Contingency Planning for Vulnerable Utility Customers

Regulator Webinar

April 9, 2020

Webinar for state utility regulatory commissioners and staff
Work product of the Low Income Energy Issues Forum

Webinar Recording

Industry Call to Action

During the coronavirus pandemic, state regulators and energy utilities are ensuring the maintenance of customer welfare by suspending disconnections for nonpayment of natural gas and electric bills. Utilities are focused on crisis management.

An equal focus is necessary on contingency planning. Many residential customers and small businesses will face significant debt to the utility and the possibility of future disconnection.

Industry Call to Action:

Utilities and regulators need to collaborate to better understand potential impacts and to develop contingency plans.

About DEFG & LIEIF

DEFG LLC is a research and advisory firm focused on customer strategy and experience in the utility sector (https://www.linkedin.com/company/defgllc/)

In 2013, the Low Income Energy Issues Forum (LIEIF) was formed and adopted this challenge statement:

Propose innovative and integrated policies and approaches that help close the widening gap between what vulnerable energy consumers can pay and their current utility bills.

Assumptions

- This is an unplanned event with large, uncertain consequences including customers' accumulation of debt.
- Low- to moderate-income utility customers will be most affected, including customers typically not viewed as needing assistance.
- Small businesses will be greatly affected; a new dimension.
- Revenue impacts may be an order-of-magnitude larger than normal and will extend from Q3 onward.
- Utilities are managing a crisis, but they must also plan for program expansions, regulatory approvals, and new programs.

Background

States have suspended disconnections. People who lose jobs will likely accumulate utility debt as they re-allocate cash to other essential household needs. Contingency planning by utilities and regulators can address the recovery of debt and best treatment for consumers when the economy rebounds.

