



Crisis Management Action and Contingency Planning for Vulnerable Utility Customers

Utility Survey Report and Next Steps

March 2020



Online survey taken by utility members of the Low Income Energy Issues Forum

Industry Call to Action

Energy utilities are managing a crisis to ensure customer welfare by suspending disconnections for nonpayment of natural gas and electric bills.

The focus to date has been on day-to-day crisis management. However, there needs to be an equal focus on contingency planning for after the disconnection moratorium is lifted, and operations are returning to normal.

If done right, this crisis may provide an opportunity for greater customer engagement and loyalty. If done poorly, the crisis could be severe and extended for both customers and utilities.

Thank You!

DEFG would like to thank the directors, managers, and analysts at major utilities who took the time—during this stressful period—to thoughtfully respond to five multi-part questions. Utilities are focused today on customers and how to keep them safe while reducing fear about unpaid bills. We hope this report helps put short-term actions into perspective and advances mid-term contingency planning.

-- Jamie Wimberly & Nat Treadway

Executive Summary

- DEFG received 25 utility responses to an online survey between March 20-23, 2020
- Natural gas and electric utilities suspended disconnections for nonpayment on or about March 13th for residential customers; most utilities included commercial customers
- The durations of the suspensions vary or are unknown. Some utilities indicated three weeks to two months while other stated indefinitely or until further notice
- The top three challenges facing utilities are customer related: customer uncertainty and fear; customer communications; and call center operations
- Most utilities have changed policies regarding messaging, customer communications, fees, and energy assistance. Utilities are evenly split regarding policy changes for interactions with local agencies or new accounts and security deposits
- Utilities have increased charitable giving to non-profit organizations and local agencies
- Contingency planning and the management of utility debt in the mid-term, leaves most utilities stating that “the situation is fluid”; or “a work in progress”; or “unknown”
- There is a significant need for analysis and planning for expected arrearages, revenue recovery and other operations impacts

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***



Thank you to the utilities that completed the survey

- Ameren Missouri
- Appalachian Power Co
- Atlantic City Electric
- Baltimore Gas & Electric
- Citizens Energy Group
- Columbia Gas of PA
- Commonwealth Edison
- Consolidated Edison
- DTE Energy
- Duke Energy / Piedmont Natural Gas
- Duquesne Light
- Entergy
- Exelon / Pepco Holdings
- Georgia Power
- L.A. Dept of Water and Power
- Memphis Light, Gas and Water
- Minnesota Power
- National Grid
- Pacific Gas and Electric
- PECO
- Puget Sound Energy
- Seattle City Light
- Snohomish County PUD
- Toronto Hydro

Report Outline



**Context &
Assumptions**



**Contingency
Planning**



**Survey
Questions**



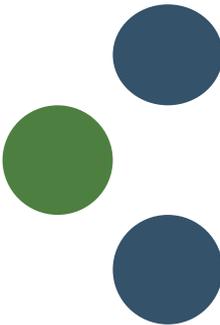
Next Steps



**Survey Report
(slides 11-20)**



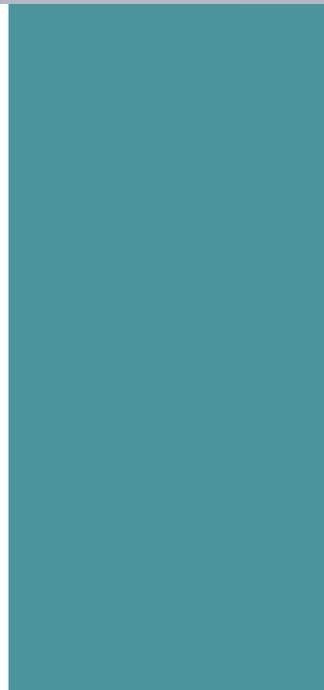
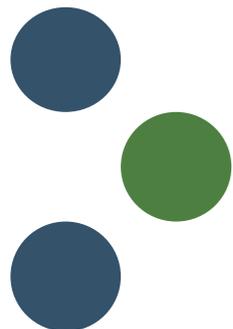
Context



On Tuesday, March 24, 2020, DEFG conducted a utility-only webinar to facilitate communications among members of the Low Income Energy Issues Forum. In the lead up to the call, member utilities were asked to respond to several online survey questions.

We shared ideas about services for vulnerable utility customers. We discussed two questions: What actions has your utility taken and what are its near-term plans? What are the utility's mid-term and contingency plans to deal with debt from nonpayment?

