

# Keep Us Connected!

Reducing Utility Burden and Maintaining Services for Low-Income Angelenos

## BACKGROUND

Customers at the Los Angeles Department of Water and Power (LADWP) currently hold over \$800 million in arrears for water, power, and sewage bills. While much of this debt comes from before the pandemic, arrears have increased by 72% since the end of 2020, indicating an alarming trend. With relief programs like the Utility Grant Assistance Program, the California Arrearage Payment Program, and the California Water and Wastewater Arrearage Payment Program, both state and local leaders have made history by centering utility debt relief. However, many low-income communities of color will soon face the possibility of losing access to vital services such as water and power. These communities, who have historically struggled with high utility burden as well as limited access to discount and efficiency programs, have already been hit hard by the pandemic. Long-term affordability measures are needed to rectify historical inequities, promote financial security, and ensure that Angelenos are able to recover from the devastating effects of COVID-19.

## RECOMMENDATIONS:

- Allocate local funds to address any utility debt, particularly for low-income customers of color.
- Automatically enroll customers in flexible arrearage management plans.
- Implement budget billing plans.
- Implement percentage-of-income payment plans.
- Improve existing programs with better outreach and customer service.
- Offer lower rates to customers within disadvantaged communities.

## THE NEED FOR LONG-TERM AFFORDABILITY STRATEGIES

### **Low-income communities faced high utility burden even before the pandemic.**

The median household utility burden in LA was 2.75% in 2011. For low-income households, median utility burden was 4.6% (Drehobl & Ross, 2016).

### **High living expenses lead to more debt and less money for other necessities.**

A recent study found that over 50% of households in LA deferred bill payments and/or accumulated more debt as a response to high rent and utility costs. The same study found that over 50% of households cut back on food (Rosen et. al, 2020).

### **Losing access to water and power can lead to negative health impacts and loss of housing.**

Water and power are necessary for people to maintain healthy and habitable homes. Research shows that being disconnected from utilities increases the risk of death from COVID-19 (Jowers et. al, 2021). Further, keeping utility services is a condition of subsidized housing leases.

### **LADWP's current discount programs have low enrollment.**

1/3 of eligible households are not enrolled in a discount program. Barriers to access include inaccessibility for people with disabilities, limited language accessibility, and overall cumbersome application processes (Galperin, 2020).

## RECOMMENDATIONS

Pandemic-related relief, such as the Utility Grant Assistance Program, California Arrearage Payment Program, and the California Water and Wastewater Arrearage Payment Program, is not enough to address the current scope of utility debt, nor will these programs provide long-term solutions to the problem of unaffordable utilities. Similarly, the Low-Income Home Energy Assistance Program and the Low Income Home Water Assistance Program are only intended for emergency relief. Further, LIHEAP and LIHWAP are not available for undocumented customers. To address the ongoing crisis for all Angelenos, the following affordability measures should be implemented:

### **1. Allocate local funds to address any utility debt, particularly for low-income customers of color.**

Funds from CAPP and CWWAPP will leave a significant amount of debt unpaid. Additional American Rescue Plan funds should be allocated to go toward remaining utility debt, regardless of when that debt was accumulated. We recommend utilizing equity metrics such as residence within a disadvantaged community to determine prioritization of customers when funds are limited. Customers should be protected from disconnections through at least the end of March 2022.

### **2. Automatically enroll customers in flexible arrearage management plans, which erase arrears over time. Include shutoff protections and avoid punitive rules.**

Arrearage management plans (AMPs) allow customers to have their debt erased over time as they remain current on their bills over a designated period of time. LADWP should implement arrearage management plans that are flexible and prevent further debt accumulation. We recommend a 6 month period, where each payment results in 1/6th of the customer's arrears being erased. AMPs should be combined with level pay plans, such as budget billing programs and percentage-of-income payment plans, detailed below.

### **3. Implement budget billing programs that take historical inequities into account by adjusting costs accordingly.**

Budget billing predicts a customer's usage by looking at past usage data, then bills customers based on their average monthly costs. This allows customers to have predictable bills rather than experiencing seasonal spikes with increased usage. However, many low-income customers have historically been left out of cost-saving programs that would reduce their energy or water usage, which would leave them with higher estimated costs compared to customers who were able to access those programs. These customers should receive bill credits or cost adjustments when calculating their budget billing payments. We recommend offering a credit or adjustment to renters, who have been unable to access efficiency programs at the same level as property owners.

### **5. Offer percentage-of-income payment plans for all customers, regardless of income.**

Percentage-of-income payment plans (PIPPs) create a cap for utility costs based on a customer's income. They have been implemented at public utilities in other parts of the country, and the CPUC has proposed implementing them on an income-qualified basis. Because income-qualified programs require thresholds that do not fully capture a customer's financial circumstances, we recommend allowing customers to enroll in a PIPP regardless of income with a cap of 2%. This means that utility burden would not be able to exceed 2% of an enrolled customer's income.

## RECOMMENDATIONS

### **6. Improve existing discount programs through enhanced outreach efforts.**

In order to achieve a higher enrollment rate, LADWP should increase outreach to ensure that all customers are aware of these programs, particularly within disadvantaged communities. Information and applications should be offered in more languages to reflect the linguistic diversity of the city.

### **7. Consider offering lower rates for services within disadvantaged communities.**

Currently, LADWP offers lower rates to customers within zone 2, which contains the hottest parts of the city. Customers who reside within disadvantaged communities should be considered part of zone 2, which will lower their rates.

## SOURCES

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