NEUAC 2015
Baltimore, Maryland
Prepay Panel #2
Consumer Protections

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- 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
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
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
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
Thank you!

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