Nationwide, most states have suspended disconnection of service for nonpayment. In the short-term, utilities are ensuring consumer safety and security. That means that people who have lost jobs will likely accumulate utility debt as they re-allocate cash to other essential household needs. Utilities need to plan. Contingency planning can address the recovery of arrearages when the economy rebounds. Increased enrollments in income-qualified energy assistance programs is also inevitable. Finally, utilities are considering new service and programs.



Assumptions

- This is an unplanned event with large, uncertain consequences including the significant accumulation of debt
- We are at the beginning of cooling season—needs will grow as weather warms
- Low- to moderate-income utility customers will be most affected, including customers who do not typically need utility bill assistance
- Small businesses face cash flow challenges
- Revenue impacts on utilities—possibly an order-of-magnitude larger than normal—will extend from Q3 into 2021
- Utilities must both manage and plan at the same time
- Any significant program or new service will take time to implement



Survey Questions



The DEFG survey conducted March 20-23 included eight questions: 1-3. Name; Utility name; Email address

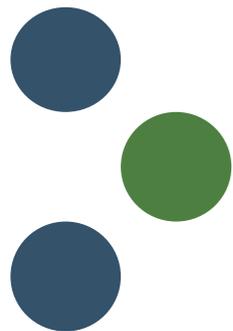
4. Most utilities have suspended disconnections for nonpayment, or they soon will. Can you briefly state: a) the date your suspension started, b) the duration that has been set for suspension, c) whether commercial customers are included in the suspension, and d) whether there are special consideration of importance to your utility?

5. As you consider the following list of 10 challenges, please choose three, and rank them by importance. a) Call center operations, b) End of moratorium collections, c) Customer uncertainty and fear, d) Long-term economic outlook, e) Cash flow and utility finances, f) Customer communications, g) Public relations, h) Inter-departmental coordination (internal to utility), i) Regulatory coordination, and j) Local agency and community stakeholder coordination

6. Have you changed your policies relating to any of the following six areas as a result of the pandemic? ("Yes" or "No" followed by a few details.) a) Messaging? (e.g., segmented approach), b) Fees?, c) Assistance?, d) Local agency interactions?, e) Customer communications (e.g., certainty about suspension of disconnect)?, f) New accounts and security deposits?, and g) Other?

7. Some utilities have announced that they will provide charitable contributions to increase energy assistance through community partners. If your utility has done so, please describe: To whom? How much? What else is planned?

8. Most utilities assume there will be an accumulation of significant customer debt in the next few months. What are your contingency plans to manage that debt in Q3 and Q4? If this is a work in progress, what are your key considerations?

