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I'm Roger Colton. For the past 25 years been involved in working with people around country on affordable utility service. I'm a lawyer, economist, used to work for NCLC, starting in '85, came to Boston, worked on Poverty Issues as related to home utility bills. Energy, Water sewer, phone. Worked with Legal Aid lawyers around country, legal aid lawyers in MI had MWRO client. I've worked with MLS, Legal Aid for a number of years, on energy and telecommunications. When they began to face problems about affordable water and sewerage, they contacted me for assistance. Worked directly with lawyers in that case, on that issue. Thru lawyers, began to work with MWRO, the client org as well. That was fun, I don't always have occasion to work with the client org as much as directly with lawyers. The thing that MWRO brought to me, and what was unique w D was the impact that affordable water service has on the broader issue of the habitability of the home. When I work on affordable home energy issues. People go to great sacrifices to pay their energy is. But the fact is if one doesn't have heating, there are alternatives. It may not be a lifestyle

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that, or a life, its not just a lifestyle, a life situation that any of us would choose but there are alternatives. One can go without electricity, but its not a pleasant life. Water is fundamental to the habitability of a home. MWRO contacted me saying that thru the unaffordability of water and sewer, people were not only losing water and sewer, but they were losing homes, ability to live in those homes. That was ten years ago. WE have made little progress in the last ten years. [13:25]

K: say a little more about MWRO, what was unique about those particular women who run that org, the interaction they have with the people they do direct outreach with....opportunity to work with client..

R: MWRO presented a unique situation to me as a consultant. I worked with the client based org almost in a political capacity. Often when I work as a consultant I appear as an expert witness in litigation. There was no litigation involved with what was going on in Detroit when I first became involved with MWRO. MWRO had...they were wonderful human beings. they were interested in educating themselves about affordable home energy, educating their constituency, their membership about affordable home energy, and educating policy makers about both the impact of unaffordability of home utilities, but the alternatives to providing the unaffordable home utility service, water service. It was those three elements, educating members, themselves, policy makers that really formed basis of my relationship with them.

What they knew, and what's fundamental to

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the folks at MWRO is that paying water/sewer bill, for most of membership was simply beyond their means. It wasn't a matter of budgeting correctly, making sound choices, financial planning. The fact was that many if not most didn't have enough money to pay all month to month bills. Caught in hopeless situation of choosing which bills not to pay to make it through that month.

They came to the point where they realized they needed outside assistance, outside technical assistance. That's where they brought me in. One of the differences between what I often do and what I did with MWRO is I work with numbers, I work with spreadsheets, I work with dollars. I may work with millions of dollars. I rarely have the

occasion of sitting down in someones home, in a conference room, and look at ms jones, smith, mr jones, and say this is the person who is the number on the spreadsheet. It's a very diff. process to engage. The diff between sitting at a desk looking at a spreadsheet, allocating the costs of programs, of household budgets, and looking at a person who simply cannot afford to pay all their bills, who knows they cant afford to pay all bills, and doesn't questions, and knows that they owe the money, but knowing that they owe the money doesn't give them the money to pay the bill, there were a lot of tears shed because its not as thought that people dont know they owe, that people dont concede they owe the money. They know, but dont have the household income to pay it.

K: In what instance were you struck by that realization?

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Can you narrate that?

R: There was this one woman who I don't member her name, its been ten years. She was a person, she was in her late 50s, early 60s. I remember having the convo where she said, "Im the person who people would turn to, I was the person in my hood who people were having difficulties would look to for assistance. I never dreamed I'd be in the sit where I'd be one of the people looking for assistance, rather than providing. And I don't know what happened, she may have lost her spouse..the primary income generator, which was a common occurrence. Instead of being provider, she was the seeker. IT not only dealt a severe blow on an emotional level, but in many ways, she had to do it for herself, she didn't know what to do, where to turn. She was used to living a middle class life, receive a bill, write a check to pay the bill. All of a sudden she could no longer do that . She was the political captain in her precinct, the neighborhood neighbor. She was the go to person. All of a sudden it was here that needed to be seeking assistance.

