

More Utility Bills Go Unpaid

Consumers' Economic Struggles Spur More Power Shutoffs as Firms Step Up Collections

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Utilities are becoming more aggressive about collecting money from delinquent customers, leading to a surge in service shutdowns just as economic woes are pushing up the number of households falling behind on bills.

The utilities say they are under pressure to clean out accounts that are weighing down their books at a time when their stocks are being hammered and earnings growth has slowed.

Meanwhile, the increasing number of homes left without power -- which could rise as economic pain deepens -- is beginning to worry some consumer advocates and regulators.

In Pennsylvania, [PPL Corp.](#) increased shutoffs by 78% in the first three quarters of the year compared with the same period a year earlier. Shutoffs at electric utilities throughout the state increased by 20% in that period. George Lewis, a spokesman for PPL, based in Allentown, Pa., said the utility had been somewhat lax in the past but decided this year to "reverse the trend and prevent people from getting further in debt" by cutting them off sooner. About 3% of the company's residential accounts have been disconnected for delinquency.

In Memphis, Tenn., the city-owned utility that supplies electricity, natural gas and water to residents cut off 38% more people in the first eight months of the year, or 69,743 electric accounts, versus the same period in 2007. The utility raised electricity rates 20% this year, reflecting increased wholesale power costs for energy. Chris Stanley, a spokesman from the company, Memphis Light, Gas & Water, said the number of accounts owing more than \$900 that were 90 days or more past due was up 148% to 1,766 accounts as of Oct. 28.

The increased number of shutoffs has attracted the attention of some regulators. Dian Grueneich, a member of the California Public Utilities Commission who has responsibility for low-income programs, has begun asking utilities to furnish information on shutoff criteria. She wants commission staff to "take a look and make sure it is being applied fairly."

One bright spot is that many utilities will have more money to distribute next year to poor customers through the Low Income Home Energy Assistance Program. Congress boosted the program's funds for the current fiscal year by 78% to \$5.1 billion. Many utilities are trying to get the word out that people should apply because eligibility rules have been expanded, allowing people with higher incomes to qualify.

State regulators say they have noticed that power shutoffs have moved up the economic chain. "We're seeing an uptick in middle-class people who have never been in this situation before," said Eric Hartsfield, director of the customer-service division of the New Jersey Board of Public Utilities.

New Jersey's biggest utility company, [Public Service Enterprise Group Inc.](#), said it saw a 10% increase compared with the year earlier in uncollectible natural-gas accounts, and slightly less on the electric side, in the third quarter. "We've been diligent in our shutoff activities," said PSEG Chief Executive Ralph Izzo.

Rising delinquencies are occurring across the country. In New York, the amount of money utilities are owed on accounts at least 60 days past due jumped 22%, to \$611.3 million in September compared with a year earlier, according to regulators.

Michigan has experienced a nearly 39% increase in electricity disconnections this year compared with last, according to statistics filed voluntarily by utilities with state regulators.

The rise comes as utilities are finding it more difficult to fund their operations.

[Northeast Utilities](#), which owns electric and gas utilities in New Hampshire, Massachusetts and Connecticut, is carrying about \$15 million of unpaid bills currently, up from about \$11 million this time last year and about \$8 million in 2006. "We're putting more resources into collecting on accounts now," said Chief Financial Officer David McHale.

In the third quarter, PECO Corp., a Philadelphia utility, racked up an additional \$37 million of bad-debt expenses from unpaid bills compared with the third quarter of 2007, bringing its total unpaid balance to \$56 million.

The company has put in place a new service-termination strategy this year that for the first time assesses credit risk, and pulls together other information used as a basis for decisions. "We ask how old, how big and how risky" an account is when prioritizing disconnections, said Denis O'Brien, president of PECO, a unit of Chicago-based [Exelon Corp.](#)

The number of shutoffs could rise further, as new technologies such as digital meters make it easier for utilities to cut off late-paying customers.

Digital meters allow power companies to do things remotely that previously required sending out work crews. For example, utilities can take meter readings wirelessly and switch a customer's power off or on without having to send a crew to a house. They also can use a "service limiter" feature to cut power flows to a trickle until customers pay up. Utilities are installing millions of these meters across the U.S.

Southern California Edison, a unit of [Edison International](#) of Rosemead, Calif., currently disconnects late-paying customers owing as little as \$30, but that could drop lower in the future. That usually would be a money-losing proposition, because it requires a crew to be sent out to disconnect service manually. But the company is in the process of installing 5.3 million digital meters, at a cost of \$1.63 billion, which will allow remote, wireless shutoffs, making it

economical to take action even for tiny amounts owed. In a recent filing with regulators it said it could adopt "rigid enforcement" of payment rules in the future for those owing less than \$30. It hypothesized it could cut off an additional 129,000 people a year.

Lynda Ziegler, senior vice president of customer service at SoCal Edison, said the utility doesn't have enough wireless meters to support a policy change yet. She added that notification requirements mean it still could take nearly three months to sever a delinquent account. But she said the utility may seek authority from the Public Utilities Commission in the future to act more quickly or to convert certain customers to prepaid service because "one of the struggles people have is catching up when they get behind."

The ease with which utilities can use digital meters to cut off service has alarmed some consumer advocates. "Just because you can do it doesn't mean you should do it," said Irwin Popowsky, head of the Office of Consumer Advocate in Pennsylvania. "From my perspective, they're creating a reason to not have smart meters."

Write to Rebecca Smith at rebecca.smith@wsj.com