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Milwaukee energy burdens and utility shutoff practices found not to be racially neutral. (# 1 of 2)

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Energy burdens and utility shutoff practices in Milwaukee (WI) found to adversely affect persons of color disproportionately, though the utility remains indifferent to determining “why.”

In April 2021, the Sierra Club released *Energy Burden in Milwaukee: Study Reveals Major Disparities & Links to Redlined Areas*. Energy burden is the percentage of household income that goes toward energy bills. 6% is considered a high energy burden rate.

The 2021 report identified that Black and Latinx neighborhoods in the metro Milwaukee area experienced disproportionately high energy burden rates compared to majority white census tract neighborhoods. In the 2021 report, majority white neighborhoods had a median energy burden of 2.1% while majority Black neighborhoods and majority Hispanic and Latinx neighborhoods had more than double the median energy burden, at 5% and 5.3%, respectively. At that time, households below 1.5 times the Federal Poverty Line spent as much as 15-20% of their income on energy bills.

The Sierra Club updated that report in 2024. The updated Report found that:

- Racial disparities in energy burden in Milwaukee remain high, with a median energy burden of 1.9% for majority white neighborhoods, compared to 4.9% for both majority

Black neighborhoods and majority Hispanic/Latinx neighborhoods. Slight increases in median income have lowered median energy burdens. White neighborhoods saw a larger decrease in burden than neighborhoods of color. Black neighborhoods in particular saw the smallest decrease in energy burden.

- Racial disparities in energy burdens in the Milwaukee metro region remain high amongst the highest in the nation. While 16% of Milwaukee's metro area population is Hispanic or Latinx, 19% of the population in high-burden neighborhoods is Hispanic/Latinx. The Milwaukee metro area's white population is about two thirds of the total population, but white residents only account for 9% of the population in high-burden neighborhoods.
- The lowest income households are experiencing a higher energy burden than in the 2021 report data. While median energy burden is slightly lower than in the 2021 report, some of the lowest income customers in the region are now experiencing significantly higher energy burden. Low income households that fall below 1.5 times the federal poverty level spend as much as 20-26% of their income on energy bills, up from 15-20% in 2021.

The Racial Implications in Milwaukee: The Data and Analytic Process.

In the 2024 Wisconsin Energy Corporation (WEC) rate case, a local non-profit agency, Walnut Way Conservation Corporation, filed testimony examining the racial implications of WEC's proposed rate increase. That analysis began by examining Census data setting forth the average income at the Second and Third Quintiles of income for all Census Tracts which comprise Milwaukee County.¹ For each Census Tract, the analysis applied the Company's electric bills (both electric/natural gas dual fuel service, and electric-only service) at existing and proposed rates to determine the bill-to-income ratio for that Census Tract.

In assessing the racial implications both of the Company's rates, and of its collection activities, the analysis sub-divided the Cen-

¹ For each geographic area for which it reports data, the Census Bureau rank orders all households by income from lowest to highest. It then divides this rank ordering into five equal parts, each part of which is called a "quintile." The "First Quintile" (Q1) (sometimes known as the "bottom quintile" or "lowest quintile") thus includes the households from the 1st to the 20th percentile. The Second Quintile (Q2) includes the households falling into the 21st to 40th percentile. The Third Quintile (Q3) include the households falling into the 41st to 60th percentile.

Q2 and Q3 incomes were examined in order to consider households from the lowest income to the middle income. The Q3 income includes the 50th percentile, which is the median, where half of all household fall above it and half fall below it. Q1 incomes were not examined because Company electric bills, whether at existing or proposed rates, uniformly exceed an affordable bill-to-income ratio.

sus Tracts served with electric service into two sets. Set 1 was the set of 86 Milwaukee County Census Tracts that have a majority of its householders as being either Black or two or more races (hereafter referred to as Majority non-White).² Set 2 was the set of 153 Milwaukee Census Tracts that have a percentage of non-White householders 25% or more higher than the percentage for the system as a whole (hereafter referred to as Concentrated non-White).³

These areas of color were then compared to Census Tracts that do not have the same non-White racial composition.

