

PROPOSAL FOR A FEDERAL PROGRAM TO PROMOTE UTILITY SHUTOFF MORATORIUM AND STABILIZE THE AVAILABILITY OF VITAL UTILITY SERVICES WHILE ELIMINATING QUALIFYING RESIDENTIAL UTILITY CUSTOMER ARREARAGES DURING THE COVID-19 CRISIS

Objectives

Protect the public's health against COVID-19 and maintain vital utility service through a Federal Program that:

1. significantly stabilizes the financial condition of Qualifying Utilities operating under mandatory or voluntary disconnection/shut-off and late payment fee moratorium and re-connection policy by providing loan-to-grant financial resources;
2. incentivizes those utilities that are not already doing so to voluntarily implement a moratorium on disconnection/shut-offs and late payment fees and reconnection policy for customers that are unable to pay their utility bills during the COVID-19 emergency; and
3. eliminates utility arrearages of Qualifying Residential Utility Customers to alleviate financial burdens incurred from and exacerbated by the COVID-19 crisis.

Definitions

1. ***Vital Utility Service*** – All essential utilities, including electric, water, wastewater, natural gas and propane gas
2. ***Qualifying Utility*** – Providers of vital utility service that are under a mandatory or voluntary shut-off and late fee moratorium and re-connection policy protecting residential customers in response to the COVID-19 crisis.
3. ***Qualifying residential utility customers*** – Any residential utility customer that qualifies for any one or more of the following categories:
 - a. in the last two years qualified for a selected federal program¹;
 - b. had 2019 income that was equal to or less than 200% of the federal poverty level and/or 80% of AMI;
 - c. has received federal or state unemployment benefits following March 1, 2020
4. ***Qualified Expenditures*** – Program loans can be converted to grants to satisfy a) the arrearage (i.e. monthly utility billing) of a qualifying residential utility customer, or b) the discharge of a delinquent non-qualifying residential customer arrearage.

Federal Program Components

1. Qualifying utilities will use either a self-verification process or a federal database for rapid verification of qualifying residential utility customer status.
2. Loan term - a 10-year federal interest-free loan forgiven when applied to qualified expenditures
3. Specified collection methods for recovery of arrearages from non-qualified residential utility customers that comply with applicable federal and state debt collection laws

¹ Qualifying Federal Programs Include: Supplemental Security Income (SSI); Low-Income Home Energy Assistance Program (LIHEAP); Crisis Intervention Program (CIP); Food and Nutrition Services (FNS); Medicaid; Federal public housing assistance (Section 8); Supplemental Nutrition Assistance Program (SNAP); Temporary Assistance for Needy Families (TANF); Certain needs-tested Veterans benefits (<https://www.disasterassistance.gov/get-assistance/forms-of-assistance/4468>); Veterans Pension and Survivors Benefit. (<https://www.ncdhhs.gov/divisions/social-services/other-programs/lifeline-and-link-programs>); Pell Grant Recipients, and any student qualifying for federal work study, the Bureau of Indian Affairs (BIA) Financial Assistance and Social Services (FASS)

4. Added grant funds amounting to 10% of the total loan package to help off-set a qualified utility's administrative costs
5. Prohibition on utilities seeking or securing recovery of arrearages from any other source.
6. Qualified utility criteria for approval and conversion of loan funds to grant funds:
 - a. Utility complying with mandatory or voluntary disconnection/shut-off and late payment fee moratorium and reconnection of customers without fee or charge for disconnections on or after February 1, 2020.
 - b. Utility must notify all customers of the program and the criteria for eligibility
 - c. Utilities must make 2 collection attempts and notify and offer non-qualifying residential utility customers a 12-month repayment plan before discharging an arrearage and including the account as a qualified expenditure.
 - d. Utilities must maintain records adhering to customary accounting standards for meeting federal auditing requirements and must make aggregate program data publicly available including arrearage data for 30, 60, 90, and over 90 days late.

Example

NC Electric Cooperative (NCEC) has 10,000 residential meters. Under normal operations less than 1% of customers are delinquent on an account for more than 30 days. As of June 15th, 2020 10 %, or 1000 customers, are delinquent with an average bill of \$200 or \$200,000 in cumulative arrearages for the month of May, 2020.

NCEC is under a state mandated shut-off moratorium. It continues to provide electric service for its member-customers who have not paid and applies for relief funds under the new Federal program and on June 20th, 2020 receives a program loan of \$200,000 to help support continued operations while resolving arrearages on accounts resulting from nonpayment of May 2020 bills. A grant of 10%, of the program loan, in this instance \$20,000, is added to help offset utility administrative costs.

For this example, each customer bill for the month of May was \$200. Using the program's "rapid verification process" matched to known customer data, and other data provided by customers, NCEC establishes that 750 of the 1,000 delinquent customers are "qualified residential utility customers." Of the \$200,000 in loan funds, \$150,000 having been identified to specific "qualified residential utility customers," is then converted under the program as a "qualified expenditure" from loan funds to grant funds. NCEC will not have to repay \$150,000 of the original funds and those 750 customers no longer have an arrearage of \$200 for the month of May 2020.

NCEC then continues approved specified collection methods for recovery of arrearages from the remaining 250 customers, including offering a 12-month repayment plan when the emergency declaration is lifted, and the mandated shut-off moratorium expires. Ultimately, 200 customer accounts are discharged in accordance with specified collection methods and are therefore considered "qualified expenditures" thereby converting an additional \$40,000 of the original \$200,000 from loan funds to grant funds.

During this time period, 50 customers repay their arrearage in full (either by paying it off in a lump sum or over a period of months) resulting in \$10,000 of income to NCEC. That income is used to repay the remaining \$10,000 loan to the federal government.