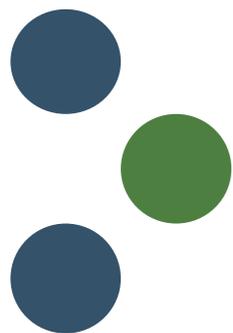




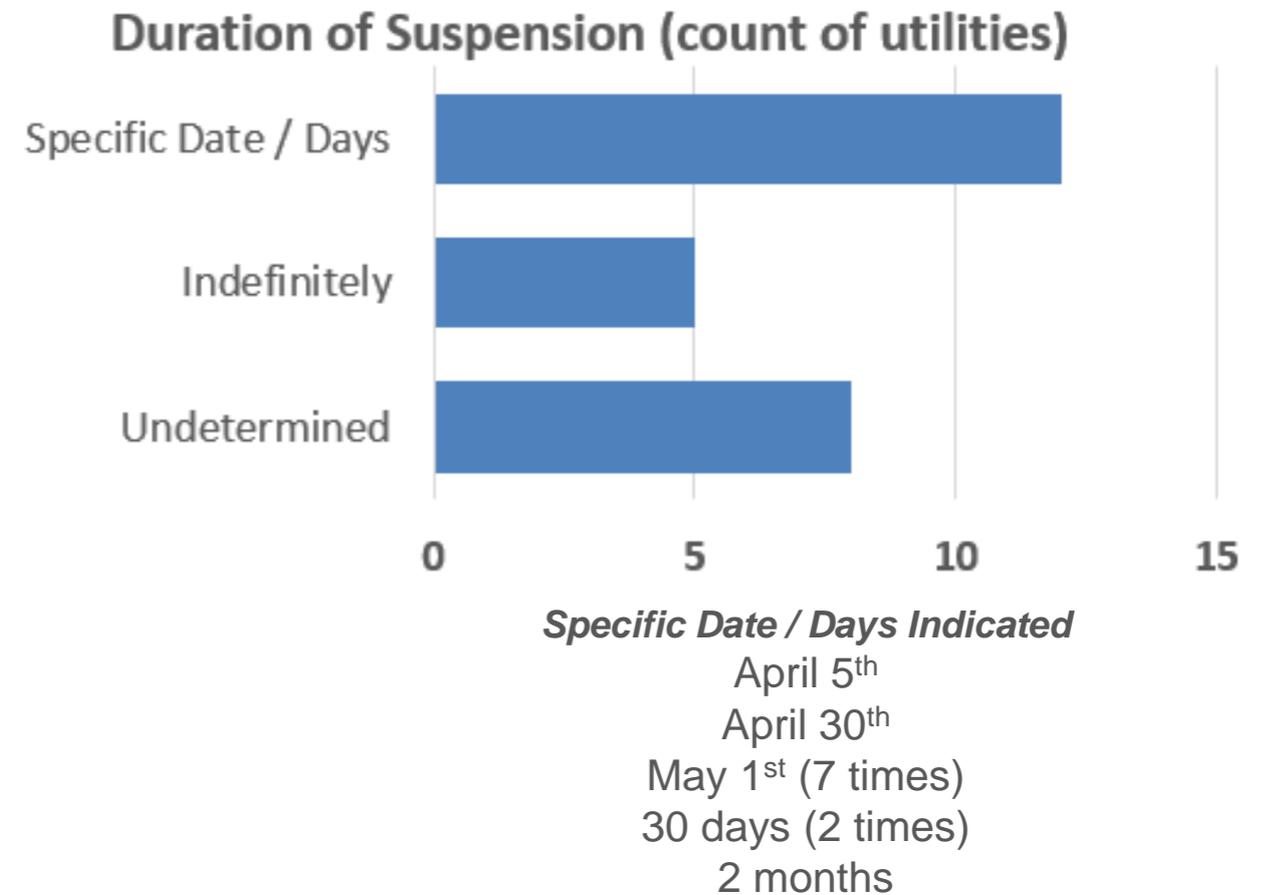
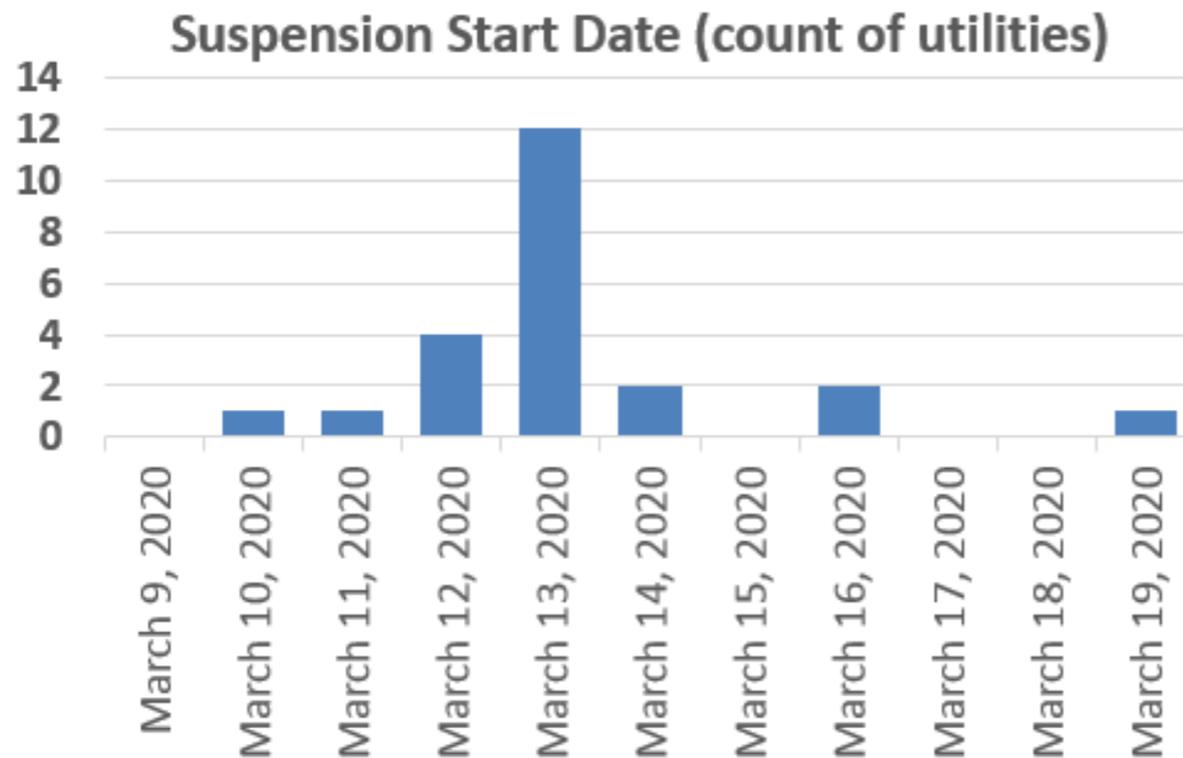
Survey Report



