

NEUAC 2015
Baltimore, Maryland
Prepay Panel #2
Consumer Protections

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MD Office of People's Counsel

- ▶ Independent Maryland state agency
- ▶ Represent residential utility customers
- ▶ Utilities
 - Electricity
 - Gas
 - Private water
 - Telecommunications
- ▶ Activities
 - Legal Advocacy
 - Direct customer assistance
 - Outreach

Consumer Advocate Concerns

- ▶ Prepaid plans benefit utilities more than consumers
- ▶ Essential gas and electric service is treated more like a non-essential service
- ▶ Long-standing consumer protections are diminished
 - Termination notices
 - Disconnection procedures
 - Restrictions on disconnection
 - Protection of customers with serious medical problems
 - Availability of deferred payment plans and other bill assistance

Consumer Advocate Concerns

- ▶ Low and moderate income customers are targeted for these plans
 - Utility rationale for prepaid plans: reduction of collection, disconnection and reconnection costs; customer service expenses and reduced arrears and bad debt
 - Low and moderate income customers are more likely to be payment troubled
- ▶ Prepaid plans are the wrong tool to address the issue of energy affordability
- ▶ There can be additional fees and charges
 - Security deposits
 - Deposits for prepayment devices or systems
 - Fees for additional payments during a month
 - Fees for purchase of credits

Consumer Advocate Concerns

- ▶ Energy use reductions to avoid disconnections may have unintended consequences
 - Health and safety
 - Additional costs to customer
- ▶ Energy savings can be achieved through energy efficiency programs
 - Utilities are promoting prepaid plans as energy efficiency programs
 - Difference between diminished service and efficient service

If prepaid payment plans are under consideration...

- ▶ Public Service Commissions should
 - Conduct a full review and opportunity for evidentiary hearing
 - Consider the cost-effectiveness and relative value of such programs
 - Adopt mandatory consumer protections that are the same or comparable to existing protections
 - Mandate reporting requirements

Minimum Consumer Protections

- ▶ Current state consumer protection rules must not be bypassed or eliminated
- ▶ Reasonable disconnection notice and grace period must be provided
- ▶ Participation by low-income households and those with medical or other health and safety issues should be prohibited
- ▶ Prepaid plans should not be presented to payment troubled customers as a means to avoid service disconnection

Minimum Consumer Protections

- ▶ Rates should be lower for prepaid service
- ▶ There should be a prohibition on imposition of security deposits and additional fees
- ▶ 24/7 availability of means to purchase service credits should be provided
- ▶ Immediate posting of payments and service restoration should be required
- ▶ Protection of prepaid funds should be provided in the event of insolvency or other financial difficulty

Resources

- ▶ “ *Prepaid Utility Service, Low-Income Customers and LIHEAP,*” LIHEAP Clearinghouse, March 2014 Report
- ▶ *Rethinking Prepaid Utility Service,*” National Consumer Law Center Report (June 2012)
- ▶ NASUCA Resolution 2011–3 “ *Urging States to Require Consumer Protections as a Condition for Approval of Prepaid Residential Gas and Electric Service,*” at www.nasuca.org
- ▶ “ *Finding Common Ground Between Consumer and Environmental Advocates,*” Ralph Cavanagh and John Howat (May 2, 2012) at www.ElectricityPolicy.com
- ▶ “ *Prepay Plan for Electricity Offer Alternative to the Usual Monthly Power Bill,*” (June 6, 2014) at <http://news.nationalgeographic.com>

For more information

Thank you!

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