Bold Policies to Improve Affordability

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The persistent **energy affordability crisis in the United States is complex**, but RMI has tools and resources — recently published and forthcoming — that public utility commissions (PUCs) can use to **resolve some of the crisis' most dire consequences and disproportionate harms**.

Our Energy Poverty Policy Simulator is the first tool of its kind to calculate what it would look like to enact policies that can end energy poverty in your state.

For those who fall behind on their bills, service disconnection is often the result, with dire consequences. Our forthcoming report on disconnections policy will help decision makers ensure that nobody loses their life for failure to pay their electric bill.

With a wave of new investments being proposed to meet rising demand growth, our work on proactive cost allocation will help PUCs ensure that energy system investments don't cause bill increases for utility customers who don't directly contribute to demand growth.

And, focusing on volatile swings in customer bills as a primary pain point, our fuel cost-sharing work can support PUCs as they look for ways to incentivize fuel cost control.

Introducing RMI's Energy Poverty Policy Simulator

One in three households nationwide struggle to pay their energy bills — state PUCs can support policies that help energy-insecure customers afford their bills.

RMI's Energy Poverty Policy Simulator (EPPS) is a new tool that empowers state-level decision makers to have data-driven conversations on the costs and impacts of implementing safeguard policies for low-income customers.

Each state will have unique considerations, but the national implications are encouraging: RMI found that it would have cost just $9.3 billion to lift all residential electric utility customers out of energy poverty in 2022 (to get them to a 4 percent electricity burden).

To put that into perspective, $9.3 billion represents less than 2 percent of what the utility industry spends each year.

The EPPS can help PUCs chart a clear path to universal energy affordability.

A Disconnections Handbook to Beat the Heat

Across the United States, utilities conduct millions of electric service disconnections due to nonpayment every year. Disconnections can have severe impacts on a household, including adverse health consequences, the activation of Child Protective Services, and even death. RMI's *Disconnections Handbook* demonstrates the scale of the energy poverty crisis that leads to mass utility disconnections, explores the current landscape of utility disconnection protections, and provides state policymakers with a comprehensive overview of disconnection protection reform options.

Sign up to receive an email notification when our *Disconnections Handbook* is published.

Cost Allocation Strategies for Periods of Growing Demand

With major industries clamoring for more and more electricity, how electric utilities allocate the costs to meet that demand will have major consequences on affordability for everyday utility customers. Different cost allocation approaches offer multiple ways to balance costs, benefits, and risks.

Done poorly, cost allocation can force customers who don't contribute to the load growth to pay extra costs and bear excessive risks.

Done well, cost allocation can allow everyone to benefit while meeting regulatory and policy goals related to load growth.

For more on proactive approaches to cost allocation, read our article.

Two conditions are needed for cost allocation to drive costs down for all ratepayers:

- Finding an incremental portfolio of resource and grid investments with a total unit cost that is lower than the average unit cost of the existing system.
- Cost allocation approaches that line up the distribution of costs and risks with benefits to different customers and also over utility planning horizons.

Cost allocation strategies that assign new resources to new loads intentionally and fairly need to be designed, assessed, and implemented.

For more information on RMI's work to support cost allocation design, please reach out to Becky Li (BLi@rmi.org) and Joe Daniel (JDaniel@rmi.org)

Fuel Cost Sharing to Curb Bill Volatility

Typically, 100 percent of fuel cost volatility is "passed through" to customers via a fuel adjustment clause (a type of cost tracker for fuel costs that deviate from the level of fuels that were incorporated into base rates). This leaves customers on the hook for whatever fuel-use decisions utilities make, good or bad.

Fuel cost sharing is a mechanism that reduces the true-up between expected and actual fuel costs to less than 100 percent (meaning that the utility is responsible for a portion of the difference, or to have "skin in the game").

Fuel cost sharing gives utilities an incentive to better manage fuel. If fuel costs exceed the level set in base rates, utility shareholders must pay a portion of the excess costs so that those costs are not exclusively borne by ratepayers. At the same time, utilities benefit if fuel costs are lower than levels set in base rates.

Where fuel cost sharing exists, utilities may be motivated to consider resources that are less subject to price volatility, including non-fuel resources such as energy efficiency.

Read how your state can leverage fuel cost management strategies.