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July 9, 2019

### MEMORANDUM

**TO: Council Members**

**FROM: Brian DeKiep**

**SUBJECT: Briefing by panel of Montana Public Power Utilities regarding implementation of pre-pay programs**

### BACKGROUND:

**Presenter:** Ray Ellis, General Manager, Lincoln Electric Cooperative; Ross Holter, Director Member Services, Flathead Electric Cooperative; Rollie Miller, General Manager, Vigilante Electric Cooperative; Jonnalea Tatsey, Director Member Services, Glacier Electric Cooperative. BD, MT Office Staff

The panel will share their experiences with pre-pay electricity service.

**Summary:** Prepaid service has been around for well over two decades in the U.S., pre-paid service has advanced from a program requiring special hardware to a modern software-based electronic platform, including AMI. Until recently, the service had mostly been offered by member-owned cooperative utilities and citizen-owned municipal utilities with little or no jurisdiction from public utility commissions.

In most cases, data has shown a connection between prepayment of energy bills and reduced consumption, with significant usage reductions of five to fifteen percent found when customer switched from post-payment to prepayment. The Salt River Project (SRP), a public utility in Arizona public states that they have seen an average energy use reduction of 12%. They believe that prepay model is an effective way to promote

energy conservation. While there is a relationship between pre-pay and energy reduction, the causes of this reduction is not well understood.

Most research doesn't differentiate between reductions in energy usage and energy conservation behavior or efficiency measures versus curtailment. With self-curtailment, there is the possibility that the customer is reducing energy usage to such an extent that their well-being is significantly reduced.

According to the Distributed Energy Financial Group (DEGR) Pre-pay Energy Working Group study (2016) pre-pay reduces potentially unmanageable bills, and allows consumers to actively manage their consumption and expense. Pre-pay service represents a voluntary option that many lower income consumers appreciate. They avoid a security deposit and many cases reconnection fees; they have greater control over their electric usage and bills. Some consumers and industry stakeholders claim that prepaid service provides predictability, flexibility and a better understanding of electricity usage and dollars in in real-time. This choice of service allows individuals who know their households value and need, to act on their energy information accordingly.

Pre-pay energy has been characterized by some consumer advocates as a second-class service option aimed at low-income Americans. The DEFG's previously mentioned study on pre-pay also states that consumer advocates are concerned with remote service disconnection, and they contend that pre-paid service is a predatory or even discriminatory service targeting lower income consumers. Consumer advocates believe these consumers are more likely to struggle when paying their monthly post-pay bill, and pre-paid service will permit energy providers to remotely shut-off service thus forcing these households to remain current on their pre-pay accounts.