The Empirical Results.

The 2024 analysis presented to the Wisconsin PSC found that WEC electric bills are largely unaffordable at both the Second Quintile (Q2) and Third Quintile (Q3) incomes for both Majority non-White and Concentrated non-White Census Tracts in Milwaukee.

Majority non-White areas: The data shows that amongst the 86 Majority non-White Census Tracts, 85 currently face unaffordable bill-to-income ratios at existing rates (with an average electric bill burden of 7.6%) at the Q2 incomes.

The Company's 2024 proposed rate hikes would exacerbate this unaffordability (increasing the burden from 7.6% to 9.0% in these 85 Census Tracts). In only one Census Tract (Census Tract 3.04, with an average Q2 income of \$68,445) are bill burdens affordable before the proposed rate hike and remain affordable after the proposed rate increases.

| Impact of Proposed Rate Increases on the Affordability of Electricity (Majority non-White Census Tracts—Milwaukee County) (2d Quintile Income) | | | | |
|---|---|--|---|-------|
| Second Quintile Income | Afford- able Be- fore and After Rate Hike | Afforda- ble Be- fore Rate Hike / Unafford- able After Rate Hike | Unafford- able Be- fore and After Rate Hike | Total |
| Average burden at existing rates | 2.2% | --- | 7.6% | 7.5% |
| Average burden at proposed rates | 2.7% | --- | 9.0% | 8.9% |
| Count of Census Tracts | 1 | --- | 85 | 86 |
| Count of Census Tracts | 5 | 8 | 73 | 86 |

The racial disparity exists, also, at the Third Quintile of Income. The Table below shows that at Q3 incomes, the proposed rate increases have a significant impact on moving bills from being affordable to being unaffordable in Majority non-White Census Tracts. Of the 86 Majority non-White Census Tracts, 73 have unaffordable burdens both before and after the rate hikes (moving

² Not all Milwaukee County Census Tracts have incomes reported by quintile. Of the 300 Milwaukee Census Tracts, 183 have income data. American Community Survey (5-year data). Table B19081.

³ In the WEPCO electric service territory, 13.1% of householders are either Black or dual race.

the average burden in these Census Tracts from 4.8% to 5.7%).

| Impact of Proposed Rate Increases on the Affordability of Electricity (Majority non-White Census Tracts—Milwaukee County) (3d Quintile Income) | | | | |
|---|--|--|--|-------|
| Third Quintile Income | Affordable Before and After Rate Hike | Affordable Before Rate Hike / Unafford- able After Rate Hike | Unaffordable Before and After Rate Hike | Total |
| Average burden at existing rates | 2.1% | 2.8% | 4.8% | 4.4% |
| Average burden at proposed rates | 2.5% | 3.3% | 5.7% | 5.3% |
| Count of Census Tracts | 5 | 8 | 73 | 86 |

However in eight (8) more Majority non-White Census Tracts, the proposed rate hikes move the electricity burden from being affordable to being unaffordable (with burdens in these Census Tracts, on average, increasing from 2.8% to 3.3%). In only five (5) Majority non-White Census Tracts do electricity bills remain affordable both before and after the proposed rate increases (with the average burden in these Census Tracts moving from 1.9% to 2.3% of income).

Concentrated non-White areas: The examination of the Company’s proposed rate increases would have an even more noticeable impact on the affordability of electricity burdens in the 153 Concentrated non-White Census Tracts in Milwaukee County (as opposed to being limited to the city). The data examined again focused on households at the Q2 and Q3 income levels. At the Q2 income in the 153 Concentrated non-White Census Tracts in Milwaukee County, bills were unaffordable in 146 of these Census Tracts even before the pro-

posed rate increases. In three Concentrated non-White Census Tracts, the proposed rate hike increases the electricity burden from an affordable percentage of income to an unaffordable percentage of income, while in four more, bill burdens remain affordable (but barely so, at 2.9% of income) both before and after the rate increase.