- Q4. Dates, Duration (slides 12-13)
- Q5. Top Challenges (14)
- Q6. Changed Policies (15-18)
- Q7. Charitable Giving (19)
- Q8. Contingency Planning (20)

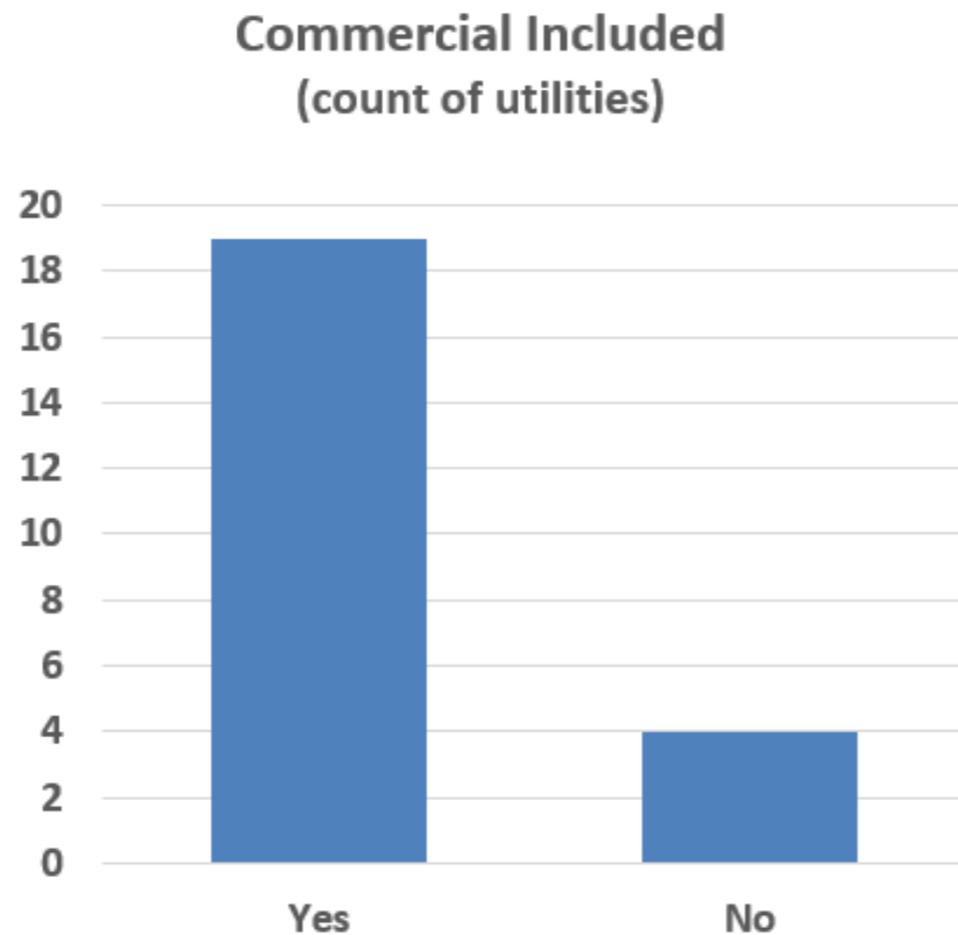


Date Suspension Started and Duration Set



Source: DEFG’s online utility survey, March 20-23, 2020. We have displayed parts a) and b) of the following question: “Q4. Most utilities have suspended disconnections for nonpayment, or they soon will. Can you briefly state a) the date your suspension started, b) the duration that has been set for suspension, c) whether commercial customers are included in the suspension, and d) whether there are special consideration of importance to your utility?”

