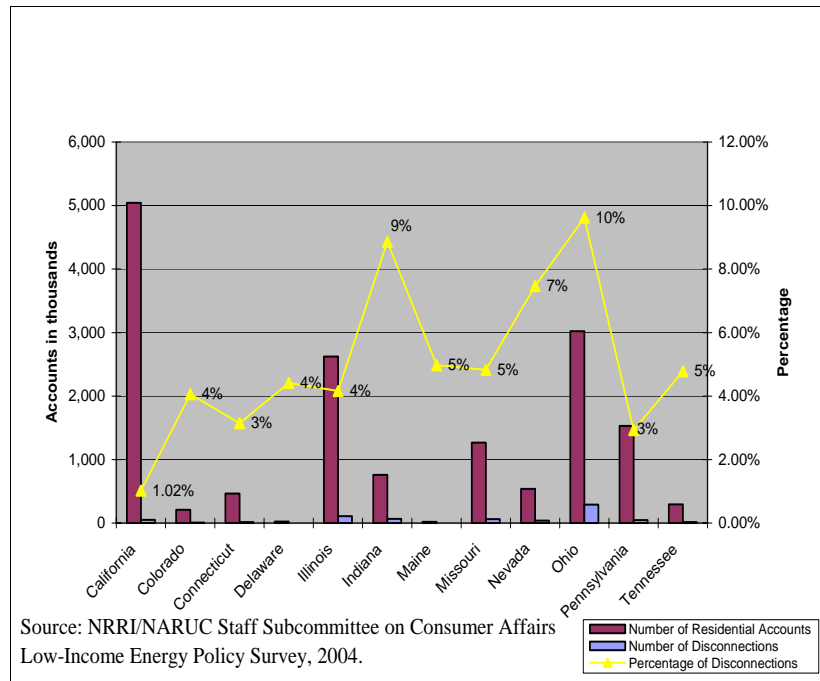
**Fig. 13:** Number of natural gas residential disconnections (calendar year 2003).

**TABLE 6**  
**PERCENTAGE OF NATURAL GAS RESIDENTIAL**  
**ACCOUNT DISCONNECTIONS (APRIL 1, 2003 TO MARCH 31, 2004)**

State	Number of Residential Natural Gas Accounts	Number of Natural Gas Residential Disconnections	Percentage of Natural Gas Residential Account Disconnections
California	5,044,640	51,378	1.02
Colorado	208,747	8,472	4.06
Connecticut	465,311	14,647	3.15
Delaware	24,687	1,091	4.42
Illinois	2,622,689	109,080	4.16
Indiana	760,059	67,380	8.87
Maine	18,069	899	4.98
Missouri	1,266,962	61,135	4.83
Nevada	539,796	40,317	7.47
Ohio	3,020,085	290,533	9.62
Pennsylvania	1,530,131	44,843	2.93
Tennessee	295,708	14,135	4.78

*Colorado reported the lowest percentage of natural gas residential account disconnections.*

Source: NRRI/NARUC Staff Subcommittee on Consumer Affairs Low-Income Energy Policy Survey, 2004.

