

AFFORDABLE ENERGY POLICY SUMMIT

Tuesday, July 11, 2017



AT&T Executive Education & Conference Center
1900 University Avenue
9:00am - 4:30pm





AFFORDABLE ENERGY 2017 POLICY SUMMIT

Low-Income Consumer Decision Making

Nat Treadway, DEFG



Source of these Materials

- DEFG LLC hired Judith Schwartz (To The Point) to review documents and prepare a white paper on low-income consumer decision making
- This research supported the Low Income Energy Issues Forum (LIEIF)
- The full paper, *Low Income Consumer Decision Making*—including source materials, citations and references—is available to download: <http://defgllc.com/publication/low-income-consumer-decision-making/> or on your zip drive



Findings

- Millions of households have difficulty meeting basic expenses (food, shelter, clothing, transportation, utilities, healthcare, childcare)
- A review of 70 documents revealed 7 elements that consistently yield the greatest possibilities for success
- When low-income households are given reasonable options, plus the ability to manage their choices, and assistance in understanding the tradeoffs, they will choose to exercise control and free up cash for other expenses



Seven Elements for Success

1. Basic protections and policies that encourage people to be engaged and empowered
2. On-going education from trusted advisors from the utility or through other social service agencies, consumer advocacy offices, and community-based organizations (CBOs)
3. Integrated program information to solve the family's situation (rather than loosely coordinated utility silos of energy efficiency, weatherization, demand response, dynamic rates, etc.)
4. Optional program and pricing bundles that reflect the family's home usage patterns, habitat realities, and priorities, as well as alternative payment plans that align with cash flow
5. Subsidies, discounts, and payment plans optimized to allow families to remain current
6. Elimination of numerous extra fees that are punitive for people barely scraping by
7. Appropriate use of technology to facilitate communication and convenience