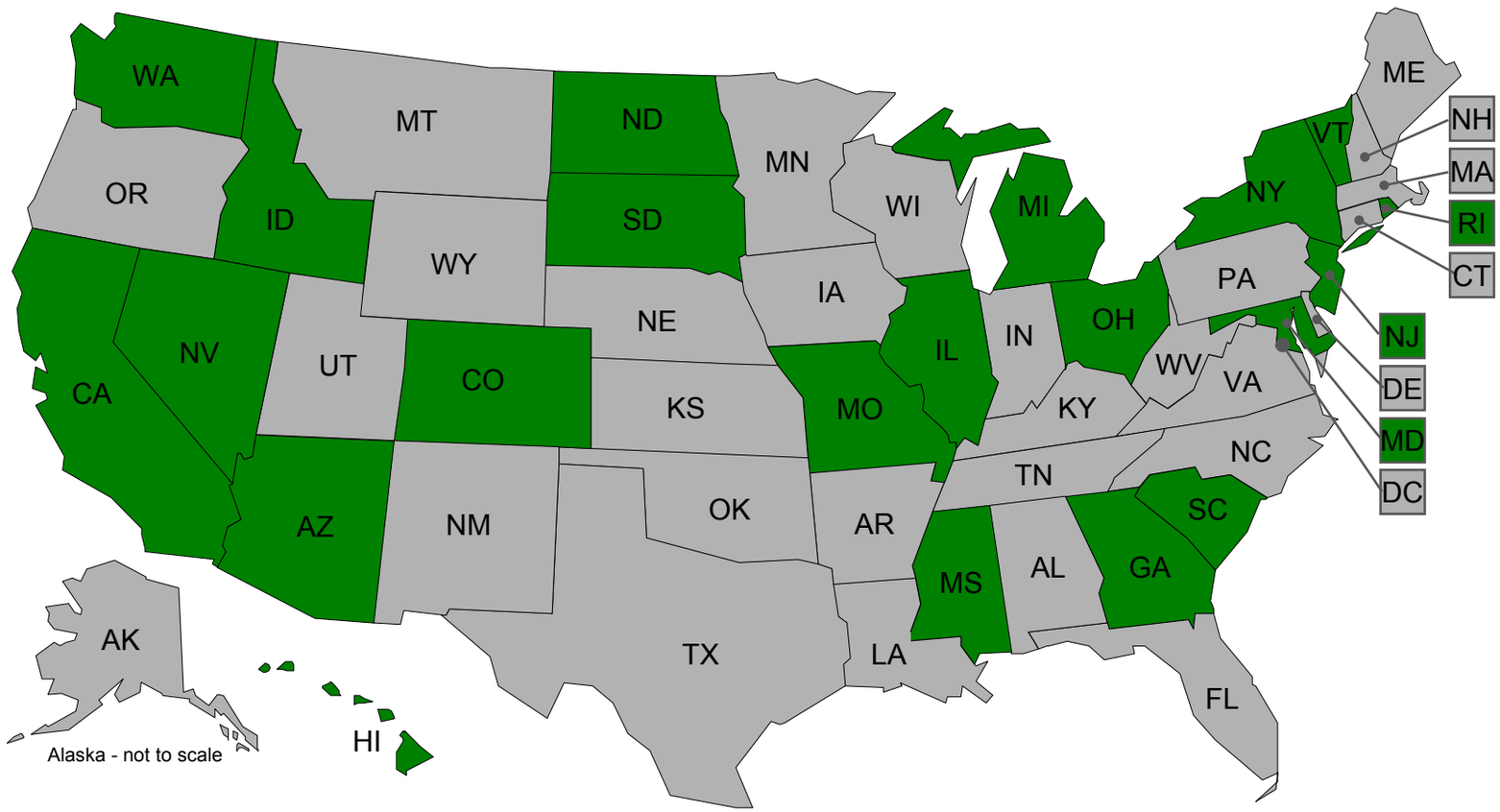
Challenges

- Increased call volume at contact centers; increased customer uncertainty.
- Most flexible payment arrangements and increased energy assistance.
- Utilities without AMI will estimate bills and anticipate frustration and increased inquiries.
- Today's medical waiver requests—that may seem unnecessary with a general suspension—must be put in place today for later.
- LIHEAP's eligibility requires disconnection notices in some states; utilities send "payment reminder notices" as proof in lieu of disconnection notice.
- Reconnection of lapsed accounts requires cross-checking for safety issues and theft of service problems.

Utility & Regulator Survey

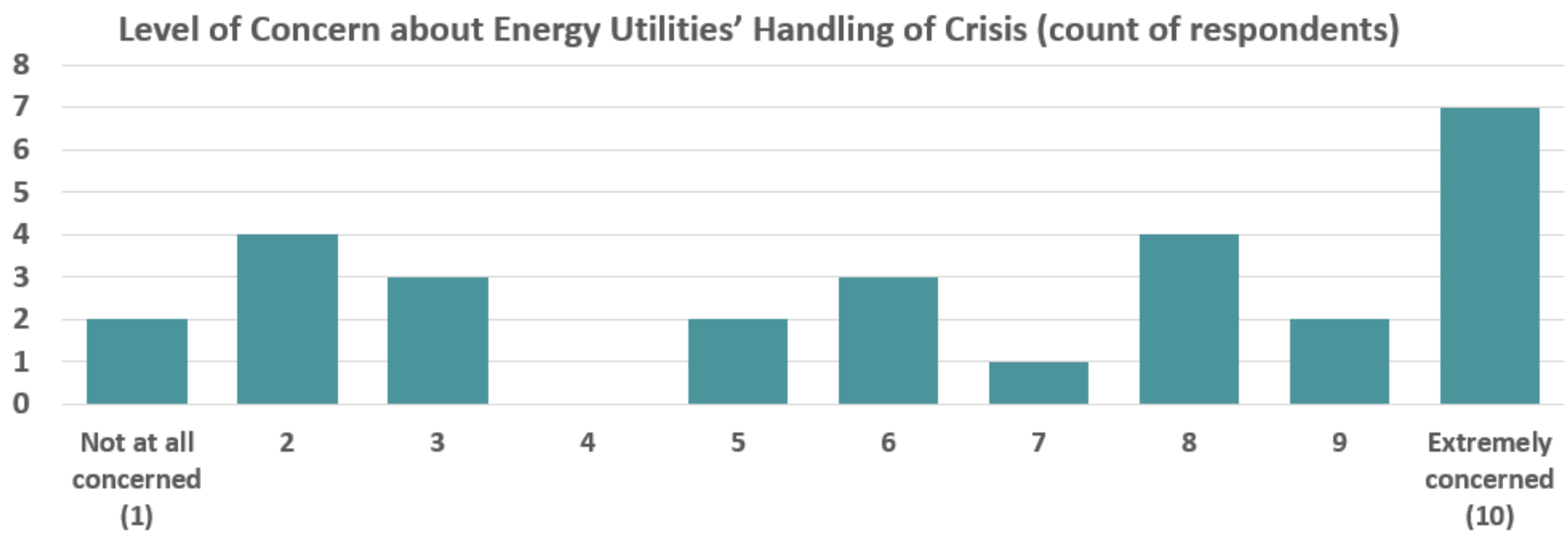
- DEFG recently conducted two online surveys:
  - 24 utilities responded March 20-23, 2020
  - 21 state regulatory agencies responded April 2-7, 2020
- The key takeaway is that contingency planning is a work in progress.