Commercial customers included in suspension; Special considerations of importance



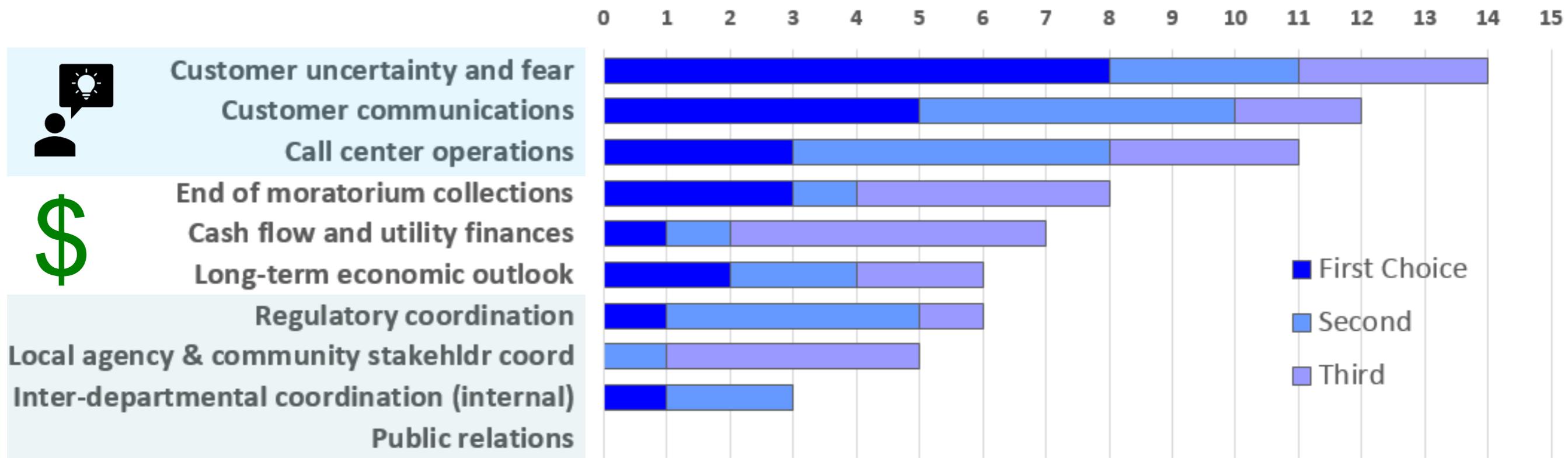
Special considerations of importance

- Began reconnecting recently-disconnected customers 3/16
- Any off service can be reconnected if it can be made safe
- Large industrial customers closely monitored
- Field personnel to follow CDC social distancing recommendations
- Monitoring the situation daily with pandemic incident management team
- Offering our most flexible payment arrangements and energy assistance
- Third party collections halted
- Special payment terms available
- Medical protections no longer require physician documentation

Source: DEFG's online utility survey, March 20-23, 2020. We have displayed parts c) and d) of the following question: "Q4. Most utilities have suspended disconnections for nonpayment, or they soon will. Can you briefly state a) the date your suspension started, b) the duration that has been set for suspension, c) whether commercial customers are included in the suspension, and d) whether there are special consideration of importance to your utility?"

Top Challenges: Customer Communications including Uncertainty and Fear and the Contact Center

Top Ranked Challenges from a List of Ten (count of utilities)



During the Mar. 24th call: We discussed remote operations and impacts on call volumes. Question: Can IVR be used to minimize customer uncertainty and fear?

Source: 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.)”

Have you changed your policies relating to ...