K: That seems to be happening quite a bit recently. Several people I know tax foreclosure noticed...seems to be a direct result...Is there..you live in, and I may be..I have an understanding of this area, and there are still racial divides, and poverty, within your social group, you seem to have a progressive view of what its like to be poor..peers colleagues? less progressive on what its like to be poor? How to address?

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R: In my day to day life, I run into people, or week to week..here at the local level, who I wouldn't say are less progressive, but are less tolerant of the inability to make ends meet. The people in my community as a rule have enough money to live on. People are in a position where they can receive the bill, but they have the ability to write a check to pay the bill. The concept of not paying rent...taking half of their meds in order to save money to pay bill is a foreign concept to them. It's difficult to explain to people what it's like to not be able to pay your utility bill or to have to engage in activities that make it possible to pay your home energy bill...as an example, a client that wasn't a client of mine, but someone i worked with in NH, an older woman heating home with natural gas.

Nat Gas co said this woman paid bills every month, so her natural gas bill must be affordable. What I knew is that this woman heated her home by burning used tires in her fire place. I will never be convinced that bc she did that and could pay her Nat Gas bill, I will never think her nat. gas bill is affordable. What I need to explain to people on a very frequent

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basis is that the concept of the paid but unaffordable bill. People want to pay bill, people are socialized to pay bill. People do all sorts of unacceptable activities to pay bills. True with energy, water sewerage, rent, people I talk to locally, I try to explain that there is a life outside of the middle class. One thing we now know

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phone interruption.

What I need to explain to people locally and throughout my work is the concept of the paid but unaffordable bill. Simply because someone makes a payment in any given month doesn't mean that underlying that payment are a host of lifestyle decisions. Not choices but decisions. The bills that wont get paid. What im finding is both due to a decrease in income and increase in utility bills, water, sewer, energy. That group of people forced to make those choices is moving further and further into the middle class.

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People who have ten years ago never would have dreamed to have to make those decisions are now facing those decisions.

K:How did you get into this, how did you develop your politics, or understanding around this..did you have to? What path to understanding?

R: I actually began my career ten years, thirty years ago i began my career as an attorney working on environmental issues. One proceeding I was involved with in Iowa, in mid 70s where we argued that a proposed new power plant should not be constructed, and utility should be investing in conservation. Then I came to work at NCLC in Boston, and continued to work on conservation issues. When I began working with NCLC, I had one proceeding where I represented here in MA, this proceeding was in MA, where I developed an argument that said that energy c onservaion could be used to make bills more affordable. For the utility, if it was cheeper to provide conservation than to collect unaffordable bills, utility should provide conservation. That argument became compelling. If a utility could provide affordable service, better to provide than continue to provide unaffordable service, engaging in expersive, ineffective efforts to try to collect unaffordable bill. What started as a new argument in one proceeding, broadened to affordability generally. What started as one proceeding became a career. Since 1985, been arguing for affordable utility service for low income households. There are couple of moving parts. A couple of major moving parts: when people cannot afford to pay water service. We saw this in Detroit—when can't afford to pay water and sewerage in Detroit, it is a social problem. There are people losing water service, health issues, losing homes, sending kids to school who cant be good students bc of loss of service. Social problems. In addition to the social problems, *when the city of D sends unaffordable water/sewer bills to households, its bad business as well.*

Simply is not good business to send a bill knowing that person cant afford to pay that bill. Means that utility will not receive its money it needs to operate. Spend a lot in process of receiving money. When those two elements came together, social and business problems of unaffordability that we began to create remedies and began to show utilities, unfortunately, DWSD hasn't accepted this yet. When people began to realize that providing affordable service was not only good social policy, but good business policy, that became a way forward in addressing underlying problem.

