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Natural-gas rule change lets poor defer part of winter bills

BY BILL W. HORNADAY

Low-income Arkansans could see their monthly natural-gas bills cut by up to half this winter thanks to a revision of the state's "cold-weather rule" governing service disconnections.

The revised rule establishes a minimum payment for qualified customers during Arkansas' winter heating season, which runs from Nov. 1 to March 31.

The rest of the money is deferred until April, after which customers are given seven months to pay off the balance.

Because the winter heating season has already begun, the amendment takes effect Dec. 1.

Electric utilities are not affected.

"It offers more flexible and more generous options for those who would be hit hardest by higher natural-gas prices," Arkansas Public Service Commission Chairman Sandra Hochstetter said Tuesday.

The Arkansas Community Action Agencies Association Inc., which serves more than 170,000 low-income residents statewide, hailed the move as an "important first step" toward addressing a problem that has plagued impoverished customers for at least five years.

But high natural-gas bills will continue to strain many of Arkansas' poor and disadvantaged residents until long-term solutions are found, Executive Director Rose Adams said.

People who fall under the amended "cold weather rule" include any customer who qualifies for and receives help from the Low Income Heating Assistance Program [LIHEAP]; food stamps; Women, Infants and Children Assistance [WIC]; Transition Employment Assistance [TEA] or Medicaid.

Under guidelines for federal heat and weatherization assistance, a family of four with an income of slightly more than \$ 24,000 a year would qualify, Adams said.

21 PERCENT ELIGIBLE

That would make about 21.4 percent of Arkansas households eligible, Adams said. The amended rule would allow minimum payments "generally in the range of 50 percent" of what would otherwise be billed, according to the commission's 17-page order. An official with Fort Smith-based Arkansas Oklahoma Gas Co. said that the commission "appeared to accomplish" its objective and that the main challenge now is preparing to meet its guidelines by Dec. 1. "It's a little speculative to figure out what the result will be in terms of what it might cost us," general counsel and Vice President Michael Callan said. "But we're not overly concerned about that right now. So far, we haven't run across anything that poses any major worries." A compromise between utilities and state regulators, the amendment is designed to avoid a repeat of the winter of 2000-01, when ice storms and a spike in natural-gas prices prompted service disconnections for about 30,000 Arkansans.

Until the commission issued its order late Monday afternoon, the rule only banned service cutoffs of gas and power if temperatures of 32 degrees or below were forecast within 24 hours.

In mid-October, the commission proposed an outright ban on winter cutoffs for disadvantaged customers.

But numerous parties, including the commission's staff, noted that such a move might only delay mass disconnections as customers would be stuck with having to pay up to five months of heating bills at once.

Utilities such as Entergy Arkansas Inc. also argued that expenses for unpaid bills could more than double annually into tens of millions of dollars, citing moratoriums in Texas and Louisiana since 2000.

Exactly how Arkansas' approach will affect "bad debt" costs is unclear, Hochstetter said.

But utilities are allowed to recover such losses through general rate increase requests.

"It could be that bad debt expenses are reduced by retaining customers who otherwise would be disconnected," she said. "As we saw back in 2000 and 2001, many customers who were disconnected never reconnected."

NOTIFICATION REQUIRED

To qualify for the minimum-bill program, customers must notify their natural-gas supplier that they are eligible and provide written proof to the utility within two weeks. If fraud, misuse or failure to make monthly payments occur, the utility can suspend the customer's service until all bills are paid in full. Before cutting off service, utilities must also inform customers of their rights under the cold-weather rule, both on the bill and through communication with customer service representatives.

The cold-weather rule change is not the first time the commission has looked at helping low-income customers with their bills.

In November 2001, it tried to spread the cost of unpaid gas bills among all ratepayers to help

disconnected users re-establish service.

The move was opposed by Arkansas Gas Consumers Inc., a group that represents large industrial and commercial users. It argued that the move was unfair to customers as a whole and was not supported by state law.

In January 2003 the Arkansas Court of Appeals sided with the commission, but the Arkansas Supreme Court reversed that ruling in September 2003. It noted that although the commission has authority to prevent electric disconnections in bad weather, no such power was extended to natural-gas utilities.

During November hearings on the latest rule change, Brian Donahue, interim executive director of the gas consumers group, described the amendment as tantamount to "social welfare" and that said the group was considering legal action if the commission approved the amendment.

Donahue did not return calls Tuesday from the Arkansas Democrat-Gazette seeking comment.

But Hochstetter said she is confident the amended rule falls within the confines of state law.

"One of the reasons we approached it this way was to avoid conflict," she said.