

**Testimony of Dave Schneider, on behalf of the Oregon Rural Electric
Cooperative Association
House Consumer Protection and Government Effectiveness Committee
March 19, 2015
RE: HB 2599**

Good afternoon. Thank you for the opportunity to speak today regarding HB 2599. My name is Dave Schneider. I am the CEO of Midstate Electric Cooperative, a rural electric utility that has been in business for over 63 years. Midstate Electric, headquartered in La Pine, Oregon, delivers power to over 18,000 accounts in four Central Oregon counties: Deschutes, Klamath, Lake and Lane. Our service territory is fifty-six hundred square miles. To give you an idea of the size of our service area, it would take over two hours to drive from one end to the other. Midstate Electric Cooperative is a non-profit member owned utility that is governed by an elected Board of Directors that oversees the management of the electric utility. Midstate Electric, like the other 18 electric co-ops that belong to the Oregon Rural Electric Cooperative Association, has one-purpose and that is to do the right thing for our member/consumers.

A key feature of HB 2599 prohibits public utilities from terminating service due to nonpayment during specific times for some consumers. Although co-ops are not currently regulated by the Public Utility Commission with regards to service policies, this is a responsibility we do not take lightly. In regards to terminating service due to nonpayment, Midstate Electric follows a strict notification process and works with members to seek every alternative method to collect funds—using disconnect as a last resort. The process to disconnect a service takes 80 to 120 days from the day the first kWh is delivered, and—if and when there is a threat to human life—we voluntarily do not shut the power off.

Co-ops have a long track record of assisting consumers. Specifically, Midstate Electric members can receive assistance in many ways. We offer budget billing—which levels out the monthly payments. And, we offer payment arrangements—that spreads out the payments for the past due amount—giving the consumer an opportunity to avoid disconnect. Midstate Electric has established a RELIEF fund where members have donated money to help others in need—and we have voluntarily provided \$281,000 to St. Vincent de Paul to assist low income consumers. In addition, Midstate works with the consumer to access funding provided by: Family Action Network, County Energy Assistance Programs, Community Action Services and Neighbor Impact.

In HB 2599 when service disconnects are allowed in April, many consumers would be faced with even higher utility bills that they would be unable to pay. History has shown when this occurs, consumers would have to move or have the power changed to another name, leaving the utility bills unpaid. Utilities would be forced to charge higher deposits to cover the bad debt.

Higher deposits would hurt already struggling families and not help as HB 2599 is claiming to do.

Midstate Electric was faced with this similar scenario in 2008 during the economic downturn when our consumers were facing hard times, which meant Midstate had to act. Using our \$3.1 million dollar investment in smart meter technology, we started a program that allows consumers to prepay for their electricity. With the prepay program, consumers no longer need to pay large deposits and they immediately get greater insight into their daily energy usage. In turn, prepay consumers have reduced their monthly bills by 17% on average.

The key to the prepay program is if consumers allow their balance to drop below zero—their service is electronically disconnected with 24 hours' notice—excluding weekends and holidays. Participants can choose how to be notified of their account balance and how often. In the event a disconnect happens, power is electronically restored—normally within 8 minutes of a minimal payment being received—and that payment can be made 24 hours a day, 7 days a week. With the prepay program there are no late fees, disconnect/reconnect fees or deposits. Consumers can decide when they want to put funds into their account instead of struggling to pay a large amount once a month. Consumers can “fill up” their electric account just like filling up the gas tank in a car—one gallon at a time or with a full tank.

There are over 1,300 consumers participating in Midstate Electric's prepay program, and they love it. As one consumer best put it, “finally a program I can use. Please don't ever discontinue the prepay program”. The prepay program allows low income Oregonians and others having difficulty paying their bills, the ability to receive power without paying a large utility deposit and greater control over their budget and energy consumption.

In addition to providing a service to our consumers, the prepay program has refunded \$142,000 in deposits back to the consumers that need it most. As a side benefit, the prepay program has also reduced the mileage on Midstate's service vehicles by 60,000 miles/year or the equivalent to 67 tons of carbon emissions. While the prepay concept is becoming more popular through the State, sadly, the requirements in HB 2599 would end this very successful prepay program and force thousands back into to a system that left them struggling to pay their bills. Notification requirements in HB 2599 would lead to higher administrative costs and clearly fails to recognize advances in technology that we use to communicate with consumers today. To cover these higher costs, utility rates would have to be increased for consumers, many of them low income.

Finally under HB 2599, utilities would need to collect and maintain sensitive data of household members such as age, income, employment, health, disability status and death of anyone in the household. This information is often not readily available, is difficult to keep current, is an invasion of our consumer's privacy and violates Federal Trade Commission laws.

I strongly encourage the Committee to reject HB 2599. Though well-intended, this legislation is unnecessary and ultimately would create a cost-shift that would hurt low income families and low income senior citizens.

Oregon's electric co-ops believe that our model of local control best serves our member/consumers, and I respectfully ask the Committee to allow co-ops and the other Oregon utilities to continue to do the right thing.

Thank you- I would welcome questions from the committee.