State Regulatory Agency Participation



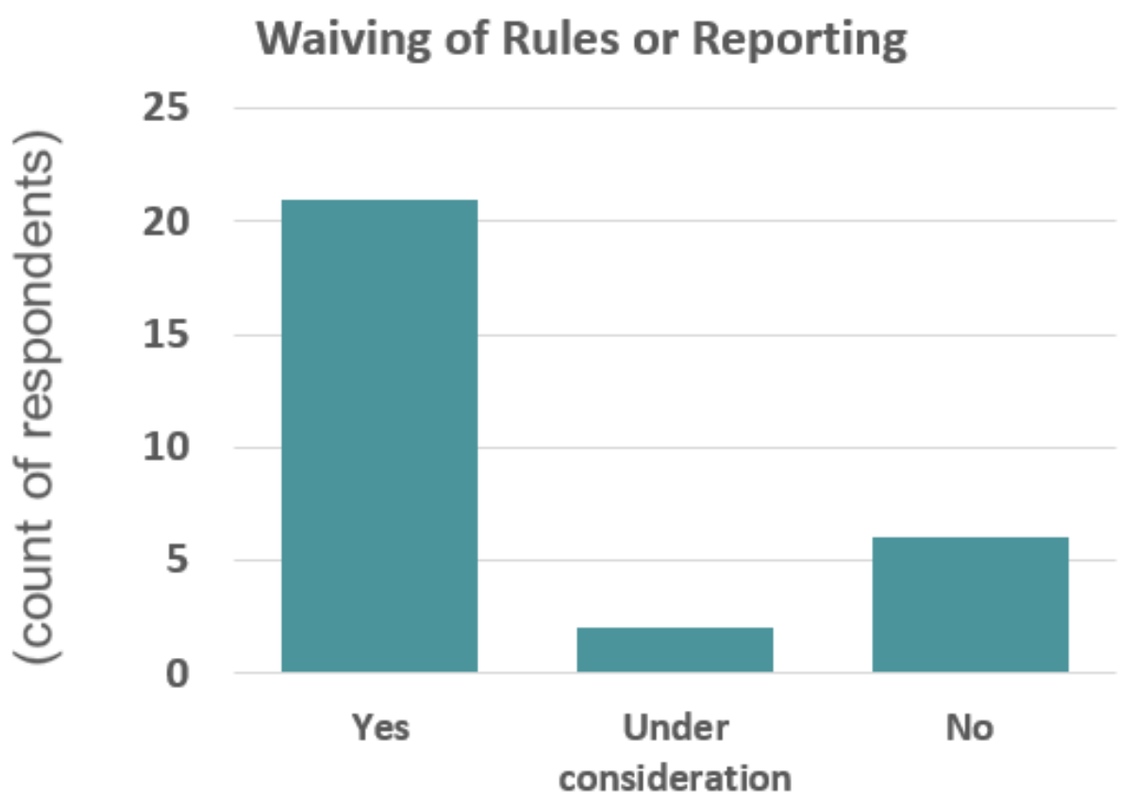
States with respondents from the utility regulatory agency

Regulators' Level of Concern about Handling of Crisis by Energy Utilities



Source: DEFG's online regulator survey, April 2-7, 2020. "Q5. How concerned are you about how energy utilities within your jurisdiction are handling the coronavirus crisis today? (Indicate "1" for "not at all concerned" and "10" for "extremely concerned.")" (Note: 29 people started the survey; 24 completed it; 5 did not.)

Commission Action on Waiving Rules or Reporting Requirement

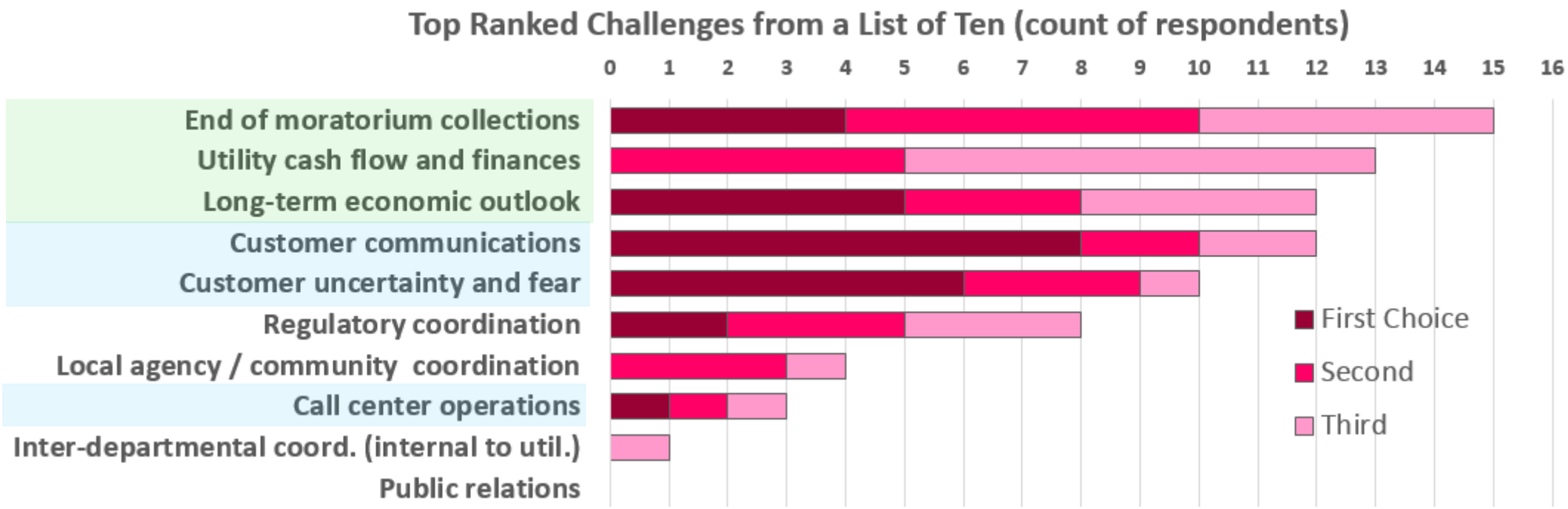


Selected comments:

- "Waivers for some general rate case filing requirements. For all regulated companies, the commission has waived notice requirements for certain filings."
- "Voluntary cessation of service terminations and application of late payment fees."
- "Open meeting rules have been modified."