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K: Lets continue with the story of you trying to help MWRO and MPL put forth plan. Narrate..the writing, the specifics, etc...do you have a copy of the plan—

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R: The problem facing MWRO was the desire the city of Detroit to address the problems of nonpayment on a case by case basis rather than addressing the underlying systemic problem. What MWRO told me, was that it really doesn't make much diff if someone is behind on water bill, and then receives short term assistance to help pay outstanding unpaid bills because the problem wasn't the outstanding arrears. problem was inability to pay to begin. even when someone got assistance to pay, the dollars that were unpaid today, all that meant is that there would be addtl dollars of unpaid in future. Yet city of D was seeking to address each individual household behind in bill to pay that particular bill in arrears. We sat down to say this isn't working. For every crisis we avert or prevent today, there will be...will be a crisis in the future. We needed to address underlying problem, rather than address way in which problem presented itself. That was collective charge. I say collective charge—addressing underlying problems of affordability, rather than addressing the way that problem presented itself in any given or individual household, was the objective of MWRO, of MLS, and my objective.

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K: Did they come to you and say this is how D is dealing with it, we want to deal with it this way, or was your intervention with them?

R: When MWRO approached me, they said this is what the citys doing and its not working. Theres no reason to believe that it would ever work. They didn't know the alternative. They knew the city was not working. Had no possibility of ever working. One of the problems, in addition to not addressing underlying problem, theres not enough \$ to reach every household behind in bills. 10s of K of people disconnected, stil being disconnected Needed assistance. Available crisis assistance might be able to reach 100s. Even if its administratively possible, not enough \$ to go around. All they knew was that city was doing wasn't working. Their questions was “how can we make this work better?” One of the options may have been to expand the available pot of \$ able to be distributed, but doing that really is simply a short-term solution. And if it took..making

up..10 mil to pay the unpaid water bills, that would mean that wed have to raise 10 mil in charitable donations every year. That wasn't going to happen. So that was why they ..the reason MWRO came to me and asked for my help was bc I had a history and experience around the country in taking programs that weren't working and offering alternatives, more fundamental solutions that address underlying problem, not just way problem presented itself in time.

K: What was your solution?

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R: When I began working with MWRO, I developed an affordability program for DWSD. The affordability program that I developed had a couple diff elements. One of the first elements, that doesn't get talked about, I urged DWSD to rethink its late payment charges. DWSD would impose a tremendously high late payment charge to people who wouldn't pay bills. I asked how that would make sense. You start with a customer who cant afford to pay bills, and you respond to that person by increasing the bill you charged them . I said that doesn't make sense. Secondly, I suggested—I recommended that they adopt an affordability program such as has been adopted for energy utilities around the country. Would be based on percent of household income. Once the utility would determine what an affordable bill would be as a percentage, they could render that bill, expect to be paid, and avoid the need to incur expenses in collection. I suggested a percentage of income program to DWSD. And the third thing was an aggressive water conservation program. If someone cant afford to pay bills living in old housing, which is true in Detroit, leaks, inefficiently using water, people are using water than they need to use in order to accomplish what they need to acocomplish, that doesn't make any sense. That one response the DWSD should be pursuing should be to help people save water and reduce bills in using less of the product they are being charged for. Those three basic legs to the stool that formed the affordability program. The three fundamental aspects of the foundation of the afford. program was to stop the non-cost based unreasonable late pmt charges, to offer affordable bills and aggressively pursue water conservation. There were other smaller aspects to it. WE proposed an arrearage management program, because somebody has in arrears it doesn't make any diff if you make their future bills affordable, if there are arrears..

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People dont look at current vs past due. They look at total bill. Needed to make total affordable. That meant addressing unpaid arrears. Physical act of making payments as well. People who have mid incomes, checking acct. Debit cards. Relatively easy to engage in online pmts. Im still the age where I think of writing bill, sending in mail. Many departments, including DWSD didn't think about the ramifications of someone who doesn't have a checking account, can simply write a check and doesn't have a way to easily visit DWSD to make a cash pmt. When they visit some station to pay 100\$ and get charged a 7-10-15\$ service fee imposes additional fees that make payments less likely. Just Facilitating the ways in which people can make payments was part of what we asked DWSD to do.