In contrast, at the Q3 income level, the proposed rate hikes result in a more substantial impact on the affordability of bills. While 103 of the 153 Census Tracts have unaffordable burdens at Q3 incomes both before and after the rate increase (with the rate hike moving burdens from 4.0% to 4.8%), in 21 more Census Tracts, the proposed rate hike moves bill burdens from being affordable to being unaffordable (burdens increasing from 2.8% to 3.3% of income). At Q3 incomes, bills remain affordable both before and after the rate hike in 29 Census Tracts (increasing from 2.1% to 2.5% of income).

| Impact of Proposed Rate Increases on the Affordability of Electricity (Concentrated non-White Census Tracts—Milwaukee County) (2d and 3d Quintile Income) | | | | |
|---|--|--|--|-------|
| Second Quintile Income | Affordable Before and After Rate Hike | Affordable Before Rate Hike / Unaffordable After Rate Hike | Unaffordable Before and After Rate Hike | Total |
| Average burden at existing rates | 2.4% | 2.8% | 7.0% | 6.8% |
| Average burden at proposed rates | 2.9% | 3.3% | 8.3% | 8.1% |
| Count of Census Tracts | 4 | 3 | 146 | 153 |
| Third Quintile In- come | Affordable Before and After Rate Hike | Affordable Before Rate Hike / Unaffordable After Rate Hike | Unaffordable Before and After Rate Hike | Total |
| Average burden at existing rates | 2.1% | 2.8% | 4.8% | 4.0% |
| Average burden at proposed rates | 2.5% | 3.3% | 5.7% | 4.8% |
| Count of Census Tracts | 29 | 21 | 103 | 153 |

Neither Majority non-White nor Concentrated non-White areas: The examination of WEC rates found that Milwaukee County Census Tracts which are either Majority non-White Census Tracts or Concentrated non-White Census Tracts are dramatically more likely to face unaffordable electricity burdens than are the Milwaukee County Census Tracts which are neither.

The data in the Table below documents the differences. The Table below shows that while only one (1) of the 86 Majority non-White Census Tracts had affordable burdens (at the Q2 income) before the rate hike, 66 of the 283 Census Tracts that are not Majority non-White did. Similarly, while only 13 of the 86 majority non-White Census Tracts had affordable burdens had affordable burdens at the Q3 income before the rate hike,

168 of the 283 Census Tracts that are not Majority non-White did so.

The same result appertains to Concentrated non-White Census Tracts. The data shows that, at the Q2 income, while only seven (7) of the 153 Concentrated non-White Census Tracts had an affordable burden before the rate increase, 66 of the 283 Census Tracts that are not Concentrated non-White Census Tracts did.

While at the Q3 income, 50 of the 153 Concentrated non-White Census Tracts had an affordable burden before the rate hikes proposed in this case, 168 of the 293 Census Tracts which are not Concentrated non-White did so.

| Impact of Proposed Rate Increases on the Affordability of Electricity (Majority non-White and Concentrated non-White Census Tracts compared to Not Majority non-White and Not Concentrated non-White—Milwaukee County) (2d and 3d Quintile Income) | | | | |
|---|---|---|---|-------|
| Count of Milwaukee County Census Tracts at Second Quintile Income | | | | |
| | Affordable Before and After Rate Hike | Affordable Before Rate Hike / Unaf- fordable After Rate Hike | Unaffordable Be- fore and After Rate Hike | Total |
| Majority non- White | 1 | 0 | 85 | 86 |
| <u>Not</u> Majority non- White | 33 | 33 | 217 | 283 |
| Count of Milwaukee County Census Tracts at Third Quintile Income | | | | |
| Majority non- White | 5 | 8 | 73 | 86 |
| <u>Not</u> Majority non- White | 132 | 36 | 115 | 283 |
| Count of Milwaukee County Census Tracts at Second Quintile Income | | | | |
| Concentrated non- White | 4 | 3 | 146 | 153 |
| Not Concentrated non-White | 33 | 33 | 217 | 283 |
| Count of Milwaukee County Census Tracts at Third Quintile Income | | | | |
| Concentrated non- White | 29 | 21 | 103 | 153 |
| Not Concentrated non-White | 132 | 36 | 115 | 283 |

Racial disparities in WEC Collections.

