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## ENVIRONMENTAL JUSTICE

# How electricity deepens the South's racial divide

Kristi E. Swartz, E&E News reporter • Published: Thursday, August 6, 2020



The coronavirus pandemic is exacerbating long-standing electricity challenges in the U.S. South for communities of color. Claudine Hellmuth/E&E News(illustration);bowonpat /Freepik(outlet and plug);Calsidyrose/Flickr(grid paper)

Nationwide protests over racial injustice in recent weeks are stirring a fight against a deep-rooted energy gap in U.S. households: People of color pay disproportionately high electricity bills.

Nowhere is the divide perhaps more obvious than the South, where the housing stock is old, summer heat is intense, building codes are weak and 40% of residents qualify for low-income energy assistance.

Layering on a pandemic has made the problem worse. Residents of inefficient homes are forced to spend more time indoors as temperatures rise in a humid region, and many of those same residents have lost jobs because of the virus and may not be able to afford air conditioning as their monthly utility bills start to increase.

"There's been very little state or local action to simulate the construction of energy-efficient affordable housing," said Mandy Mahoney, executive director for the Atlanta-based Southeast Energy Efficiency Alliance, during a recent webinar.

The South is home to the nation's largest electric companies, all of whom have carbon-cutting goals. But as they continue their transformation away from fossil fuels and toward cleaner electricity sources, energy efficiency continues to be left behind.

The reasons vary. Regulators and utilities typically don't talk about energy efficiency separate from other issues, a fact that can starve funding.

What's more, efficiency programs by their nature ask customers to pay for something they don't use. Advocates say that's a hard sell for utilities.

"There are certain people who think the South is a lost cause, and people think it's a black hole of activity around who is pushing for tomorrow," said Nathaniel Smith, founder and chief equity officer of the Partnership for Southern Equity.

"Which is why the Southeast has the highest energy burden — the air quality, the heat index — and at the same time you have a utility company that is not putting its best foot forward in providing energy options for people who don't have dollars to invest in clean energy technology," Smith said.

During the pandemic, many electric companies either voluntarily or were told to suspend disconnections to ease the financial and mental stress of their unemployed customers. But some utilities are back to business as usual in the name of preserving their bottom lines. That means disconnections are looming while the heat is stifling.

"It reminds me of our broken health care system. The problem becomes apparent when you have an unexpected crisis like the pandemic," said Kurt Ebersbach, a senior attorney with the Southern Environmental Law Center.

Electric companies and their regulators typically don't like to hear this. The South's largest energy players boast having rates that are below the national average, which often holds true when broken down on a per-kilowatt-hour basis. But if the air conditioning is running more frequently, and houses are older and less efficient, energy costs skyrocket — an outsize problem for communities of color.

### 'It shows painfully well'

Poor people nationwide give a larger percentage of their income to electric and gas companies, studies show, but the issue is particularly pronounced in the South. Alabama, Arkansas, Georgia, Mississippi and South Carolina are the states with the highest energy burden — where low-income households use 36% more electricity than the national average, [according](#) to the Energy Department.

"High energy burdens can threaten a household's ability to pay for energy and force tough choices between paying energy bills and buying food, medicine or other essentials," DOE said.

Segregationist history, land use and city planning — such as using highways to block predominantly Black communities from accessing a town's business district — all play a role.

"That keeps people disconnected from resources out there where they are available," said Chandra Farley, director of the Atlanta-based Partnership for Southern Equity's Just Energy program. "I think before we talk about the barriers and layers, we have to talk about the obstruction."

Farley said she is frustrated with electric companies' boilerplate comments about low-income energy programs. She wants the data to show whether the outreach is being targeted to the ZIP codes that most need it.

"OK, great, we have these programs — well, how many people got served versus how many people applied, so we know where the gap is, so we know where to prioritize," she said.

Energy efficiency advocates say it's hard to convince utilities and regulators to latch on to programs that are going to save them and customers money. The concept of not using electricity and making that a priority presents a risk to an industry that is inherently risk averse.

"We have a history of underinvestment in energy efficiency compared to other regions," said Forest Bradley-Wright, energy efficiency director for the Southern Alliance for Clean Energy, or SACE. "I think it shows painfully

well in the South because of the poverty and the politics."

A recent study from the American Council for an Energy-Efficient Economy (ACEEE) shows that nationally, large electric utilities have made "dramatic" investments in energy efficiency programs in efforts to cut carbon emissions ([Energywire](#), Feb 20).

But the biggest opportunity remains in the South, where 19 utilities scored in the bottom half of ACEEE's efficiency scorecard.

As the threat of climate change looms larger over the region, some states are seeing a quiet shift — an embrace of programs aimed at using less energy and cutting emissions.

Florida's regulated electric companies, notably, wanted to all but do away with their energy efficiency programs last year but regulators, led by Florida Public Service Commissioner Julie Brown, said "no."

North Carolina also boasts energy efficiency savings of roughly 1 gigawatt-hour, which exceeds the national average. Southern Co.'s Georgia Power is readying a pilot program that will address a major challenge for low-income customers — the significant upfront costs that come with making a home more efficient.

And the New Orleans City Council recently voted to approve three more years of funding for energy efficiency programs. The move will speed up the trajectory to reach 2% of energy savings faster than expected.

"That comes out of a more forward-looking regulator in the New Orleans City Council," said Logan Atkinson Burke, executive director of the Alliance for Affordable Energy in Louisiana.

Things are different at the Louisiana Public Service Commission, however. Regulators have taken a protracted approach to putting together draft energy efficiency rules, something that Burke describes as "frustrating."

"We've got commissioners who think about energy efficiency as a giveaway or that we have such low rates, it doesn't matter," Burke said.