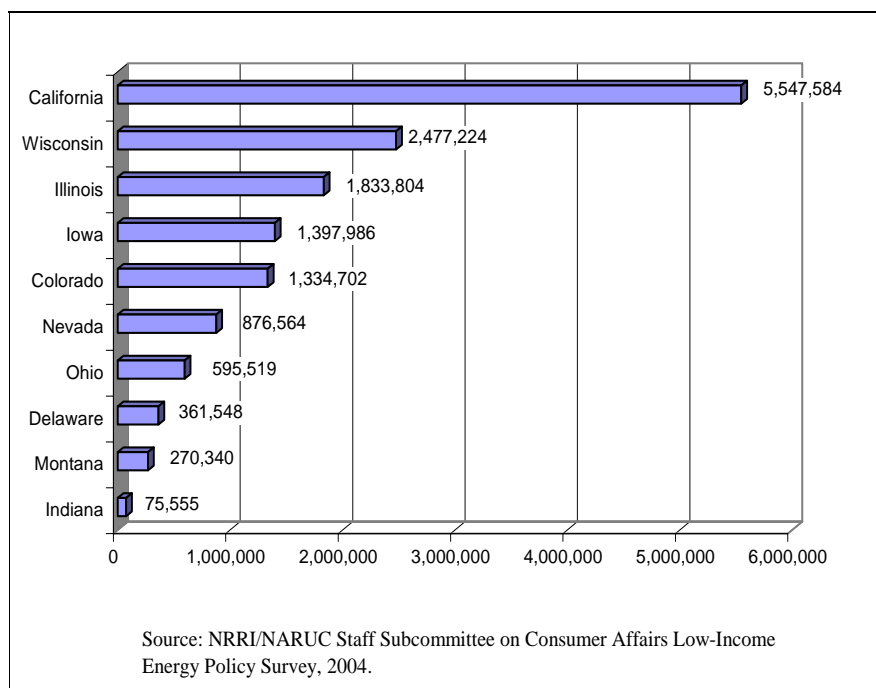


**Fig. 14:** Percentage of natural gas residential account disconnections (April 1, 2003 to March 31, 2004).



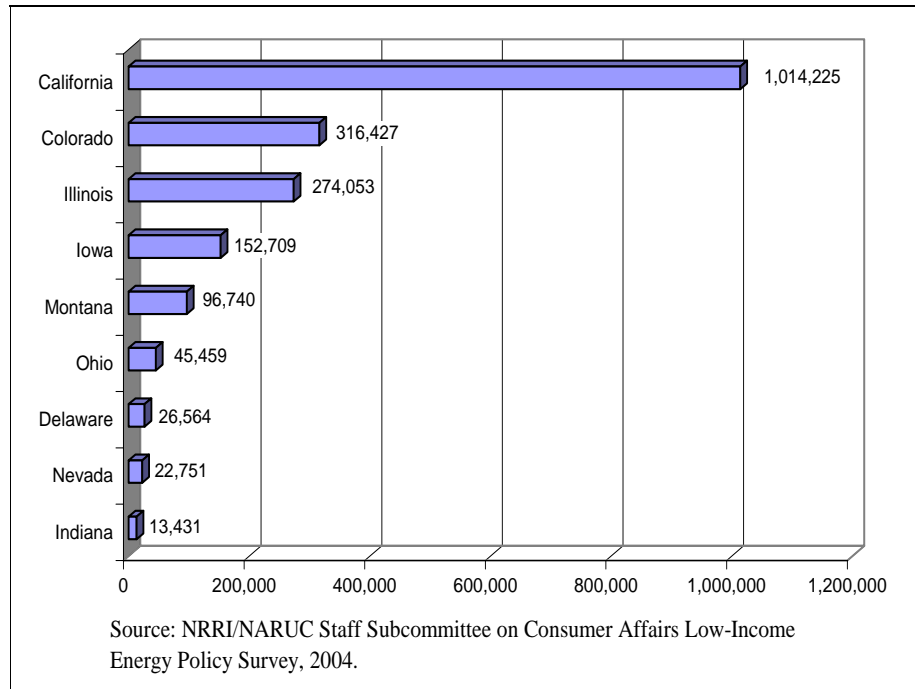
## COMBINATION UTILITIES

Please note, all 16 responding states did not collect data for all three energy sectors and states were not required to answer all questions in order to participate. Ten states responded to the questions on combination utilities.



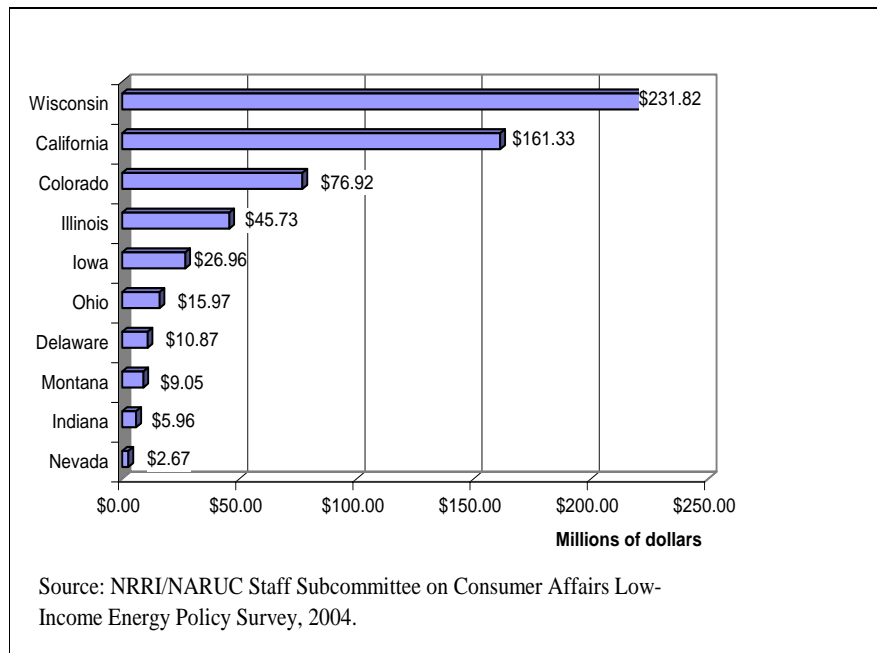
*Indiana reported the lowest number of combination utility residential accounts among the responding states.*