Source: DEFG's online regulator survey, April 2-7, 2020. "Q6. Has your commission waived any rules or reporting requirements for energy utilities within your jurisdiction in order to allow utilities to better manage the coronavirus crisis?" (Note: 29 people started the survey; 24 completed it; 5 did not.)

Top Challenges: Regulators and Utilities



Regulators

Utilities

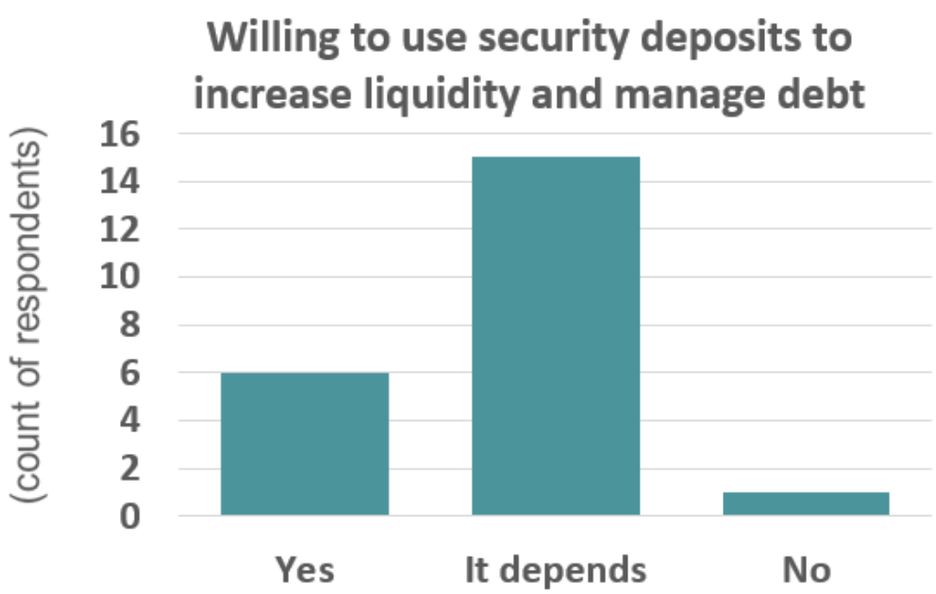
Source of the top chart: DEFG's online regulator survey, April 2-7, 2020. Q7. Vulnerable utility customers and utilities face many challenges. As a regulator, you probably have a good understanding of all stakeholders' concerns. From among the 10 listed concerns, choose _your_ three greatest concerns right now, and rank them by importance. Select only three and assign a 1, 2, or 3. (These are randomly listed.) Bottom chart: DEFG's online utility survey, March 20-23, 2020. "Customer uncertainty and fear" was identified as the top challenge from among the ten listed. The wording of the question was: "Q5. As you consider the following list of 10 challenges, please choose three, and rank them by importance. Select only three and assign a 1, 2, or 3. (These are randomly listed.)"

State Utility Regulators' Questions that Ought to be Addressed

- What are the cost impacts to ratepayers, especially low-income ratepayers?
- What will be the accounting petitions for expenses related to the pandemic?
- What are the projected long-term impacts on the utilities' financial fitness?
- What treatment for delinquent customers and customers currently shut off?
- Are these permanent or temporary changes? What is long-term cost/benefit?
- How do we know customers' best interest and safety are being considered first?
- What tradeoffs are being made as utilities respond to pressures to keep cash flow to businesses so they can quickly ramp back up after restrictions are lifted?
- What is the effect on other financial obligations, such as contained in bond indentures?

Source: DEFG's online regulator survey, April 2-7, 2020. "Q8. Utilities understand that contingency planning is needed. Some utilities will develop contingency plans that require waivers or policy changes. What questions do you have today that ought to be addressed before you would be comfortable with a contingency plan provided by a utility, and any associated waivers or policy changes?"