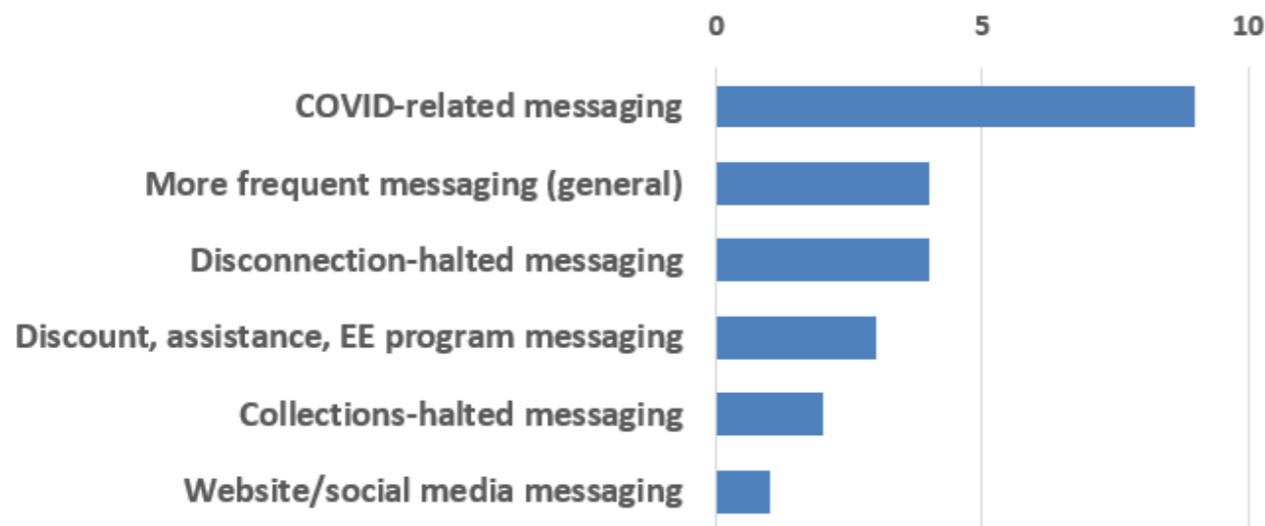
Messaging/ Segmentation?	Customer Communications?	Local Agency Interactions?
Yes = 17	Yes = 20	Yes = 9
No = 5	No = 3	No = 10
Energy Assistance?	Fees?	New Accounts & Security Deposits?
Yes = 16	Yes = 16	Yes = 9
No = 5	No = 6	No = 12

Source: DEFG’s online utility survey, March 20-23, 2020. The wording of the question was: “Q6. Have you changed your policies relating to any of the following six areas as a result of the pandemic? a) Messaging (e.g., segmented approach)? b) Fees? c) Assistance? d) Local agency interactions? e) Customer communications (e.g., certainty about suspension of disconnect)? f) New accounts and security deposits?” (Note: The information order is changed as displayed.)

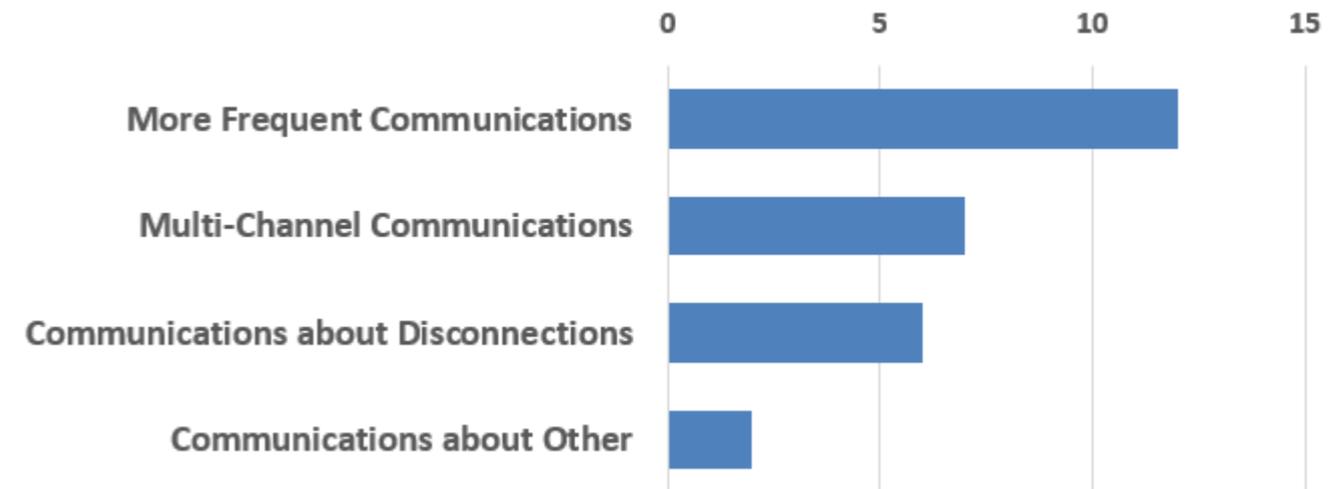
Policy Changes Relating to Messaging and Customer Communications

Messaging / Segmentation?	Customer Communications?
Yes = 17	Yes = 20
No = 5	No = 3
More frequent messaging about the pandemic and about disconnection; relatively little mentioned about specific approaches to segmentation	More frequent communications and greater use of multi-channel communications; more communications about disconnection and related payment topics