Decision Making Criteria

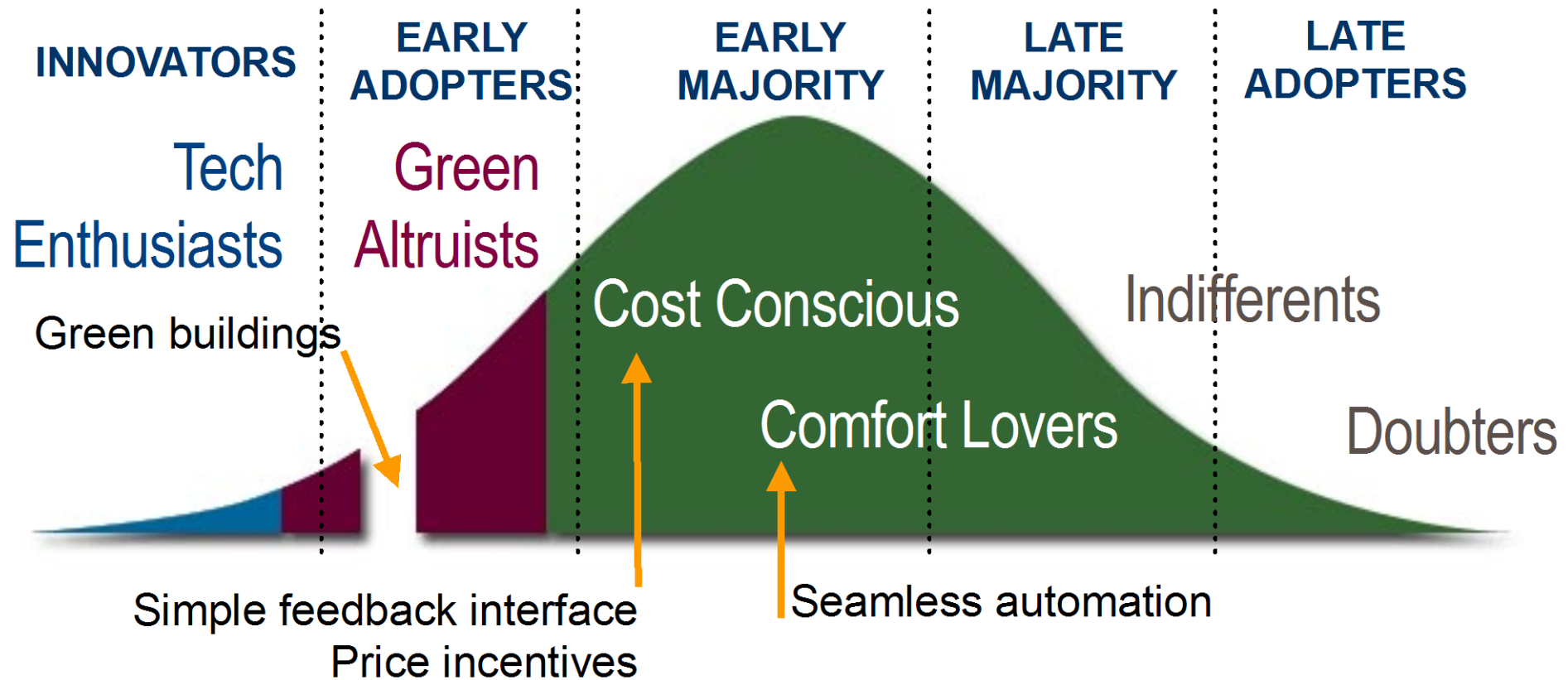


1. Personal Motivation and Relevance
2. Habitat Type, Quality, and Ownership
3. Home Usage Patterns
4. Household Cash Flow and Credit
5. Competing Priorities
6. Choices and Options
7. Education
8. Advice from and Relationships with Trusted Advisors
9. Behavioral Triggers
10. Physical Ability to Pay