The Louisiana PSC in June approved a recovery plan for residents and small businesses who have outstanding utility bills from the pandemic. But the disconnection prohibition ended July 16.

"What this is about is creating accountability and transparency that cuts both ways," said Craig Greene, Louisiana PSC commissioner, in a June news release.

Louisiana is unique in that its largest customer class is industrial, not the residential or business class. This includes petrochemical companies, steel manufacturers, and members of the paper and pulp industries.

Industrial users typically have the highest energy bills because of the volume of electricity used each day to keep their business going. In return, they already have energy efficiency measures in place and argue that they don't need any more regulatory policies as an incentive.

That's been a chief barrier to getting any policies at all, Burke said.

"You get the largest voices of energy users aligning with the utilities saying, 'Yeah, we don't really need that,' or, 'We don't even want it,'" she said.

### **The Duke model**

In North Carolina, efforts translate to saving 1 gigawatt of electricity or more than 1% of the previous year's electricity sales.

The reason may be surprising for some who routinely like to beat up on the electric companies for not being environmentally or consumer friendly.

That utility giant Duke Energy Corp.'s management has made energy efficiency a priority is a key factor. That has resonated across every state in its territory, said Bradley-Wright with SACE, who issued its annual energy efficiency report in January.

There are two other factors that play into Duke's record. North Carolina has a renewable energy mandate, and up to 25% of which can come from energy efficiency efforts.

And utility regulators let Duke recoup the costs for lost revenue that it would otherwise get from running a power plant. The company also gets a share of the savings from its efficiency programs.

That combination has created an environment for the company to think differently instead of doing things just to meet a target that was handed to them, said Michael Luhrs, Duke's vice president of market strategy and solutions.

"I see this in a lot of utilities across the nation: Just putting in a mandate, that fosters a 'compliant' mentality," Luhrs said, later adding, "We view energy efficiency as helpful."

Luhrs is clear about the company's goals as well. Duke wants to be a net-zero carbon utility by 2050, and its home state of North Carolina has the same objective.

That adds to the motivation to have as many energy efficiency programs as possible.

COVID-19, the disease caused by the novel coronavirus, has challenged some of the utility's work, however. If a customer calls in about having a high utility bill or the inability to pay it, the company is supposed to offer a home energy check to find permanent ways to lower that bill over time.

But with social distancing being key to preventing the spread of COVID-19, according to the Centers for Disease Control and Prevention, home energy audits have become more difficult.

Duke has had to dramatically revise its programs to make sure vendors can be in customers' homes and everyone can interact safely, Luhrs said.

"Customers are still asking us, 'Can you please come do this,' and we're doing everything we can to honor that," he said.

Not everyone agrees that Duke is doing all it can. The Environmental Working Group, an advocacy organization, released a report challenging the company's stated priority to have affordable energy bills, saying the utility giant does more to hurt low-income residents than help them ([Energywire](#), June 5).

In Georgia, utility regulators signed off on Georgia Power's Pay As You Save (PAYS) program. PAYS is popular with electric cooperatives because it covers two areas that usually are excluded from energy efficiency programs: low-income customers and renters.

Georgia Power is the first investor-owned utility in the nation to offer a program like PAYS, one of two aimed at helping low-income customers get improvements necessary to efficiently heat and cool their home.

PAYS follows the utility's traditional business model of investing capital to build a power plant and then recovering those dollars from customers via their utility bills. When applied to energy efficiency it works this way: A utility invests capital in customers' homes to make it more energy efficient and then recoups those costs on a monthly bill.

A key program asset is that it removes the upfront cost barrier that comes with someone buying a more efficient HVAC unit, dishwasher or roof. It's money that no one wants to really spend, regardless of whether they have it in the first place.

"In this industry, knowing what I know, I would rather spend money like that on something else than a new HVAC system," said Tammy Agard, CEO and co-founder of EEtility, which works with utilities and others to implement these innovative energy efficiency financing programs.

The customer also doesn't have to take on debt, doesn't have to worry about a credit score and cannot lose money via the program contract. A \$200-a-month utility bill might drop to \$150 or \$160 while the electric company is recovering its investment at the same time, Agard said.

"If I'm living in poverty and really struggling with that meal or medicine, and I might actually make \$40 a month, now you're really motivating me," she said.

"There are no subsidies, so red and blue should love it," she said, referring to any political pushback against handouts.

Duke Energy has agreed to collaborate with a wide range of clean energy and consumer groups, including the North Carolina Housing Coalition and North Carolina Justice Center, to design a tariff-on-bill financing program, such as PAYS.

For Georgia Power customers, monthly savings are shared at first, with a portion of the money going toward paying off the home improvement investment. Once that's complete, customers can enjoy 100% of those savings on their lower monthly utility bill.

"We recognized the need to create new and innovative energy-saving programs that can reach and make a positive impact on income-qualified households that are historically underrepresented in energy efficiency programs," Georgia Power spokesman Charlie Sutlive said.

For Smith, Farley and others, it's not enough, especially when they see statements from large utilities about Black Lives Matter. They are calling for action in the form of donating thousands of dollars toward weatherization programs for low-income homes and apartments; a workforce program to give people jobs; and making solar available to those who really need to lower their monthly bills.

"That is how you really show your commitment to Black Lives Matter," Smith said.

That Georgia Power has suspended its moratorium on disconnections is frustrating, advocates say. For the company's part, it has offered installment plans for customers who have past-due balances because of the pandemic.

Roughly 50,000 of the utility's 2.5 million customers have signed up.

"People are tired. What do you think is going to happen if the weather continues to be as hot as it is, and Georgia Power makes shutoffs, and people don't have access to air conditioning?" Smith said. "Do you think that people are going to stay home and be nice? They are going to riot in the streets."

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