REPORT: MODEL PROGRAM BRINGS TOGETHER INDUSTRY, GOVERNMENT & NONPROFITS TO HELP LOW-INCOME FAMILIES SUCCESSFULLY MANAGE UTILITY DEBT

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(BOSTON) Across the nation, low-income households struggle to pay their bills, yet there is a model program in Massachusetts that is attracting praise from these customers, the companies attempting to recover overdue debt, and the state government. Helping Low Income Utility Customers Manage Overdue Bills through Arrearage Management Programs (AMP), a new report from the National Consumer Law Center (NCLC), details this working model and examines some of the best practices in designing an AMP for other states interested in the development of an optimal program.

“The Massachusetts experience shows that a carrot, rather than a stick, works much better to capture overdue debt payments and to increase energy security for low-income customers,” notes author and National Consumer Law Center senior attorney Charlie Harak. “What’s more, the AMP incentive program is also enthusiastically endorsed by utility companies and state government. Why? Statistics show that more past due payments are collected and terminations of utility service avoided, resulting in less costs for the state in the form of reduced homelessness and fires.”

The best available evidence is that AMP customers make higher payments than if they were not in the program and continue to make higher payments even after completing it. The utility’s costs to administer the AMP are offset by reduced collection and termination costs with these reduced costs leading to lower rates for all ratepayers.

The Massachusetts AMP programs provide relief for low-income gas and electric utility customers who have significant past due amounts (arrears) on their utility bills. Each time an AMP participant makes a levelized monthly payment, the arrearage is reduced until it is completely eliminated. The AMP program is an important tool to respond to spiraling energy costs and the increasing numbers of utility customers who cannot afford to pay their bills, particularly when the customer gets behind and is asked to pay off both current charges and the arrears.

The AMP programs are a major success in Massachusetts. Customers avoid utility termination and can obtain a fresh start by making payments during the plan. Just as importantly, the customer enters into a cooperative relationship with the utility, increasing the likelihood that the customer makes whatever payments she can afford to make rather than ceasing to make payments altogether. “I hope that other states will consider implementing this winning program,” says Harak. “Ultimately, the report can also help Massachusetts parties tweak their existing program to make it even better for all parties involved.”

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Since 1969, the nonprofit National Consumer Law Center® (NCLC®) has used its expertise in consumer law and energy policy to work for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the United States. www.nclc.org.