**Fig. 15:** Number of combination utility residential accounts as of March 31, 2004.



**Fig. 16:** Number of combination utility residential accounts in arrears as of March 31, 2004.

*Wisconsin reported almost 232 million of combination utility residential account arrearages.*



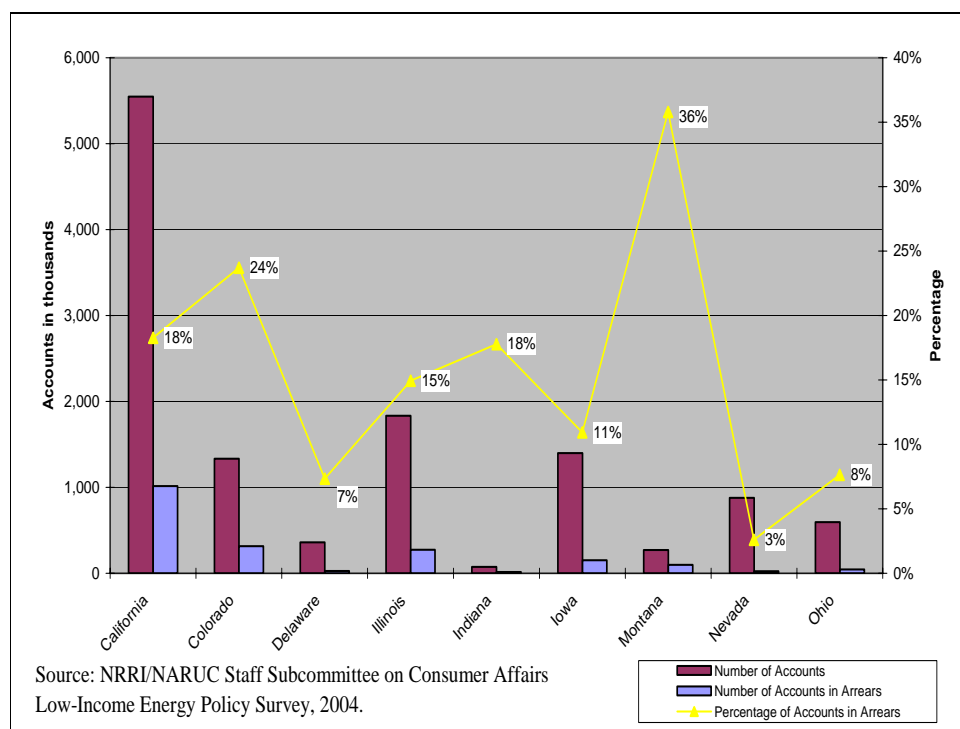
**Fig. 17:** Dollar amount of combination utility residential accounts in arrears as of March 31, 2004.