Security Deposits and Increased Liquidity to Manage Debt

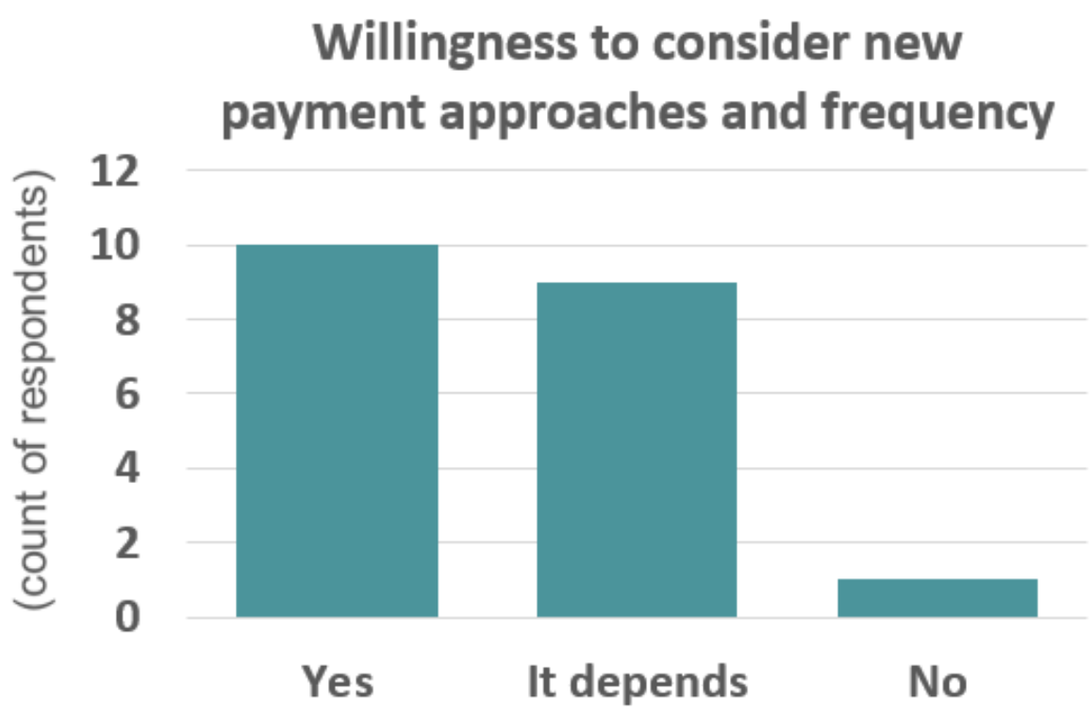


Selected open-ended comments:

- Our state recently implemented a moratorium for disconnects during the hot months of the summer. Many customer security deposits were applied to outstanding balances. We need to understand whether the same customers will have the need following the current crisis and whether they have deposits with utilities in place.
- OK if utilities keep the best interests of customers in all policies and/or changes during the current environment
- Currently, customer must have no initial notice to terminate for twelve months before utilities return a deposit.
- Customers who have good payment history should not need deposits.
- Not sure. Depends on options suggested.
- Security deposits should be waived during this pandemic and for several months afterward.
- It is unlikely the customer deposits collected from customers would provide significant relief for the smaller utilities. In an emergency financial situation, it could be a consideration.
- This has been suggested by stakeholder community.
- Yes, assuming this action would benefit customers (e.g., be in lieu of paying current bills, rather than support the utility's cash flow needs).

Source: DEFG's online regulator survey, April 2-7, 2020. "Q9. Would your jurisdiction be open to considering new ways of treating customer security deposits to increase liquidity and manage debt?"

New Payment Approaches and Frequency

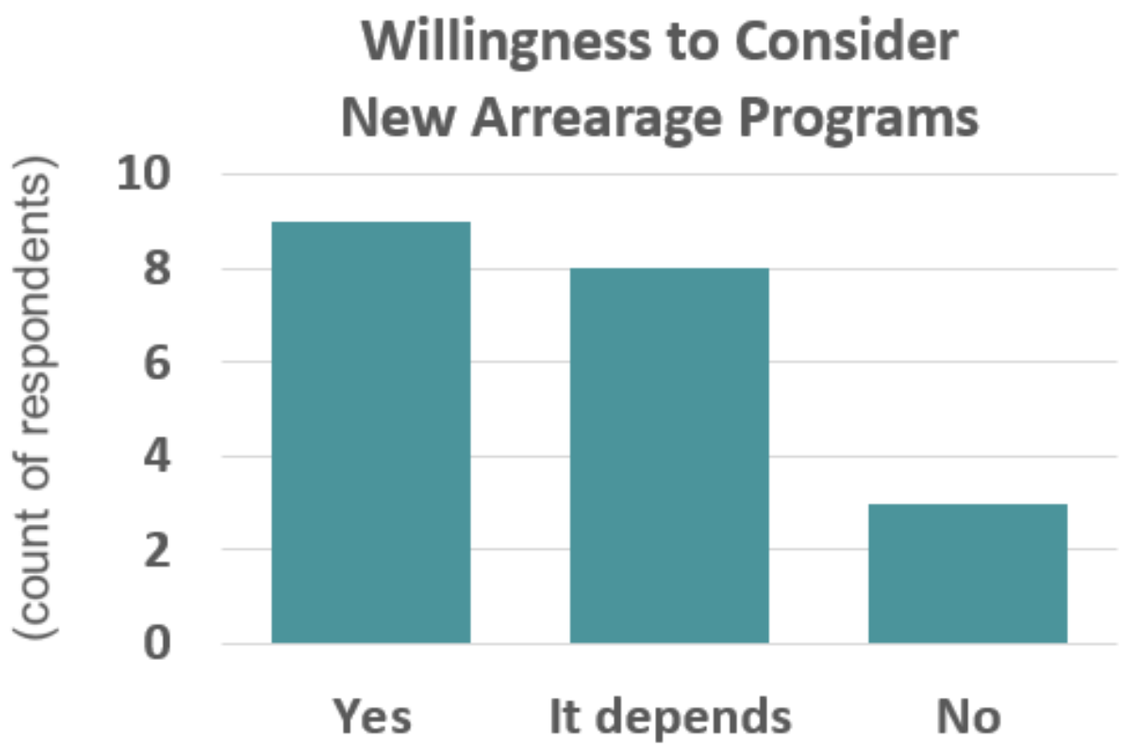


Selected open-ended comments:

- Many customers already having difficulties paying bills
- Auto-enrollment into a 18-24 month deferred payment arrangement with more frequent bill payment options should be available to all.
- That is an option used by some utilities. Currently, larger utilities are waiving late payment fees and have suspended disconnections for non-payment.
- Non-investor-owned utilities already promote such payment plans. There is nothing to stop customers from making smaller and more frequent payments now. It would be more a matter of customer outreach.
- Rules currently allow such alternative payment options.
- Utilities can do this presently with slow paying or consumers who are behind in payments.
- As a jurisdiction we might be open to it, but I'm not sure how feasible it is with the utility billing systems.

Source: DEFG's online regulator survey, April 2-7, 2020. "Q10. Would your jurisdiction be open to considering new payment approaches to facilitate more frequent payments for customers that may be managing household expenses day-to-day or week-to-week?"

New Programs or Approaches to Address Arrearages

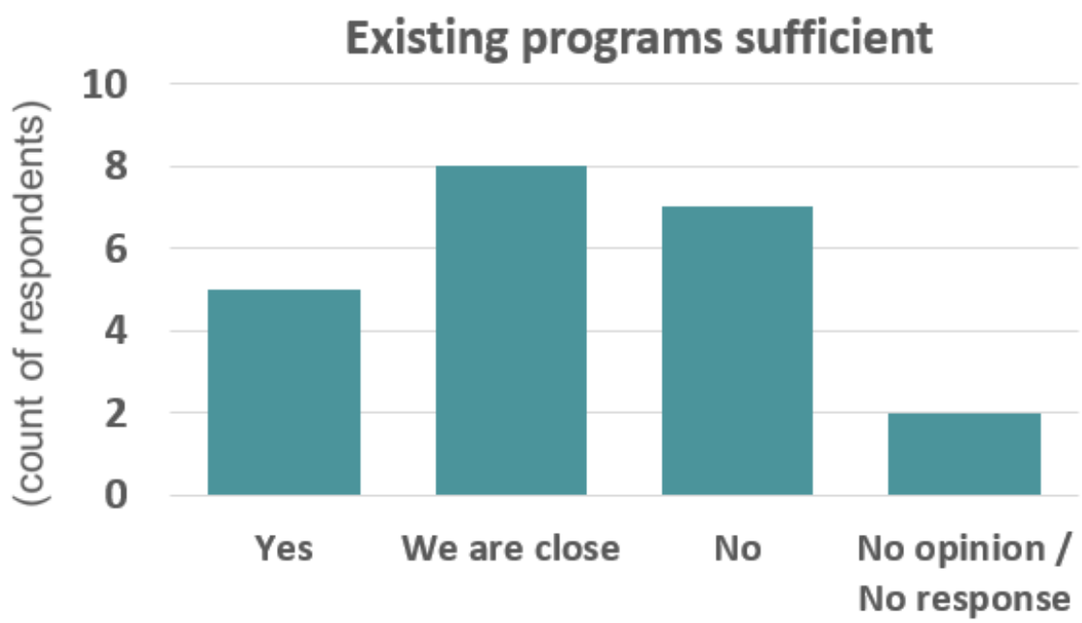


Selected open-ended comments:

- The length of the emergency may affect future programs.
- Yes, if programs currently in place are not working or are exacerbating the problems.
- I think this could be a major issue. (These thoughts are mine.)
- PUC already granted customers the ability to enter more lenient payment plans and arrearage management plans.
- Depends on the extent/size of arrearages.
- Commission is not looking to develop such programs, but we are not averse to utilities bringing options forward.
- Possibly.
- Seeking ideas for new programs.
- Not sure; depends how substantial the arrearages are and how much of a burden they place on other ratepayers.

Source: DEFG's online regulator survey, April 2-7, 2020. "Q11. Will your jurisdiction be seeking any new programs or new approaches that can help customers pay off any arrearages?"

Existing Programs Comprehensive and Robust?



Selected open-ended comments:

- Difficult to determine; of lack of insight into possibility of more federal funds.
- I'm not sure; total financial condition of state is an unknown.
- Currently, there are no energy assistance programs outside of LIHEAP. Payment arrangements are utilized very infrequently.
- State mechanisms are in place for every energy utility; but given the scale of the pandemic and its effects, there may not be sufficient funding for programs to address the full extent of the need.
- Not if a large percentage of customers cannot pay their bills.
- More can always be done to assist the consumer
- Varies by utility.
- Honestly hard to say. I don't know how much public awareness there is of some of these programs.
- Several agencies to assist customers with outstanding bills (e.g., energy assistance, fuel fund, etc.).

