

**PROJECT NO. 33814**

<b>RULEMAKING CONCERNING</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>PREPAID RETAIL ELECTRIC</b>	<b>§</b>	
<b>SERVICE USING A CUSTOMER-</b>	<b>§</b>	<b>OF TEXAS</b>
<b>PREMISE PREPAYMENT DEVICE</b>	<b>§</b>	

**REPLY COMMENTS OF AARP TEXAS  
ON NEW §25.498**

NOW COMES AARP Texas (AARP) and files these Comments regarding the Public Utility Commission’s (the Commission) proposed changes to PUC Subst. R. § 25.498, relating to Prepaid Electric Service Using Customer-Premise Prepayment Devices, as proposed for publication by Commission Staff and approved for publication by the Commission at the February 9, 2007 Open Meeting.

AARP notes that, given the necessity nature of electric utility service, it is critical that minimum customer service standards be maintained and enforced. Indeed, the Commission stated in its Order adopting Customer Protection Rules for Retail Electric Service, that the purpose of the Rules was to “provide minimum standards for customer protection.”<sup>1</sup> AARP contends that the disclosures contemplated in the proposed new rule provide an inadequate surrogate for existing rules regarding disconnection of service and notification of disconnection of service. The proposed rule would weaken the minimum customer protection standard set previously by the Commission. AARP thus supports the contention of Texas Legal Service Center (TLSC) in its Comments in this Project that existing consumer protection rules and regulations should not be

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<sup>1</sup> Order Adopting New Customer Protection Rules for Retail Electric Service as Approved at the December 7, 2000 Open Meeting and Published in the Texas Register on January 5, 2001, p. 204.

weakened simply to accommodate or convenience a retail electric provider (REP) that wishes to offer a particular service.<sup>2</sup>

AARP contends that, despite the touted benefits of prepayment meters as put forth by some utility and metering companies, the technology represents degradation in service for low-income customers, and can pose a threat to the health and safety of elderly and other customers particularly susceptible to the effects of service interruption. Proponents argue that prepayment meters provide customers with an added measure of control. However, in reality they provide utility companies with an expensive means of reducing new arrearages while bypassing the existing state utility consumer protection framework. Further, proliferation of prepayment meters will likely result in an increase in rates of service “interruption” in low-income households, and therefore represents a degradation in service quality and an attack on the ideal of universal access to affordable, reliable utility service. Given that the technology is expensive (please see discussion below) and may ultimately be concentrated among payment troubled, low-income customers, it is reasonable to expect that in a deregulated environment the relatively high cost of prepayment meters will be passed along to ratepayers, and that those high costs will be borne by those least able to absorb them.

It is well-known that prepayment meters have become commonplace in Great Britain, which began deregulation of its utility industries earlier than experiments in the U.S. began. In Great Britain, about 5.9 million residential natural gas and electric utility customers use prepayment meters, representing about 13% of all installed residential meters.<sup>3</sup> The number of customers using the systems nearly doubled between 1990 and 1997.

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<sup>2</sup> TLSC Initial Comments at 1.

<sup>3</sup> “Prepayment Meters: Consultation on new powers under the Energy Act 2004 and update on recent developments,” Office of Gas and Electric Markets, p. 8, (February 2005).

The cost of prepayment meters in Great Britain is much higher than credit meters. For example, the Office of Gas and Electric Markets (OFGEM) estimates that the average cost of an electric credit meter is about £10, while the cost of a “Smartcard” meter is about £64.<sup>4</sup> Further, life expectancy of a prepayment meter is much shorter than that of a credit meter. The expected life of an electric credit meter is 21 years, while a smartcard meter is expected to last only 7 years.<sup>5</sup> Thus, the estimated annual cost of an electricity credit meter is £0.49; while smartcard meter costs are estimated to be about 18 times higher at £8.96 per year.<sup>6</sup> Finally, OFGEM estimates that the average annual cost of prepayment meter operation in Great Britain is over three times higher than the operation cost associated with credit meter operation.<sup>7</sup> Not surprisingly, prepayment meter service is the most expensive payment method in Great Britain, though a vast majority of users do not realize they pay extra for the service.<sup>8</sup> In short, the experience in Great Britain is that prepayment meters are far more expensive to purchase and operate than standard, credit meters. These higher costs are passed on to prepayment customers through surcharges.

Prepayment meters in Great Britain are concentrated disproportionately in lower-income households. It was estimated in 2004 that 47% of electric prepayment users and 58% of gas prepayment users had incomes below £12,500.<sup>9</sup> Therefore, the experience in Great Britain is that lower-income households are more likely than their higher income counterparts to use expensive service that may be frequently interrupted. National Energy Action, a respected energy policy research and advocacy organization, suggests that these hidden service interruptions “mask the extent of problems faced by many low-income households in paying for fuel. Many families and

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<sup>4</sup> Id at 19.

<sup>5</sup> Id.

<sup>6</sup> Id.

<sup>7</sup> Id.

<sup>8</sup> “Prepayment Meters,” National Energy Action, (March 2004).

<sup>9</sup> Id.

individuals who would have been identified as in difficulty with their energy costs are now anonymous, under-consuming and effectively self-disconnecting or rationing their access to energy.”<sup>10</sup>

It should be noted that, unlike most of Great Britain, summer temperatures in many parts of Texas get dangerously high. Sudden loss of electric service and cooling appliances can pose a very real threat to health and safety in Texas. Prepayment metering is therefore a more dangerous prospect in this hot weather state than it is in Great Britain.

Proponents of prepayment metering suggest that the technology offers the advantages of increased energy consumption information and control, the ability to budget effectively through prepayment, and reduced customer security deposit and late payment fee expenses. However, prepayment meters, and the associated forfeiture of key regulatory consumer protections, are not required to achieve these benefits. Customers may obtain monitoring devices that measure and display real time electricity consumption, billing cycle consumption, projected electric bill and peak demand. Such devices are available for under \$150 and do not entail sudden and unwelcome loss of service. In addition, traditional credit billing and metering does not preclude customers from budgeting and prepaying for service. Finally, AARP contends that problems faced by low-income customers in paying for burdensome security deposits and late payment fees are better addressed by customer service rules limiting these fees under certain circumstances rather than through installation of prepayment meters and loss of critical customer protections.

In conclusion, AARP opposes adoption of the proposed new rule and the substitution of disclosures for pivotal regulatory protections. AARP is concerned that marketing of prepayment meters to vulnerable customers faced with service disconnection will ultimately threaten health and safety. AARP is further concerned that prepayment metering technology is expensive, and

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<sup>10</sup> Id. at 2.

that under the proposed new rule added costs will be borne by those least able to absorb them.

AARP appreciates the opportunity to comment in this critical proceeding.

Respectfully submitted,

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on Behalf of AARP TX