

Agenda Date: February 17, 2021
Item Number: D1

Docket: U-200281

Staff: Bridgit Feeser, Assistant Director of Consumer Protection
Deborah Reynolds, Assistant Director of Conservation and Energy
Planning

Recommendation

Issue an order adopting the recommendations set forth in the Second Revised Term Sheet, which include an extension of the moratorium on disconnection for nonpayment of services by residential and small commercial customers until July 31, 2021, and directing commission staff to place this item on a regular or recessed open meeting agenda in May 2021 for further discussion.

Background

On April 17, 2020, Governor Inslee issued Proclamation 20-23.2, which prohibits all energy, water, and telecommunications providers from: (1) disconnecting residential service due to nonpayment, (2) refusing to reconnect residential customers who were disconnected due to nonpayment, and (3) charging late fees or reconnection fees. The prohibition was set to expire on May 4, 2020, but subsequent gubernatorial proclamations extended that date through April 30, 2021. Proclamation 20-23.4, issued on May 29, 2020, additionally requires utilities to develop COVID-19 Customer Support Programs, consistent with state guidance from the Governor's office, that will address payment plan options for residential customers who are in arrears due to the COVID-19 pandemic.

On October 20, 2020, the commission entered Order 01; adopting recommendations in the Revised Term Sheet. Order 01, among other things, extended the suspension of disconnection for nonpayment of services by residential and small commercial customers until April 30, 2021. The Commission further stated that it would assess the health and economic conditions in early February 2021 to evaluate requirements prior to the April 30, 2021, disconnection moratorium expiration date.

On January 26, 2021, the commission issued a Notice of Opportunity to File Written Comments and Notice of Recessed Open Meeting to be held February 17, 2021, to discuss available metrics and evaluate the current economic and public health landscape in advance of the April 30, 2021, disconnection moratorium expiration date. To date, the commission has received approximately 545 written comments, most of which support a continued moratorium on disconnection due to nonpayment.

Discussion

As explained below, given the uncertain course of the COVID-19 pandemic, and continuing economic harm experienced by many of Washington's residents, as well as the significant arrearage balances being carried by customers, commission staff (staff) believes the current disconnection moratorium should continue through July 31, 2021. This is reflected in the Second Revised Term Sheet, Attachment 1 to this memo. The utilities agreed to the new terms, and the proposal was shared with other stakeholders on Friday, February 12, 2021.

Staff further recommends the commission hold an open meeting in May 2021 to facilitate discussion among stakeholders of the utilities' preparedness to assist customers, specifically to update the commission regarding the implementation and use of the utilities' temporary COVID-19 low-income assistance programs, arrearage management plans, and long-term payment arrangement strategies.

In October 2020, the commission asked the parties to provide suggested economic and public health metrics that could inform an evaluation of the inevitable disconnection resumption date. Both the advocates and utilities submitted comments in December 2020, suggesting several measures designed to guide decision-making around the disconnection moratorium. Staff evaluated those proposals and reviewed the following sources to represent the economic and public health snapshot using the best available data.

The Department of Commerce has published an economic recovery dashboard which includes multiple economic measures illustrating how the COVID-19 pandemic has affected Washington's economic health as compared to the prior year.¹ These measures address employment, retail sales tax collections, and reliance on social service support programs. Across all these measures, the state's economic condition continues to be adversely impacted by the COVID-19 pandemic.

Specifically:

- The unemployment rate increased from 4.0 percent in December 2019 to 7.2 percent in December 2020;
- Taxable retail sales dropped from \$14.6 billion in November 2019 to \$13.2 billion in November 2020;
- Supplemental Nutrition Assistance Program (SNAP) and state Food Assistance Program (FAP) client counts increased from 803,870 in November 2019 to 933,187 in November 2020;
- Temporary Assistance for Needy Families (TANF) grant recipients increased from 54,570 in November 2019 to 69,099 in November 2020.

¹ Department of Commerce, www.commerce.wa.gov/datadashboard/ accessed Feb. 12, 2021. See Memo Attachment 2.