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K: What happened, once you..you said you did more than propose. Can you clarify?

R: When I worked with MWRO one of the major steps forward was when MWRO convinced water and sewerage to hire me as an in house consultant. I went to work for DWSD. And when I developed..when I worked with DWSD, I continued to ..When I worked with MWRO, one of their major accomplishments was to hire me as an in-house consultant and that occurred. [contrast with DWSD listening to stupid consultants..]

R: when I worked for DWSD I continued to develop the afford. Program. One of the major things I did when I worked for DWSD was to cost out the program. And to compare the what the cost of the program would be relative to the benefits that the program would generate. IT's one thing to do that based on publicly available census data that I had access to, utility data as well. We developed an affordability program.

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based on a percentage of income and presented it to city council. DWSD eventually decided not to proceed with that program. Their argument was that they didn't have the legal authority to adopt a program that would provide bills based on a percentage of income. It was a conclusion i aggressively disagreed with. The fact is that there is..and this is my opinion, there is a generation of utility managers who believe that the only appropriate response to an inability to pay is govt assistance. IF someone cant afford to pay its up to the federal government and state government to provide an income supplement to help pay the bill. And this generation of utility administrators

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ssimply cant get their hands around the fact that its bad business to try to sell product people cant afford to buy, and to send bills for which there is no expectation for payment to be received. The current admin of DWSD never bought into that philosophy, and the affordability program was never implemented. What they decided to do instead was to continue the status quo. And if we leap forward ten years, from

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to 2014, its what the city of D and DWSD is continuing to say—is that they will deal with people on a case-by-case basis, and they will work with people to pay their..to help them pay arrears without realizing that if there is an arrears in Sept 2014, that get paid, there will simply be another arrears in 2015/16. They are creating a system that is perpetually going to be in crisis. True ten years ago. True today.

K: They say, oh just talk to us, just call us. Well work out a payment plan. They dont understand they cant do that w o systemic approach

R: One problem I have in the town of Belmont is the water dept fails to recognize the fact that people simply don't have enough \$ to pay day to day bills
If someone is in arrears by thousands of dollars, theres a reason. It's not a choice by household. It's not a matter of bad financial planning. People want to pay their bills. Somebody owes DWSD thousands of dollars, it is overwhelmingly likely that they owe

that much money because they can't afford to pay their bill. *The notion that that household should come to DWSD and arrange to pay current bill plus something more when their past bills were unaffordable with which to begin is bound to fail.* Cannot succeed. The fact that people can't see that is due to the fact that they don't live that life. Don't understand circumstances that nonpayment is a circumstance that is not a lifestyle choice because of the lack of income. It's not a choice to not pay bill.

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K: Discuss, I'd like to have you discuss anecdotally to work in this environment, of old guard utility managers, what was it like to work with DWSD? What efforts did you make?

R: When I worked with DWSD, we had innumerable meetings where we brought in utility management with utility lawyers, utility consultants for DWSD. Another consultant. Where we may have failed in seeking to resolve the differences through meetings at the DWSD. The problem was that management only thought in terms of management. Management thought in terms of how they thought for past 10 years, and I'm speaking of 10 years ago. Past 20 years. By the time you...

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[doorbell interruption]

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One of the issues in dealing with a utility such as DWSD is that people who get to be upper level management are people involved with utility for a number of years. They tended to think in historic terms, traditional terms. What I was seeking to do as a consultant was to convince them that the historic way, or traditional way of doing business was not appropriate for the circumstances. But they did not accept the notion that the way they always did something was the appropriate way. The lawyers were not there on a consulting mission. The other consultant that was there was a cost-allocation consultant as opposed to a problem solver. So the parts of the machine didn't mesh. What the historic, or the traditional response was was if someone can't afford to pay then we will give them a grant...charitable or government to help pay bills. People never got to the point where they realized that they realized it was a systemic problem and the system needed to be changed rather than having the system perpetuated.

K: Could you talk a bit more about what it was like as problem solver work with this traditional mindset. What happened? Certain events...