**TABLE 7  
PERCENTAGE OF COMBINATION UTILITY  
RESIDENTIAL ACCOUNTS IN ARREARS AS OF MARCH 31, 2004**

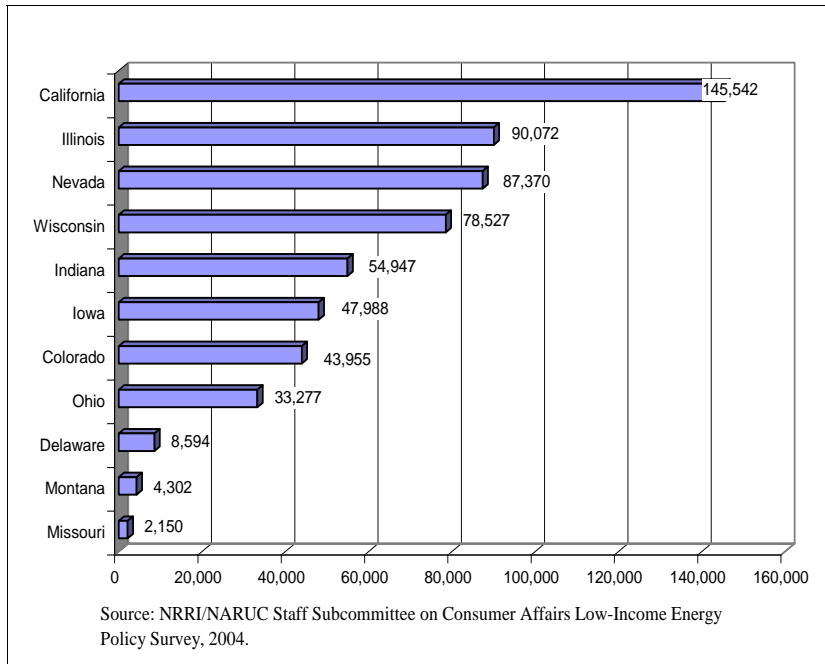
State	Number of Combination Utility Residential Accounts	Number of Combination Utility Residential Accounts in Arrears	Percentage of Combination Utility Residential Accounts in Arrears
California	5,547,584	1,014,225	18.28
Colorado	1,334,702	316,427	23.71
Delaware	361,548	26,564	7.35
Illinois	1,833,804	274,053	14.94
Indiana	75,555	13,431	17.78
Iowa	1,397,986	152,709	10.92
Montana	270,340	96,740	35.78
Nevada	876,564	22,751	2.60
Ohio	595,519	45,459	7.63

*Nevada reported the lowest percentage of combination utility residential accounts in arrears.*

Source: NRRI/NARUC Staff Subcommittee on Consumer Affairs Low-Income Energy Policy Survey, 2004.

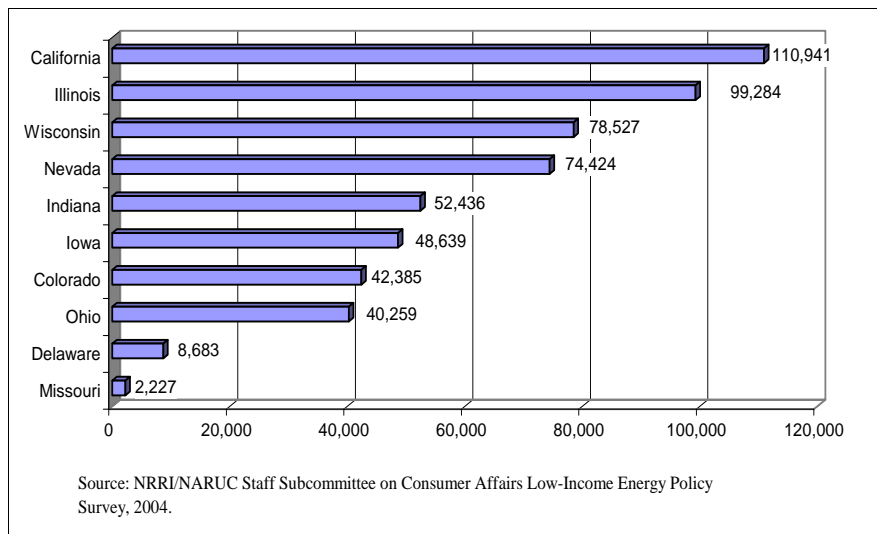


**Fig. 18:** Percentage of combination utility residential accounts in arrears as of March. 31, 2004.



**Fig. 19:** Number of combination utility residential account disconnections (April 1, 2003, to March 31, 2004).

*Missouri reported the lowest number of combination utility residential account disconnections.*