In assessing the racial implications of the Company's collection activities, the WEC analysis focused on zip code (rather than Census Tract) data. The analysis again subdivided the geographic areas served with electric service into two sets. Set 1 is the set of zip codes that have a majority of its householders as being either Black or two or more races (hereafter referred to as non-White). Set 2 is the set of zip codes that

have a percentage of non-White householders 25% or more higher than the percentage for the system as a whole. Set 1 is comprised of 10 zip codes ("Majority non-White"), while Set 2 is comprised of 22 Zip Codes ("Concentrated non-White").

The WEC analysis found "distinct racial disparities" in the collections directed toward customers in the two sets of non-White zip codes examined. Consider that the Majority non-White zip codes (Set 1) have

149,979 electric customers, 12.2% of the system total. Nonetheless, these 10 Majority non-White zip codes have:

- 19.8% of the accounts having been assessed Late Payment Charges in the twelve months ending June 2024;
- 27.4% of the notices of an impending non-payment disconnection; and
- 25.8% of the nonpayment service disconnections.

Out of the 243 total zip codes for which data was available, in other words, the ten which are Majority non-White have more than one-quarter of the nonpayment disconnections and nearly one-fifth of the late payment charges imposed.

Similarly, the Concentrated non-White zip codes (Set 2) have 297,027 electric customers, 24.3% of the system total. Nonetheless, these 22 Concentrated non-White zip codes have:

- 36.8% of the accounts having been assessed Late Payment Charges in the twelve months ending June 2024;
- 45.8% of the notices of an impending non-payment disconnection; and
- 47.3% of nonpayment service disconnections.

Again, out of the 243 total zip codes for which data is available, the 22 which are Concentrated non-White have nearly two-fifths of the late payment charges imposed

and nearly half of the nonpayment disconnections.

Additional Racial Disparities in WEC Collections.

The WEC analysis found that the Company is much more prone to move to the disconnection of service for nonpayment in the Majority non-White and Concentrated non-White zip codes. For example, the Company is much more likely to disconnect service to accounts in arrears in Majority non-White and Concentrated non-White zip codes.

- While the Company performs 20 nonpayment disconnections for each 100 accounts in arrears for the system as a whole, it performs 23 disconnections for each 100 accounts in arrears in Majority non-White and Concentrated non-White zip codes.
- While the Company disconnects service for nonpayment to 3.8 accounts per every 100 residential accounts systemwide, it disconnects service to 7.9 accounts per every 100 residential accounts in Majority non-White zip codes, and to 7.3 accounts per every 100 residential accounts in Concentrated non-White zip codes.

The Walnut Way Recommendations.

Based on the information and discussion presented above, Walnut Way recommended that, as a condition of any rate relief granted in the 2024 rate proceeding, the Commission direct the Company to hire an independent person, organization or firm that specializes

in civil rights research to perform an independent inquiry into the racial implications of the Company's bill affordability and collection activities. The hired firm should be someone who the Company, Staff, and other stakeholders (e.g., CUB, Walnut Way) jointly agree to.

Walnut Way further recommended that the Company be directed to submit the results of the research, along with an appendix including all comments by any participating stakeholder and responses thereto, to the Commission no later than 60 days before the Company's next general rate case. The filing with the Commission should include an explicit list of the appropriate remedial steps being taken by the Company, if and to the extent that such steps are found to be necessary.

Walnut Way finally recommended that the Company be directed to convene one or more dedicated summits directed toward Black and Latino community leaders. Each summit should, amongst other things, put the following questions to both the City's leadership and to the City's grassroots community of: (1) how the Company's low-income programs are failing communities of color; (2) how such programs can be modified to improve serving communities of color; (3) how and why the Company's collection activities (including nonpayment disconnections and failed deferred payment arrangements) are disproportionately affecting communities of color; and (4) how the Company's clean energy programs, including both those directed toward solarization and those directed toward the electrification

of transportation, can be modified to better serve communities of color.