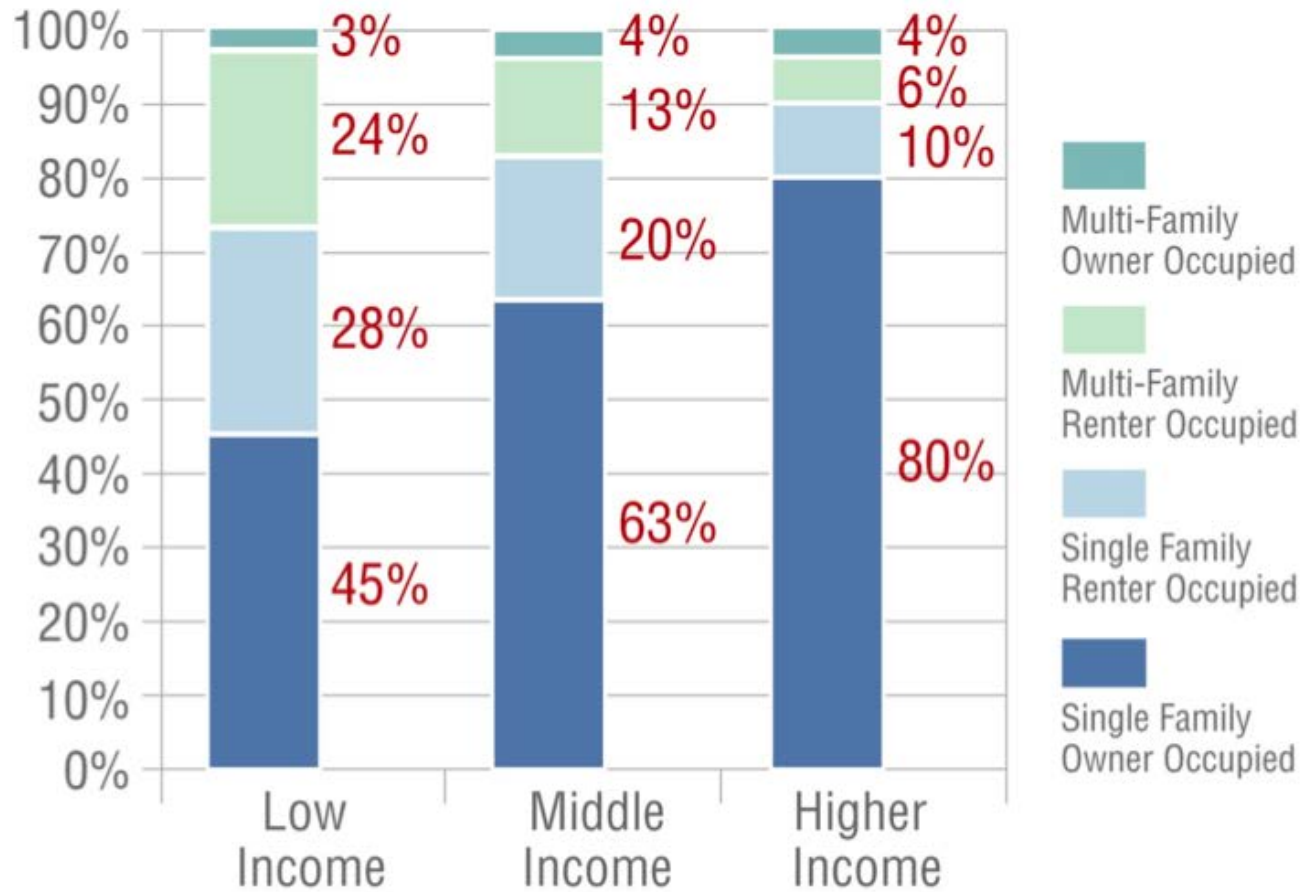
1. Personal Motivation and Relevance

The attitudes of low-income consumers reflect the same range of energy worldviews as the general population



2. Habitat Type, Quality, and Ownership

A fundamental factor is whether the family resides in a single family home, apartment, or semi-detached unit

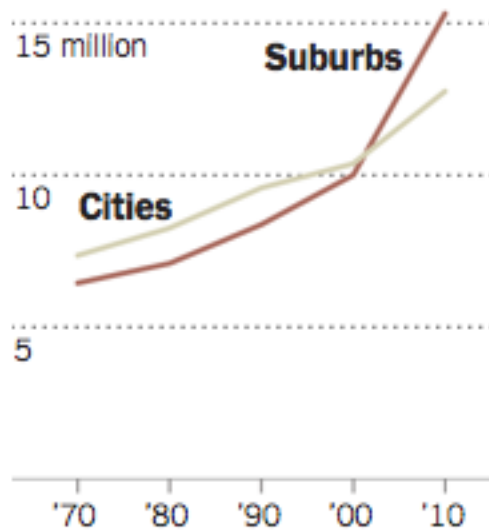


3. Home Usage Patterns

What is the family structure? Do residents live alone, with related people, or unrelated housemates who share space and expenses?

Suburban Poor

Number living in poverty



Source: Brookings Institution analysis of Census data



4. Household Cash Flow and Credit

How frequently cash comes in, and how variable is that income, are important factors related to payment terms or programs

Common income patterns for economically vulnerable Americans include:

- Fixed income payments like Social Security or Temporary Assistance for Needy Families (TANF)
- Variable or cash income rather than regular paychecks
- High-interest debt such as payday loans or credit card dependency
- For the unemployed, dependency on savings or lines of credit
- Allowance or scholarship payments for students (possibly offset by student loans)



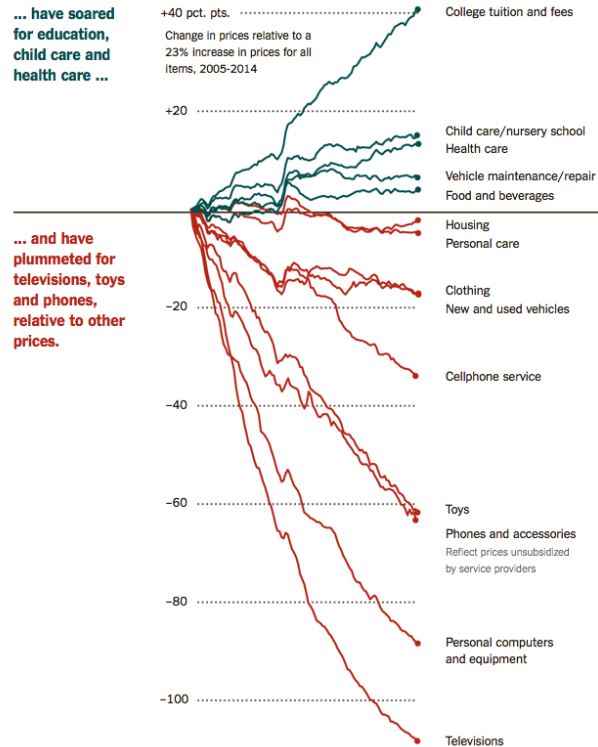
5. Competing Priorities

This factor contributes to the hot button nature of the low-income conversation. Can someone live within their means if the “means” are meager at best?