R: What I tried to do when I worked with DWSD was—and this was my job, was to show them the new way wasn't a new way at all. It was an extension of other things that DWSD would do that was commonly accepted. IE the notion of working with bills to make bills more affordable, when you say it that way sounds like a social-service type of approach. I remember the day when I said, well, if you believe that's the case, then you wouldn't offer payment plans, because you don't charge interest on payment plans. If you let someone spread payments over 12-24 months, you are providing a subsidy to them. So the reason you offer deferred payment plans is as a response to unaffordability. If someone

cant immediately pay, you let them pay over time. The reason is to help collect unpaid bills. One of the arguments against a percent of income plan, i distinctly remember this meeting. They said, well, if people are billed based on percent of income, that destroys the price signal, that the level of the bill provides indicating if you use more, you pay more. The notion of providing a price signal to encourage conservation runs counter to my proposal of percent income plan. And I said, well,

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There's a problem with that, because when you talk about price signals, and I still don't understand why this isn't self evident. But you assume tat someone can afford to pay bills. I remember trying to explain that you have an ability to pay 50\$, it makes no diff if your bill is 120 or 220, that bill is unafford at either level. If you have an ability to pay 50, whether you bill is 49, or 51, it makes a diff. In one case its affordable, in another its not. If we want people to conserve, we want to make the bills as close to affordable as not. The further and further above affordability, the less incentive there is to conserve water.

The first time

[phone interruption]

It was the first time I talked about a Lexus in relation to utility bills. To me, it doesn't make a diff whether a Lexus costs 100k or 160k. It's unaffordable either way. The same is true for water and sewer. Whether a bill is x or x its unaffordable either way. The best way to help ppl receive message that they are better using less water is to make the bill affordable. I remember going round and round with that and i was saying blue and the utility was saying yellow and it just..the two lines did not come together. never came together.

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When a utility relies on charitable grants—and i admin the local crisis line—i write the checks. But notwithstanding that. When a utility relies on charitable grants to help pay utility bills, what the utility is doing is creating a circumstance, where you're saying to the household, use the \$ you want to use because someone will pay for it. It's not the message we want to send that folks, and not the message MWRO wanted to present. TThe MWRO was insistent on the fact that people want to pay, and the reasons they weren't paying is because they were unable to pay but unwilling to pay.

K: Daryl Latimer said “no matter if customers become ultra conservative, we still have debt service we need to meet.” ...debt service...I have hypothesized that the utility does not want to make water affordable because it is very busy meeting the cost of debt service. Infrastructure is crumbling bc bonds were so difficult to come by for a long period of time. Low interest rate, thus urban disinvestment...So with that, can we unpack that?

R: There is a group of financial planners for DWSD as there are for many utilities. They say we need to bill as much as possible to keep the revenue flowing. The problem is that its not keeping the revenue flowing. That only makes sense if you are collecting all the dollars. But the DWSD is in the classic situation where its billing 100\$ but collecting

50\$, and they continue to act as though what they bill is the amount of revenue that's available. If DWSD was billing 100\$ and collecting 100\$, the MWRO and all the rest of us would pack up and go home. What the financial planners miss is the fact that sending an affordable bill will increase revenue and decrease expenses. The way I explained it ten years ago was to say it's better to collect 90% of a 70\$ bill, than 60% of a 100\$ bill.

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For a utility such as DWSD who is in desperate need of revenue to meet bond requirements and reinvest in new infrastructure, they have a vested interest in billing as close to affordable as possible. When you have a need for a stable source of revenue such as Detroit, sending affordable bills is in your interest.

K: Did the city of Detroit cost out?

R: Detroit never ran the numbers to see what the difference would be in what it collected through an affordability plan relative to what they would receive. The DWSD simply assumed that every dollar discount they provided to a low income household was a dollar of lost revenue, and we know that's not true, because if that were, then it would mean that everyone was paying 100 percent of bill and that's not happening. It wasn't happening ten years ago, it won't happen in ten years, unless DWSD buys into affordable bills.

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