

## Pandemic-Related Utility Arrearages

By: Mary Fitzpatrick, Principal Analyst  
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### Issue

This report describes costs incurred by Eversource due to the shut-off moratorium extended during the COVID-19 pandemic and how these costs may be recovered through electric rates. It also discusses New York's payment plans for utility debt accrued during the pandemic.

### Summary

In March 2020, at the start of the COVID-19 pandemic, the Public Utilities Regulatory Authority (PURA) ordered Connecticut's utilities to cease shut-offs for residential customers. Shortly thereafter, PURA expanded the scope of that order to include non-residential customers. After several months, PURA allowed companies to resume shutoffs for some customers. Currently, only residential hardship customers are still subject to a shut-off moratorium, which runs until May 2023.

Utilities subject to these orders may establish a regulatory asset to track costs associated with compliance. This generally means that they may initially defer costs and eventually recover them through rates. For electric utilities, other routine methods of cost recovery may allow them to recover costs sooner. By law, electric utilities may recover costs associated with protections for hardship customers through the Systems Benefit Charge. In practice, uncollectible expenses associated with non-hardship customers may be included in current distribution rates, through a reserve fund based on historical trends.

PURA does not currently know the total amount of pandemic-related costs Eversource will seek to recover from electric ratepayers. It expects to get more information in future proceedings. Information Eversource submitted to PURA in August 2022 indicated that for gas and electric

hardship customers at least 60 days behind on their bills, the company was owed \$171 million. PURA staff noted that this figure may be larger than the amount that will eventually be recovered from electric ratepayers because (1) it includes electric and gas customers and (2) amounts are not considered “uncollectible” until they are 180 days past due.

Even without a current estimate for Eversource or Connecticut’s other regulated utilities, it appears that New York state’s pandemic-related utility arrearages are larger than Connecticut’s. According to New York’s Public Service Commission (PSC), in mid-June 2022, utility arrears exceeded \$2.3 billion, with \$1.7 billion associated with residential customers. PSC approved an Electric and Natural Gas Bill Relief Program to provide eligible customers with a one-time credit to eliminate unpaid electric and natural gas charges accrued between March 2020 and May 1, 2022. The \$557 million bill relief program is funded through (1) a 2022-2023 New York state budget appropriation of \$250 million and (2) PSC-approved utility shareholder and ratepayer funds. PSC is currently considering a Phase II expansion of the program for other customers.

## Shut-Off Moratorium in Connecticut

On March 12, 2020, in response to a petition from the attorney general, PURA ordered regulated water, electric, and gas utilities to cease shut-offs for residential customers for the duration of the public health emergency declared by the governor or another time as PURA determines ([Docket 20-03-15](#), [Motion No. 1](#), Order No. 1). On March 17, 2020, the Department of Energy and Environmental Protection petitioned PURA to consider other issues to support ratepayers during the pandemic. PURA subsequently took the following actions:

1. extended the shut-off moratorium to non-residential customer classes through May 1, 2020, or another date as PURA determines ([Motion No. 2](#), Order No. 2);
2. prohibited regulated utilities from requiring financial security deposits or balance reduction payments to restore utility service during the moratorium ([Motion No. 2](#), Order No. 3); and
3. required utilities to maintain detailed records of incurred costs and lost revenues that result from implementing Orders 1 through 3 ([Motion No. 2](#), Order No. 4).

After several months, PURA allowed companies to resume shutoffs for some customers. Eversource resumed shut-offs for (1) business customers on August 1, 2020, and (2) and non-hardship residential customers on October 1, 2020.

In August 2022, PURA rejected [a motion](#) from Eversource to resume service terminations for residential hardship customers beginning in September 2022, and instead extended the moratorium for these customers until May 2023. In its motion, Eversource stated that hardship

customer arrearages had increased 38% from the beginning of the pandemic to June 30, 2022, to approximately \$171 million from customers 60 days past due. (“Hardship” in this case includes both financial and medical hardship customers.) Eversource stated that the “growing bad debt will increase costs paid by all customers, including residential hardship customers,” but did not specify an amount for the estimated ratepayer impact. [PURA denied the motion](#), expressing concern with its timing less than two months before the winter moratorium required by law ([CGS § 16-262c](#)) among other things.

### ***Cost Recovery for Electric Customers***

When PURA ordered the utilities to maintain a detailed record of costs incurred and revenues lost from the other pandemic-related orders, it also allowed the utilities to establish a regulatory asset to track incurred costs ([Motion No. 2](#), Order No. 4). This generally allows utilities to defer these costs and eventually recover them through rates. According to PURA staff, Eversource has not yet sought this cost recovery but PURA expects the company to do so in its next distribution rate case filing.

Electric utilities may also recover certain costs associated with the shut-off moratorium through other, more routine mechanisms. By law, companies must collect a “Systems Benefit Charge” (SBC) from ratepayers to fund hardship protection programs, among other things ([CGS § 16-245l](#)). In practice, the companies recover hardship uncollectible expenses (generally, amounts in arrears 180 days past due) from residential hardship customers through an annual rate adjustment mechanism docket (e.g., Docket 20-01-03, see PURA’s [interim decision](#) and [final decision](#)). PURA anticipates that Eversource will seek recovery of hardship-related uncollectible expenses through the SBC. The authority does not currently have an estimated amount for this expense but expects to have more information when utilities make filings later this quarter.