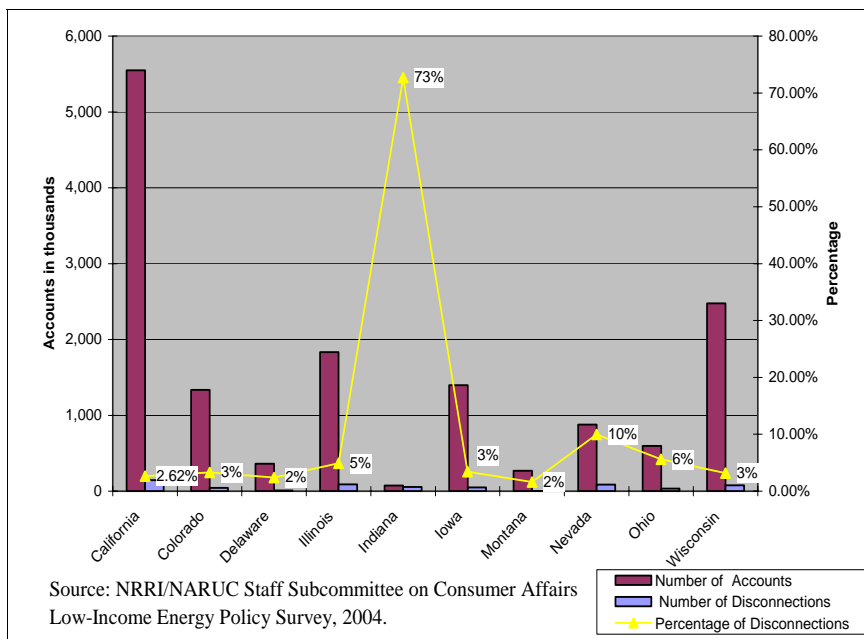


**Fig. 20:** Number of combination utility residential account disconnections (calendar year 2003).

**TABLE 8**  
**PERCENTAGE OF COMBINATION UTILITY RESIDENTIAL**  
**ACCOUNT DISCONNECTIONS (APRIL 1, 2003 TO MARCH 31, 2004)**

State	Number of Combination Utility Residential Accounts	Number of Combination Utility Disconnections	Percentage of Combination Utility Disconnections
California	5,547,584	145,542	2.6
Colorado	1,334,702	43,955	3.29
Delaware	361,548	8,594	2.38
Illinois	1,833,804	90,072	4.91
Indiana	75,555	54,947	72.72
Iowa	1,397,986	47,988	3.43
Montana	270,340	4,302	1.59
Nevada	876,564	87,370	9.97
Ohio	595,519	33,277	5.59
Wisconsin	2,477,224	78,527	3.17

Source: NRRI/NARUC Staff Subcommittee on Consumer Affairs Low-Income Energy Policy Survey, 2004.



*Indiana reported the highest percentage of combination utility residential account disconnections.*

**Fig. 21:** Percentage of combination utility residential account disconnections (April 1, 2003, to March 31, 2004).

## Notes

<sup>1</sup> See Francine Sevel and Mitch Miller, *NARUC Staff Subcommittee on Consumer Affairs Low-Income Energy Policy Survey*, Columbus, Ohio, 2003). Information and statistics from this report cannot be cited or distributed without the authors' permission.

<sup>2</sup> See 42 USC Sec. 8633(1) (D).

<sup>3</sup> Correspondence from Mitch Miller, Consumer Services Director, Pennsylvania PUC, to NARUC Staff Subcommittee on Consumer Affairs, November 2004.

<sup>4</sup> The following states responded to the survey: Alabama, Alaska, California, Connecticut, Florida, Georgia, Idaho, Illinois, Iowa, Michigan, New Jersey, North Carolina, Ohio, Oregon, Pennsylvania, South Dakota, Tennessee, Washington and West Virginia.

### **The National Regulatory Research Institute**

1080 Carmack Road  
Columbus, Ohio 43210-1002  
Phone: 614-292-9404  
Fax: 614-292-7196  
[www.nrri.ohio-state.edu](http://www.nrri.ohio-state.edu)

This report was prepared by the National Regulatory Research Institute (NRRI) with funding provided by the member commissions of the National Association of Regulatory Utility Commissioners (NARUC). The views and opinions of the authors do not necessarily express or reflect the views, opinions or policies of the NRRI, NARUC or NARUC member commissions.