Regulator's Roundtable #1: Customer Arrearages, Best Practices for Customer Assistance, and Ongoing Challenges with the COVID-19 Pandemic

Premise: The ongoing challenges caused by the COVID-19 pandemic have highlighted enormous financial difficulties, not only for low-income, but also moderate-income customers. As state disconnection moratoria policies have expired, it is estimated that $27 billion in past-due utility bills remain unpaid. Customer affordability and proactive repayment policies remain an essential part of a comprehensive approach to addressing utility customers' ability to pay their bills, especially during the ongoing pandemic. This roundtable explored the full financial impact to utility customers from the COVID-19 pandemic and encouraged participants to share unique and effective strategies to engage with vulnerable customer classes. Commissioners and commission staff were encouraged to discuss how their state commissions have addressed customer arrearages related to the COVID-19 pandemic.

Objectives:

1. Explore the potential impacts facing customers as state disconnection moratoria policies expire.
2. Assess the scope of challenges faced by utility regulators in overseeing financial impacts to vulnerable customer classes.
3. Facilitate peer-sharing among state utility regulators regarding commission processes, information needs, and strategies for addressing customer arrearages related to COVID-19.

Session #1 Summary – January 20, 2022

State Approaches:

- State dockets invoke plenary powers from Governor to issue moratoria for all nonpayments for utility services (with exception for public safety). Also suspended implementation of late fees. NRRI-NARUC tracked those disconnection moratoria during the height of the pandemic. https://www.naruc.org/compilation-of-covid-19-news-resources/map-of-disconnection-moratoria/
- Many commissions engaged in reviewing all late fees that utilities charge. Several commissions asked for a cost justification for the various late fee fees that utilities charge.
- As the pandemic continued into the second year, the rate of increase in customer arrearages slowed.
- By late 2020 and into early 2021, many commissions removed their disconnection moratoria but required utilities to offer flexible payment plans (incl. partial payment plans, extended payment plans, and percentage of income payment plans (PIPP), etc). Many of these options were longer than average to allow customers dealing with the economic hardship from the pandemic greater flexibility to pay back balances accrued during the moratorium period.
- Several state commissions reinstated disconnection moratoria or extended their existing moratoria depending on the severity of the pandemic.
- Several states opted to have voluntary disconnection moratoria agreements with their utilities.
- Many states have standing disconnection moratoria for the winter months.
- Many state commissions observed customer usage trends consistent with latest economic research from entities like the U.S. Energy Information Administration. Customer usage shifted from commercial to residential. Those trends have stabilized slightly to more closely reflect pre-pandemic usage patterns but residential usage remains slightly higher than before and commercial office space usage is lower than the start of the pandemic.

- State commissions are preparing for the end of winter disconnection moratoria and the resumption of disconnections later this year. Variety of policy decisions are under consideration.
- Many commissions have honored requests from utilities to defer costs until future rate cases. Commissions are now beginning to consider ways to account for uncollected costs during the pandemic. State commissions report looking at opportunities for utilities to securitize a significant amount of the costs incurred during the pandemic.
- Some concerns remain around the impact of disconnection moratoria policies unintentionally allowing arrearages to grow. Customers may have been aware that a moratorium was in place for a seemingly indefinite period and/or the timeline for those moratoria polices were not clearly communicated. Therefore, there was little incentive to apply for assistance funding or develop a partial payment plan with utilities because customers thought they would be covered by the disconnection moratoria.

Data Collection and Analysis:

- Stopping disconnections presented a unique data opportunity to look specifically at impacts to vulnerable customers from late fees and disconnections. The disconnection moratoria allowed for commissions to specifically use that intervention to look closer at low- and moderate-income customers.
- State commissions responded with data collection orders to track the magnitude of the customer impacts stemming from COVID-19 related economic issues. Commissions utilized this data to make decisions regarding the need for continuation of disconnection moratoria.
- State commissions worked closely with sister state government agencies to address pandemic challenges. Initially, this included sharing data with other state agencies on a weekly basis at the onset of the pandemic emergency orders. Over time this shifted to less frequent reporting – bi-weekly and then monthly.
- State commissions reported devoting additional staff time to monitor data on customer arrearages – some even hired new staff to track data (intern-level, part-time, and full-time employees)
- Collecting data from utilities presented additional challenges around uniformity of data collected. Some state commissions reported that utilities submitted datasets that were markedly different from other utility submissions. Difficulty matching service data to the right jurisdiction and/or utility.
- Robustness of data differed by sector and size of the utility – (smaller water utilities and smaller electric cooperatives sometimes did not have as high-quality data available)
- Some state commissions leveraged formal and informal partnerships with academic institutions and state university systems to conduct data collection and analysis on critical consumer issues.

Common Themes with Approaches to Customer Assistance

- The amount of past due bills during the pandemic, in some cases, were 10x higher than their pre-pandemic levels. Most past due bills that were 30 days or more past due were owed to investor-owned utilities.

- Some commissions reported working with their utilities to allow forbearance if there's even a pledge to pay a late fee or some intention to use public assistance funding (most commonly LIHEAP or LIHWAP) to start paying off a bill.
- State commissions helped allocate funds designated by state legislature and governor's offices to offset utility arrearages.
- Lower-income customers represent a majority of all customers in arrears.
- Some states implemented new state assistance programs to directly address customer arrearages. General program design for the California Arrearages Payment Program (CAPP)
    - To address challenges with communicating program eligibility to customers and lack of customer awareness on the availability of funds – utilities applied for funding on behalf of their customers.
    - Funds distributed directly to utilities. Reduced burden on customers by working directly with utilities.
    - First applied to customer arrearages before moving to ongoing payment plans. This is an effort to make customer bills more manageable.
    - Applied to residential customer accounts accrued from March 2020 – the date of the Governor's Emergency Executive Order.
    - Prioritized customers in imminent risk of disconnection followed by customers behind but actively paying bills.
    - State commission closely coordinated with the California Department of Community Services & Development.
- New public assistance programs were intended to assist customers outside of the traditional LIHEAP distribution model.
- Federal assistance helped provide an incredible stopgap measure for ongoing arrearages, but those funds are beginning to expire. Are programs like LIHWAP going to become permanent and will LIHEAP continue to be funded at these historic levels?
- Many states are using a two-pronged approach to triage the large arrearages issue with state and federal funding and then transition to various payment plan programs.
- State commissions advise that setting up distribution plans in advance for public assistance programs will help to offset confusion in the future. Some states reported public assistance money from the American Rescue Plan that went unspent or inefficiently spent to address the most serious of customer assistance needs.

<u>Impacts from COVID-19 for Emergency Response:</u>

- Utility emergency communications had to contend with the dual threat of pandemic conditions and emergency response. Utilities had to conduct emergency service to restore services following natural disasters while simultaneously taking COVID-19 precautions. State commissions worked closely with utilities to enhance and amplify their emergency communications.
- State commissions relied heavily on their regulated utilities to conduct wellness checks and determine if there were any threats to public safety and health. For example, gas utilities went door-to-door following multiple natural disasters to determine if customers were reporting any leaks or noticing disrupted services.