Changes in Messaging Cited (count of utilities)



Changes in Customer Communications Cited (count of utilities)

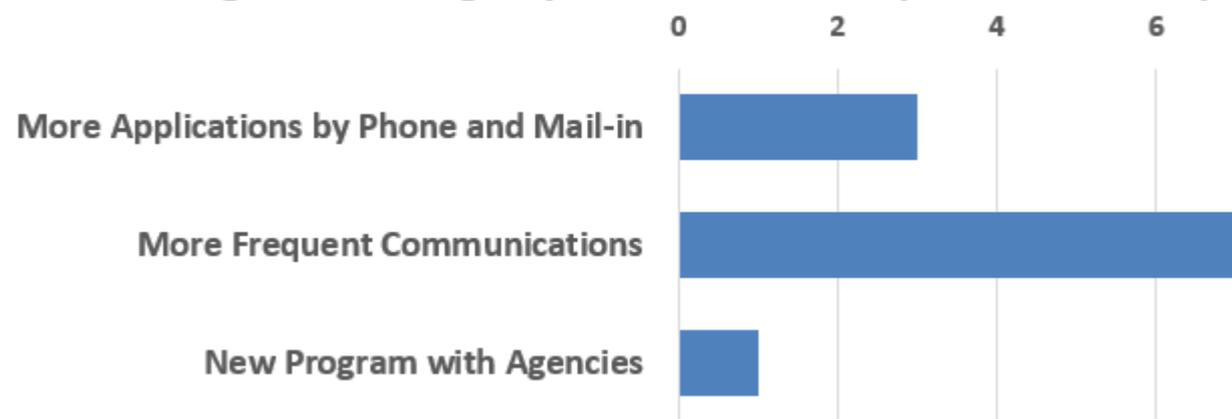


Source: DEFG’s online utility survey, March 20-23, 2020. The wording of the question was: “Q6. Have you changed your policies relating to any of the following six areas as a result of the pandemic? a) Messaging (e.g., segmented approach)? b) Fees? c) Assistance? d) Local agency interactions? e) Customer communications (e.g., certainty about suspension of disconnect)? f) New accounts and security deposits?”

Policy Changes Relating to Local Agencies and Energy Assistance

Local Agency Interactions?	Energy Assistance?
Yes = 9	Yes = 16
No = 10	No = 5
Local agencies are using more phone and mail-in for enrollment; for many utilities it is business as usual	Payment plan flexibility was mentioned most often in notes relating to the question on energy assistance

Changes in Local Agency Interactions Cited (count of utilities)



Changes in Energy Assistance Programs (count of utilities)

