Regulator's Roundtable #2: Financial Impacts to the Utility Sector from the COVID-19 Pandemic

Premise: The previous regulator roundtable focused on ongoing challenges caused by the COVID-19 pandemic for low-income and also moderate-income customers. As state disconnection moratoria policies have expired, it is estimated that $27 billion in past-due utility bills remain unpaid. States are increasingly focused on customer affordability and proactive repayment policies as specific policy responses to the COVID-19 crisis. The utility sector works closely with state regulators, and energy policymakers on opportunities to connect customers to services and affordable payment plans. This roundtable will explore issues stemming from the COVID-19 crisis, efforts by utilities to improve and expand customer service and assistance, and how information and data sharing between utilities and state agencies can significantly improve the speed of getting assistance to customers and improve outcomes for customers.

PART ONE: Panel discussion
Moderator: Hon. Obi Linton, Commissioner, Maryland Public Service Commission

Panelists:

Shelby Linton-Keddie, Senior Director, State Energy & Regulatory Policy, Edison Electric Institute

Jessica Cain, Vice President – Customer Operations, Eversource

Objectives:

1. Explore the potential impacts facing utilities after state disconnection moratoria policies expire and utilities begin a full accounting of their deferred COVID-19 costs.
2. Assess the scope of challenges faced by utility regulators in overseeing financial impacts to utilities.
3. Facilitate peer-sharing among state utility regulators regarding commission processes, information needs, and accounting strategies for addressing the scale of customers in arrears

Audience: State public utility commissioners and commission staff

Financial Impacts to the Utility Sector from the COVID-19 Crisis:
The first portion of the roundtable will feature opening speakers from the utility sector (gas, electric, and water) and will have a limited question and answer period for invited speakers. The main presentation topics will include: 1) utility perspectives on the economic costs associated with COVID-19; 2) the scale of customers in arrears and how utility strategies related to customer assistance and innovative repayment plans affect utility financial health; 3) information sharing strategies and innovative policies to improve customer outcomes.

The utility sector speakers will drop off and we transition to an open conversation with state commissioners/staff on the line. This portion will include prepared state updates from several identified states and open discussion based on circulated questions. Topics of discussion will focus on how state commissions are approaching utility economic costs in their states and best practices for cost recovery mechanisms related to costs from the COVID-19 crisis.

Key Takeaways from Panel:

Current Status of Arrearage Management:

- COVID-moratoria orders also contained repayment programming options and instructions
- States had varying timelines for repayment plans (4 months, 1 year, 18 months, etc). Not all states offer flexible repayment plans.
- According to the National Energy Assistance Director's Association, as of March 2022, there are about $24 billion total arrearages still unpaid.
- Estimates that 1/5 of electric utility customers are behind on their bills in the last two years.

How Best to Address Customer Impacts:

- No 'one-size-fits-all' arrearage management plan exists
- Federal funding is necessary to continue addressing the arrearage burden. Ongoing work to remove barriers to federal funding eligibility for utility assistance is essential.
- Remove obstacles to repayment plans (ex. Any fees connected to any type of payment plan)
- Pursue auto enrollment options into repayment plans for customers in arrears
- Reduce inefficiencies through data-sharing agreements and leverage additional public assistance dollars
    - Ex. Data-sharing agreements with Massachusetts state government (MA Executive Office of Health and Human Services) and Eversource to identify additional customers that qualify for income-based public assistance and connect them with utility assistance, winter moratoria, and discount rates.
    - Ex. Eversource instituted an innovative zip-code level data-sharing agreements with credit rating agency to identify additional customers in hardship to connect them with federal benefits and discounted rate programming. Sharing 3rd party data to the regulated utility to the state to leverage an additional $20 million in emergency federal stimulus dollars for the COVID-19 crisis.

COVID-19 Impacts on Rate Cases & Cost Recovery Mechanisms:

- Most companies that sought to defer or amortize uncollectible expenses in 2021 received commission approval.
- As a condition of settlement, many electric companies committed to working with stakeholders to create new or expand income qualified programs and discount rates.
- Rate case filings generally sought to delay rate increases or spread them out over multiple years to offset economic impacts from the pandemic to the consumer.
    - Ex. (Duquesne Light Company (R-2021-3024750) – COVID-19 uncollectible expenses recovered over a 36 month amortization period / created regulatory asset for incremental, extraordinary, nonrecurring uncollectible accounts expense incurred from 7/21 – 1/22 as a result of compliance with PUC emergency orders
    - Ex. (Niagara Mohawk (20-E-0380) – Implemented three-step rate increases / revenue requirements adjusted for amortization of certain deferred credits over three year period / no funding increase in wages for senior managers

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PART TWO: Regulator Roundtable: Part Two of the Regulator Roundtable on Financial Impacts to the Utility Sector from the COVID-19 Crisis was conducted under modified Chatham House rules – discussion and summary bullets are not attributed to any participants.

Session #2 Summary – April 19, 2022

<u>Ongoing State Approaches to COVID-19 Related Costs and Other Pandemic Responses:</u>

- Commissions continue orders requiring utilities to report disconnection data and on customers in arrears. The frequency of reporting has decreased in most circumstances with many commissions now requiring monthly or quarterly reports.
- Several commissions reported using these regular data reporting to conduct commission analysis on the disproportionate impact to low- and-moderate income customers.
- Commissions continue to track and report on budgeted activities that have not taken place due to COVID-19 related restrictions.
- Some state legislatures allocated additional public funding to offset utility arrearages. Generally, these funds were distributed directly to utilities to pay down the most pressing outstanding customer bills
- States are utilizing federal relief funding to offset customer arrearages as well.

<u>Utility Filings and Cost Recovery Considerations:</u>

- Commissions continue to use regulatory assets to track utility costs associated with the pandemic.
- Some commissions allowed for deferral of COVID-19 related costs to later ratemaking cases to offset sudden rate increases. These increases are intended to be spread out over several years.
- Several commissions permitted limited recovery of costs outside of rate-base.
- Multiple rounds of federal relief as well as state public assistance have reduced drastic impacts to utility financial health. Many COVID-19 related costs are far lower than initially anticipate at the outset of the pandemic.

<u>Customer-Centric Commission Actions</u>:

- Commissions instituted or expanded existing repayment programs. Many commissions require some type of partial payment plan or repayment plan program in their states. Some utilities also offer similar programming even when not explicitly required by regulatory directive.
- Several commissions noted expanded repayment period on arrearages were most effective at the six-month extension. Longer repayment periods were met with less success.