Source: DEFG's online regulator survey, April 2-7, 2020. "Q12. Is it your opinion that your jurisdiction has sufficiently comprehensive and robust programs (energy assistance, payment options, energy efficiency, arrearage management, etc.) to manage this crisis?"

Policy or Rule Changes to Facilitate Recovery of Revenues?

Selected open-ended comments:

- Anything and everything.
- Considerations are ongoing; may depend on legislative direction.
- None currently in place.
- None so far; will be addressed soon.
- Not aware of any.
- Not yet developed.
- Nothing I'm aware of beyond a standard rate case.
- Ongoing.
- Several energy utilities have filed accounting petitions to recover expenses related to the COVID-19 pandemic, including bad debt expense from suspending disconnections and late fees.
- That aspect is still under consideration. We would certainly be open to any necessary rule changes but would need additional data to support any type of modification.
- Unknown.
- We will be working with the utilities to formulate ideas and evaluate the most practical route.

Source: DEFG's online regulator survey, April 2-7, 2020. "Q13. What policy or rule changes are under consideration to facilitate the recovery of revenues that may not be recovered after the lifting of a suspension of disconnection?"

Final Comments

Selected open-ended comments:

- As we are at the beginning of the response to the pandemic and its effects, additional questions and issues may arise suggesting the need for follow-up surveys.
- Concerned with LIHEAP and other funds distribution to our counties and agencies to the public. They are working from home and it has slowed distribution of dollars.
- Due to the current environment, there is considerable uncertainty. As we move forward and learn more, we'll be better equipped to effectively address concerns that have, and undoubtedly will continue, to arise.
- Everything is fluid.
- No, we have never had to deal with anything of this magnitude.
- The state doesn't regulate water and sewer districts, electric coops, water user associations, telephone coops, cable companies, municipal utilities, propane dealers and other water companies. How those unregulated utilities choose to work with customers will make a large difference in the state.
- Utilities need to contact each customer with overdue balances (through email, outbound dialing, texting or pop ups during online bill payment) about the state's many energy assistance programs.

Source: DEFG's online regulator survey, April 2-7, 2020. "Q14. Do you have any final comments on this topic?"