The decline in economic activity is related to the level of COVID-19 infections in the state, which are shown on the Department of Health's COVID-19 data dashboard.² From March 1, 2020, to October 31, 2020, the 7-day rolling average of COVID-19 infections stayed below 1,000 cases per day. On December 4, 2020, the rolling average reached a peak of 3,067 cases, with a second peak of 2,894 cases on January 8, 2021. The 7-day rolling average on January 31, 2021, had dropped to 1,329 cases per day. While infection rates have significantly declined from peaks in December 2020 and early January 2021, it is unknown how infection rates will move given the continuation of social distancing measures, the state's vaccine rollout, and the effects of new COVID-19 strains that are reported to be more infectious than earlier strains of the virus. Given these ongoing uncertainties and the uncertainties about the distribution of additional federal and state stimulus funding it is particularly difficult to forecast when the state's economy will improve to a degree sufficient to eliminate disconnection moratoria.

Staff also considered proposals to address the moratorium on a company-by-company basis, which relied on Governor Jay Inslee's initial county-by-county Safe Start plan. Two things make this an unworkable approach. First, the Governor shifted to a regional rather than county-by-county plan.³ Second, the new regions in the Governor's Roadmap to Recovery do not match company service territories, which makes a regional approach complicated for both utilities and consumers. Thus, staff continues to recommend a state-wide approach to the moratorium.

Discussions with utilities and public advocates yielded a range of possible approaches to moratoria, from simply monitoring disconnections, to an extension of the moratorium to September 2021. In considering the range of possible approaches, staff considered not only the uncertainties of health and economic data discussed above but also considered the size of arrearages.

The number of residential customers experiencing arrearages has been relatively stable; 275,148 residential customers in December 2019, as compared to 276,994 customers in December 2020.⁴ However, the total amount of the arrearages has ballooned by 65 percent from \$47,868,541 in December 2019 to \$79,133,215 in December 2020. These values resulted in an increase in average arrearages from \$174 per residential customer in 2019 to approximately \$285 per residential customer in 2020.

Due to the significant growth in residential arrearages and the economic and public health uncertainties discussed above, staff selected an approach that balanced the need to extend the moratorium beyond April 30 with the need to slow the growth in arrearages. Staff is particularly mindful that extending the moratorium into September as suggested by some commenters runs the risk of customers entering the next heating season with significant arrearages already on the

² Department of Health COVID-19 Data Dashboard Epidemiologic Curves accessed Feb. 13, 2021. www.doh.wa.gov/Emergencies/COVID19/DataDashboard. See Memo Attachment 2.

³ Washington State Governor's Office, "Healthy Washington—Roadmap to Recovery," Jan, 2021. <https://coronavirus.wa.gov/what-you-need-know/safe-start>. See Memo Attachment 2.

⁴ See Memo Attachment 3, Staff Summary of Utility COVID-19 Arrearages.

customer accounts, thus making it more difficult for customers to begin repaying outstanding debt.

Staff, with the agreement of the utilities, recommends a moratorium extension until July 31, 2021, reflected in the Second Revised Term Sheet, Memo Attachment 1. In order to begin reducing arrearages and engaging consumers, staff agrees the companies should begin to issue service disconnection notices in the June billing cycle so that customers have the opportunity to establish payment arrangements or apply qualifying aid to reduce outstanding balances. Accompanying the notifications, companies will provide information about payment arrangement options and low-income support programs. The goal of these notifications and enrollment in low-income support payment programs is to substantially reduce arrearages before the onset of the 2021-2022 heating season.

Comments

On January 26, 2021, the commission issued a Notice of Opportunity to File Written Comments and received 545 customer comments. All customer comments requested the moratorium be extended until at least September 2021. The commenters also stated that a recent study by the National Bureau of Economic Research showed lower infection and death rates in communities that banned disconnections; up to 2.2 million people in Washington state could be struggling to pay for food; and utilities are more essential than ever to keep communities healthy and safe.

Other comments were filed by utilities and advocates and have been posted in the docket.

Conclusion

Staff recommends the commission issue an order adopting the recommendations set forth in the Second Revised Term Sheet, which include an extension of the moratorium on disconnection for nonpayment of services by residential and small commercial customers until July 31, 2021, and directing commission staff to place this item on a regular or recessed open meeting agenda in May 2021 for further discussion.

Attachments:

Attachment 1 – Second Revised Term Sheet

Attachment 2 – Recessed Open Meeting Presentation

Attachment 3 – Staff Summary of Utility COVID-19 Arrearages