Some non-hardship uncollectible expenses may also be recovered in current distribution rates, which include a reserve authorized in the utility’s previous rate case and based on historical trends. According to PURA, a portion of these uncollectible expenses may also be recovered through the Generation Service Charge, which mainly covers energy supply costs for standard service (see Docket 20-01-03 [final decision](#)).

PURA also noted that the amount of uncollectible expenses Eversource seeks to recover will be decreased by some extent due to (1) expanded energy assistance funds and (2) its receipt of approximately \$17.9 million in federal funds through [UniteCT](#), which is a state program for renters and homeowners impacted by the COVID-19 pandemic.

## New York's Arrears Relief Program

[According to New York's Public Service Commission \(PSC\)](#), in mid-June 2022, utility arrears exceeded \$2.3 billion, with \$1.7 billion associated with residential customers. That month, PSC approved a plan to eliminate arrearages accrued during the pandemic for certain customers. [The Electric and Natural Gas Bill Relief Program](#) provides eligible customers with a one-time credit to eliminate unpaid electric and natural gas charges accrued between March 2020 and May 1, 2022.

An eligible customer is (1) an income eligible New York residential household with an active energy account and (2) enrolled in their utility's energy assistance program or bill discount program by December 31, 2022, or has received a benefit from a government assistance program.

"Government assistance programs" include the following:

1. Home Energy Assistance Program;
2. Lifeline telephone service program;
3. Supplemental Nutritional Assistance Program;
4. Medicaid;
5. Veterans Disability or Survivors Pension;
6. Social Security Income (SSI);
7. Federal public housing assistance;
8. Utility Guarantee or direct vendor programs;
9. Temporary Assistance for Needy Families (TANF);
10. Safety Net Assistance; and
11. certain additional programs for people living on tribal lands (e.g., tribal TANF, Head Start, Bureau of Indian Affairs General Assistance).

New York funded the \$557 million bill relief program through (1) a 2022-2023 New York state budget appropriation of \$250 million and (2) PSC-approved utility shareholder and ratepayer funds. PSC determined the total amount based in part on how much arrears grew above a pre-pandemic baseline. Table 1 shows the distribution of state funds, utility commitments (generally, shareholder funds), and authorized cost recovery (ratepayer funds) across New York utilities.

**Table 1: PSC Allocation of State Funds and Authorized Cost Recovery**

Utility	State Funds	Utility Commitments	Authorized Cost Recovery	Total Arrears Assistance	Share of Arrears (%)
Consolidated Edison (Con Ed)	\$164,453,557	\$7,000,000	\$167,139,507	338,593,064	39.9
Central Hudson Electric and Gas(CHE&G)	2,848,882	0	3,005,377	5,854,259	17.7
National Fuel Group (NFG)	4,364,998	0	9,204,217	13,569,215	32.0
National Grid LI (Grid LI)	1,239,232	400,000	1,547,504	3,186,736	5.9
National Grid NY (Grid NY)	10,120,631	1,200,000	30,246,482	41,567,113	22.2
National Grid Upstate (Grid U)	40,024,801	26,900,000	33,179,254	100,104,055	27.6
New York State Electric and Gas (NYSEG)	5,834,817	800,000	15,162,655	21,797,797	38.3
Orange and Rockland Electric and Gas (ORE&G)	1,639,725	0	2,198,980	3,838,705	16.3
Public Service Electric Group (PSEG)	9,803,606	0	0	9,803,606	6.5
Rochester Gas and Electric (RG&E)	9,047,183	800,000	18,899,037	28,746,220	50.1
Other Utilities	622,569	0	0	622,569	N/A
<b>Total Assistance</b>	<b>250,000,001</b>	<b>37,100,000</b>	<b>280,583,013</b>	<b>567,683,014</b>	

Source: [New York State Comptroller \(p. 6\)](#)

A working group convened by PSC staff characterizes the above program as “Phase I” and, in [a December 2022 report](#), recommended a Phase II Utility Arrears Relief Program. The working group recommended one-time arrears credits of approximately \$672.1 million for (1) residential customers not eligible for Phase I (i.e., non-energy assistance program customers) and (2) small commercial customers. Under the working group’s recommendation, these credits will:

1. cover the same time period as Phase I credits;
2. be subject to a cap for each utility designed to eliminate COVID-19 period arrears for at least 75% of eligible customers; and
3. provide automatic relief, rather than using an application process.

The working group also recommended that:

1. residential non-energy assistance program customers who had their service terminated in 2022 for non-payment should be allowed to reinstate their account through June 30, 2023, so their eligible arrears may be resolved;
2. utilities should file information with PSC to address potential over- or under-collection of expenses related to uncollectible debt; and
3. residential service terminations for nonpayment should be suspended while credits are applied to accounts.

PSC has yet to take action on the working group's recommendations.

## Resources

National Association of Regulatory Utility Commissioners, [“COVID19 News & Resources: State Response Tracker,”](#) March 23, 2021.

National Governors Association, [“Memorandum on State Utility Disconnection Moratoriums and Utility Affordability,”](#) June 2021.

New York Energy Affordability Policy Working Group, [“Phase 2 Arrears Report,”](#) December 23, 2022.

New York Public Service Commission, [“Spotlight on: Energy Affordability & Electric and Natural Gas Bill Relief Programs,”](#) August 2022.

New York State Comptroller, [“Economic and Policy Insights: Distribution of Utility Arrears in New York State,”](#) July 2022.

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