Walnut Way recommended that the Company report back not simply to the Commission, but also to the City of Milwaukee's Equal Rights Commission, to the Milwaukee County Human Rights Commission, to the Wisconsin Department of Workforce Development Equal Rights Division, to the Wisconsin Advisory Committee of the U.S. Commission on Civil Rights, and to other stakeholders (e.g., Walnut Way, CUB, and identified stakeholders) about the impediments which the summit(s) have identified and the steps that the Company will affirmatively take to resolve the disproportionate harms being imposed on members of the Black community and other communities of color.

The WEC Response.

In responding to the racial disparity analysis discussed above, WEC told the Wisconsin Public Service Commission that the Company did not have "adequate time to digest, analyze and respond" to Walnut Way's identification of racial disparities with respect to nonpayment disconnections and home energy burdens. However, WEC did not deny, nor did it commit to investigate, the existence, extent or cause of the racial disparities identified by Walnut Way.

Walnut Way questioned this WEC response. Walnut Way asserted that the Company's argument that it did not have "adequate time to digest, analyze and respond" to the recommendations which had been advanced regarding racial disparities rang hollow given

that the recommendation was simply to convene a series of one or more summits with Black and Latino community leaders to discuss the concerns of racial disparities.

It further questioned how much time WEC would need to “digest, analyze and respond” to a suggestion to have such a structured conversation with Black and Latino leaders. It noted that WEC did not suggest how much time would be needed to “digest, analyze and respond” to the suggestion that the results of these conversations be reported to local, state and federal agencies involved with civil rights.

Walnut Way finally noted that in September 2022, two years ago, it had presented testimony in WEPCO’s base rate case identifying racial disparities in affordability, non-payment disconnections, and the effectiveness of deferred payment plans.

In that rate case, Walnut Way had proposed a series of recommendations in response to these racial disparities. In response to these recommendations, WEPCO testified in rebuttal that “the two-week turnaround for rebuttal testimony simply does not give us adequate time to digest, analyze and respond to all of them individually.”

According to Walnut Way’s testimony: “Now, two-years later, when presented with an update of the Sierra Club Milwaukee report on racial disparities, along with an analysis that is similar to that presented in 2022, along with a series of recommendations on how to address those disparities, WEPCO’s only response is that “the two-week turnaround for rebuttal testimony

(which we argued strenuously against) simply does not give us adequate time to digest, analyze and respond to all of them individually.”

The WEC response in 2024, in other words, was nearly word-for-word identical to the utility’s response in 2022. In the ensuing two years, nothing had changed. No conversations had occurred. In the two year period from 2022 to 2024, WEC had made no effort to “digest, analyze and respond to” the Walnut Way and Sierra Club disparate impact analysis.

As of the date of this newsletter, no decision has yet been rendered by the PSC in the WEC 2024 rate case.

Summary and Conclusions

The response of WEC demonstrates that utilities remain largely indifferent to the racial disparities which their pricing and collection practices have on communities of color. One Wisconsin utility, WEC, seeks to ignore rather to address the racial implications of its collection practices. It does not seek to explain, let alone to remedy, the observation that out of the 243 zip codes which it serves, ten which are Majority non-White have more than one-quarter of the non-payment disconnections and nearly one-fifth of the late payment charges that are imposed.

Persons interested in more information about how to assess the racial implications of local utility bill burdens and collection policies and practices can write for more information at:

roger [at] fsconline.com

Fisher, Sheehan and Colton, Public Finance and General Economics (FSC) provides economic, financial and regulatory consulting. The areas in which *FSC* has worked include energy law and economics, fair housing, local planning and zoning, energy efficiency planning, community economic development, poverty, regulatory economics, and public welfare policy.