Costs for Americans ...

... have soared for education, child care and health care ...

+40 pct. pts.
Change in prices relative to a 23% increase in prices for all items, 2005-2014



... and have plummeted for televisions, toys and phones, relative to other prices.

BY LARRY BUCHANAN and ALICIA PARLAPIANO
Source: Bureau of Labor Statistics

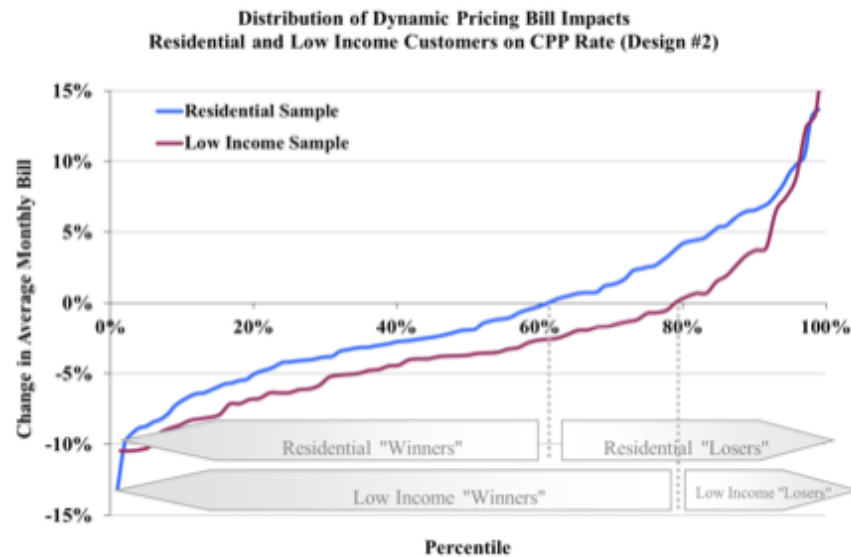
Note: Based on the Consumer Price Index for All Urban Customers. Data is collected from retail stores and adjusted by specialists to reflect changes in quantity offered in a product or an increase in quality. Much of the drop in prices for electronics reflects an increase in quality over the past 10 years.



6. Choices and Options

A key decision-making question is: does the utility offer options that customers find attractive or to be a good value?

And almost 80% of *low income* customers win even before they respond



Opportunity to win via simple behavior changes.

Protections can be kept in place for medically frail.



7. Education

A contributing factor to the decision-making process is how consumers learn about the programs and options that are available to their families

- There is widespread agreement that some form of education is needed to take full advantage of programs
- How are low-income consumers made aware of their eligibility for subsidies and discounts?



8. Advice from and Relationships with Trusted Advisors

Who delivers the information is also a critical component of the decision calculus. Is the local utility considered a trusted advisor?

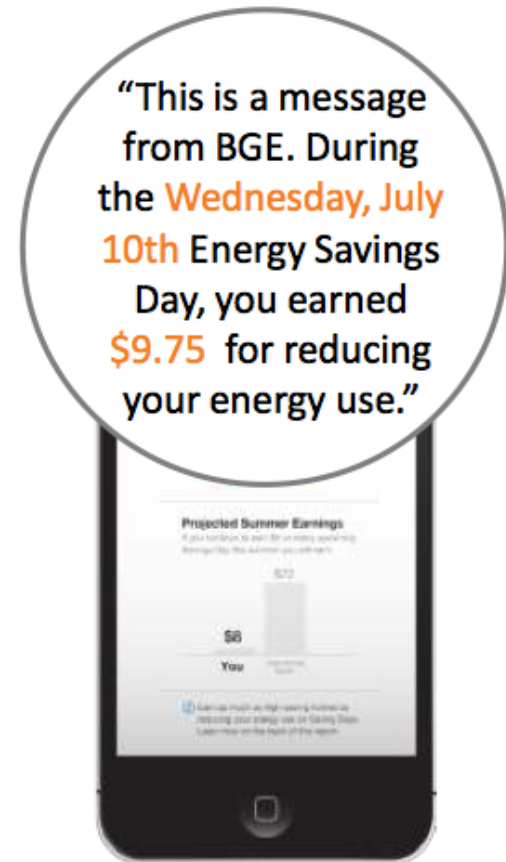
- The literature confirms:

- Those who benefit from even small adjustments will get into the habit of trying a few simple steps, and they will move on to other actions
- A home energy assessment and access to a trusted coach or advisor can be transformative



9. Behavioral Triggers

From a behavioral perspective, energy saving contests, comparisons with neighbors, etc., all demonstrate increases in attentiveness



Choose your Ways to Save



Use energy-efficient lighting and appliances.



Turn off and unplug electronic devices when not in use.



Switch off lights and use natural lighting.



Use an energy-efficient water heater and water-saving devices.



Turn thermostat down a few degrees in winter and up a few degrees in summer.

To learn more, ask the Energy Ambassador, Kevin Duffy, kduffy@waytosaveburlington.com or visit www.waytosaveburlington.com.

To pledge, you must be a city of Burlington resident and at least 18 years of age. Pledges are limited to one per household. Way to Save, Burlington is powered by We Energies and the city of Burlington.

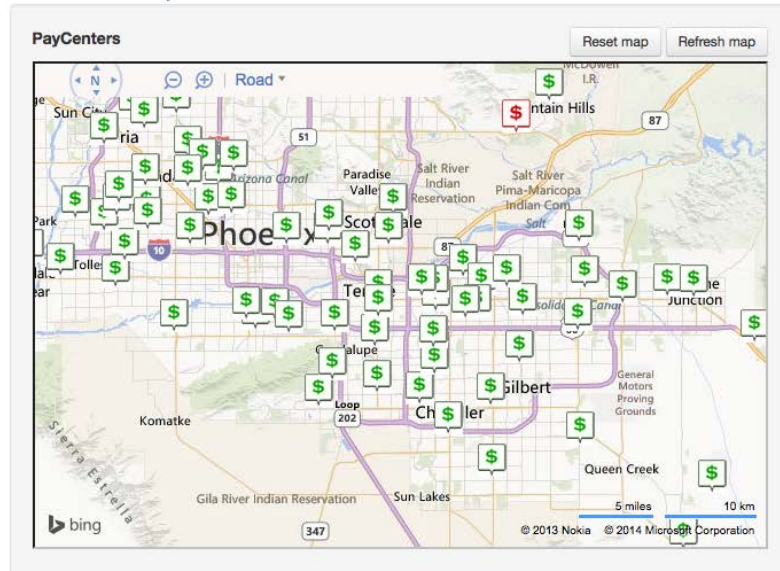


10. Physical Ability to Pay

Convenience and technology play a critical role in the decision-making process (lack of work schedule flexibility; access to payment locations)



Find a PayCenter



Find a PayCenter

- PayCenter Tips**
- Remember to bring your SRP bill stub
 - Over Payments will be credited to your account
 - Our PayCenter will issue a receipt showing the amount you paid and post your payment within one hour

- PayCenter available
- PayCenter unavailable



Seven Elements for Success

1. Basic protections and policies that encourage people to be engaged and empowered
2. On-going education from trusted advisors from the utility or through other social service agencies, consumer advocacy offices, and community-based organizations (CBOs)
3. Integrated program information to solve the family's situation (rather than loosely coordinated utility silos of energy efficiency, weatherization, demand response, dynamic rates, etc.)
4. Optional program and pricing bundles that reflect the family's home usage patterns, habitat realities, and priorities, as well as alternative payment plans that align with cash flow
5. Subsidies, discounts, and payment plans optimized to allow families to remain current
6. Elimination of numerous extra fees that are punitive for people barely scraping by
7. Appropriate use of technology to facilitate communication and convenience

Contact

Nat Treadway
Managing Partner, DEFG LLC
Office: 713-729-6244
ntreadway@defgllc.com

DEFG believes retail customers are the future of energy. We partner with clients to improve all aspects of the customer relationship. We identify opportunities to create value in a commodity marketplace.

Persons interested in our publications should “Join Our Mailing List” to receive the announcements:

<http://defgllc.com/publications/>