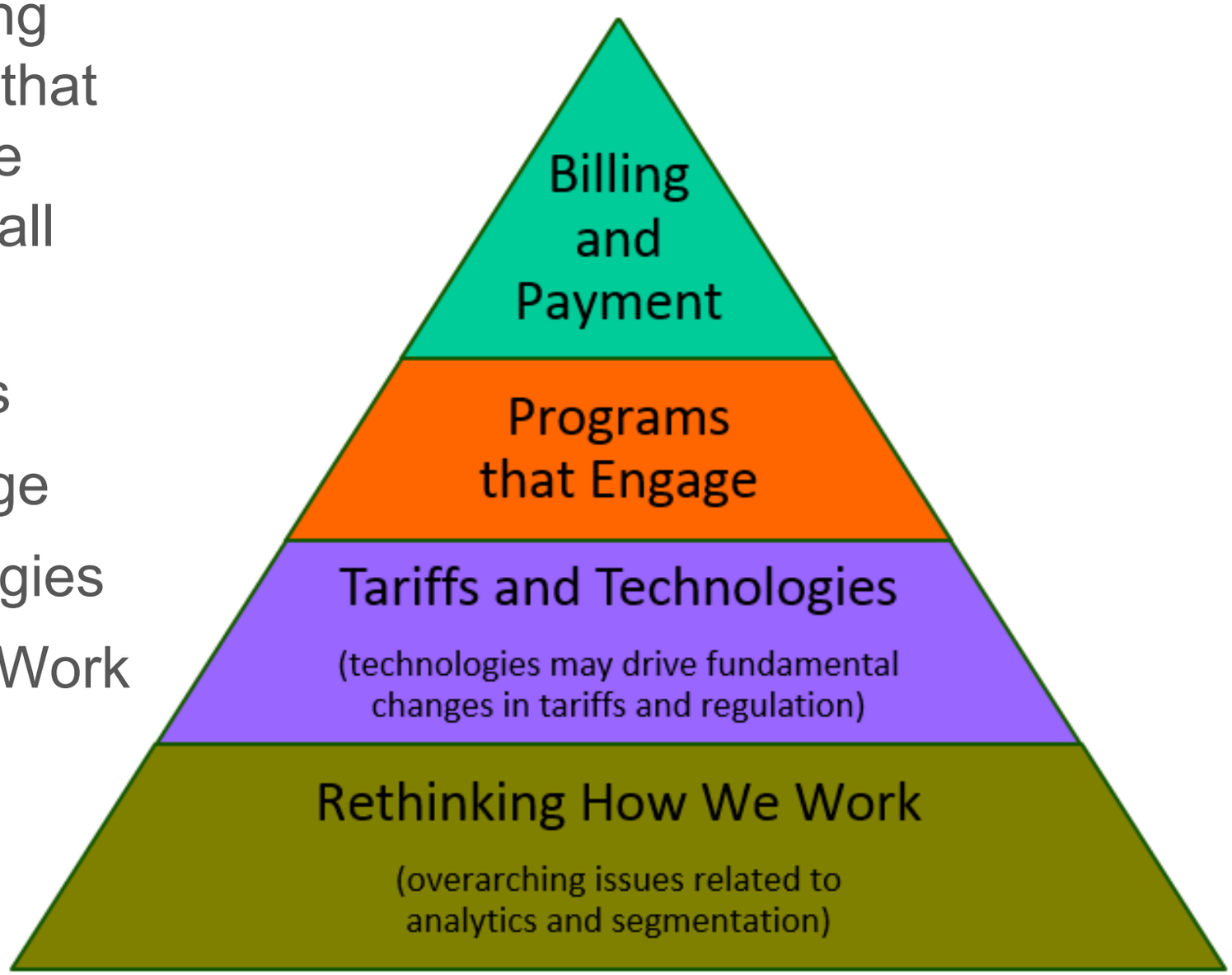
Contingency Planning

- This is an unplanned event with large, uncertain consequences.
- Significant amounts of utility debt will accumulate.
- We need to estimate of the revenue impact—expected to be an order-of-magnitude larger than normal—and we must develop a plan.
- Revenue recovery can occur as the economy recovers if we adopt flexible, dynamic, new approaches that align with the budgets of households and businesses and their ability to pay.
- New programs and services take time to set up, test, and implement. Utilities must simultaneously manage and plan.
- Regulatory flexibility is a key consideration.

Innovations to Serve Vulnerable Customers

DEFG has been conducting interviews on innovations that will better serve vulnerable customers. The services fall into four groups:

- Billing and Payments
- Programs that Engage
- Tariffs and Technologies
- Rethinking How We Work



To schedule a 30-minute interview with DEFG on this topic, contact: ntreadway@defgllc.com.

Sample of Contingency Planning Issues

Contact Centers

- Utilities need to plan for the day after the moratorium is lifted. When operations normalize, there will be huge impacts—significant contact volume is expected regarding debt and disconnection. The utility will face challenges relating to workforce management and scheduling after an extended period of working remotely.

Work Force Scheduling

- Scheduling and retooling / retraining—both back office and field operations—will strain utilities because performance expectations will be high from customers and regulators.

Metering and Billing

- Utilities without AMI cannot physically read meters. (Some meters are inside the premises.) Estimated bills will create frustration and this will result in increased inquiries and increased complaints to regulators.

Sample of Contingency Planning Issues

Policies for Fees, Late Charges, and Security Deposits

- States have many starting places regarding fees, late payment charges, the uses of different forms of payment, security deposits, etc. (Policies widely vary.) Responses will therefore differ; however, we believe it will be imperative for innovative approaches, new program designs, and different rules to be in place in an expedited manner.

Energy Assistance, Income-Qualified, and Medical Program Administration

- Utilities with a general waiver of disconnections today may overlook medical waiver requests, but these are needed beyond the shut off moratorium.
- Enrollment procedures ought to be streamlined for income-qualified customers, so the administrative burden is reduced for customers, utilities, and local agencies involved with enrollment.
- We have an opportunity to rethink the energy assistance program model. Enrollment should be less burdensome and there must be more integration among utilities, state agencies, social service providers, etc.

Sample of Contingency Planning Issues

Regulatory Proceedings

- There will be an intensive discussion with regulators about revenue recovery and other impacts, and these will be closely scrutinized by the media and customers. We expect impacts regarding debt and the possibility of significant load reductions due to unemployment and bankruptcies. Historical modeling and cost allocation may not serve as adequate guides for this situation.

Join the Low Income Energy Issues Forum

In 2013, the Low Income Energy Issues Forum (LIEIF) was formed and adopted this challenge statement:

Propose innovative and integrated policies and approaches that help close the widening gap between what vulnerable energy consumers can pay and their current utility bills.

The Forum is composed of 375 people including utility directors, utility program managers, energy assistance administrators, social service providers, state regulatory commissioners and staffers, energy service providers, consumer advocates, creative and marketing firms, and product and software vendors and consultants.

Membership is open without cost to regulators, government employees, and non-profit organizations.

Contact:
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LowIncome Energy Issues Forum

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Next Steps

- You will receive these slides with a URL to the recording.
  - If you are not in regular contact with DEFG, send a message to ntreadway@defgllc.com.
- DEFG will leave the survey link open for several days.
  - https://www.surveymonkey.com/r/Regulatory-conf-call-COVID-19
  - We will update the summary if we receive more than 3 new responses.
- DEFG is working with an economist to project the magnitude of utility debt under several scenarios. We will share the results in a few weeks.
- We expect to conduct another webinar on contingency planning to which you will be invited.
- DEFG will conduct webinars in May and June in lieu of the scheduled spring workshop of the Low Income Energy Issues Forum.

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