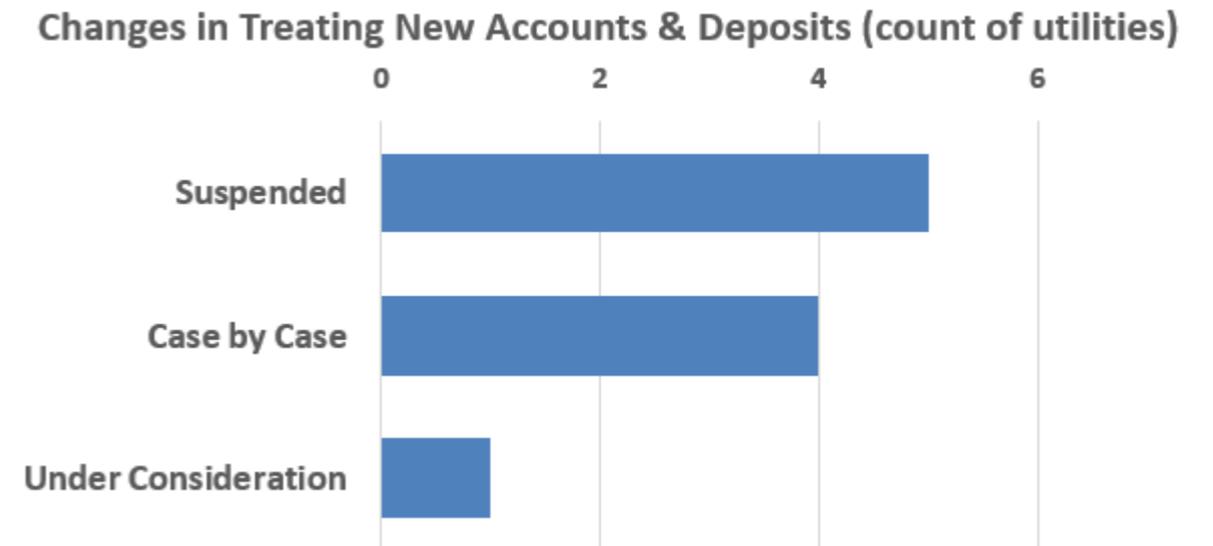
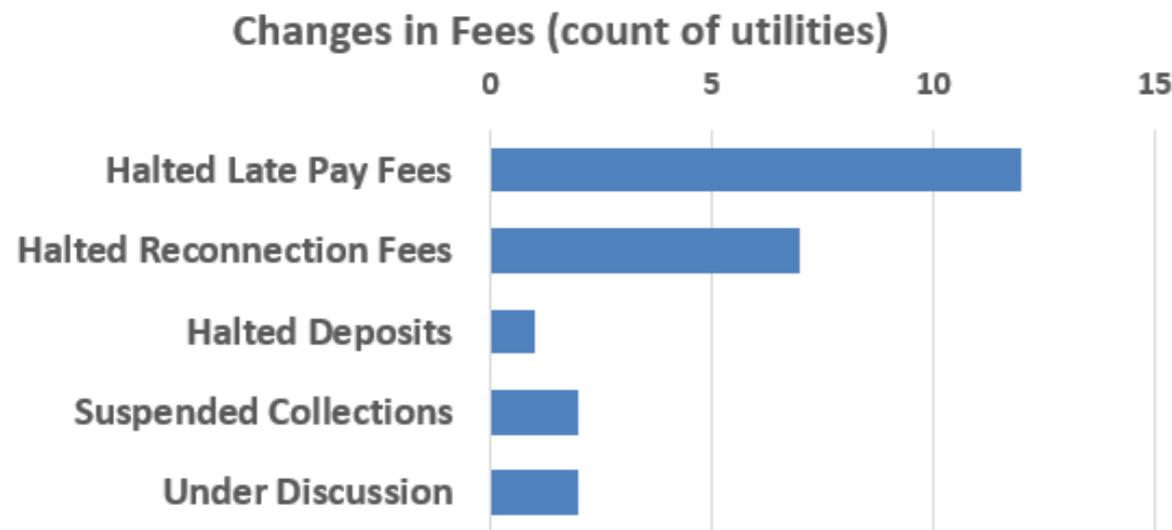


During the Mar. 24th call: One utility is replacing its disconnection notice with a “payment reminder notice” to satisfy an eligibility requirement for assistance

Source: DEFG’s online utility survey, March 20-23, 2020. The wording of the question was: “Q6. Have you changed your policies relating to any of the following six areas as a result of the pandemic? a) Messaging (e.g., segmented approach)? b) Fees? c) Assistance? d) Local agency interactions? e) Customer communications (e.g., certainty about suspension of disconnect)? f) New accounts and security deposits?”

Policy Changes Relating to Fees, New Accounts, and Deposits

Fees?	New Accounts & Security Deposits?
Yes = 16	Yes = 9
No = 6	No = 12
A high percentage of responding utilities have waived late payment fees (chart of those mentioned)	Most utilities have not changed these policies and many of those that have are handling it case-by-case



Source: DEFG’s online utility survey, March 20-23, 2020. The wording of the question was: “Q6. Have you changed your policies relating to any of the following six areas as a result of the pandemic? a) Messaging (e.g., segmented approach)? b) Fees? c) Assistance? d) Local agency interactions? e) Customer communications (e.g., certainty about suspension of disconnect)? f) New accounts and security deposits?”

Increased Charitable Contributions

Most large utilities have well-established relationships and mechanisms for charitable contributions to local social service agencies and non-profits

Several specific increases in charitable contributions have been announced:

- Ameren Missouri has donated \$1M to the United Way and Heatupmissouri.org
- Commonwealth Edison provided \$1M to a Coronavirus Income Relief Program
- Georgia Power Foundation provided \$1M to Georgia for COVID-19 relief
- Duke Energy provided \$1.3M to the Crisis Assistance Ministry
- Exelon Corporation provided \$1.15M to relief organizations
- Consumers Energy's President & CEO to donate \$1M in grants to small businesses in Jackson
- Duquesne Light provided \$500K to the Pittsburgh Foundation
- PECO provided \$500K to United Way of Greater Philadelphia and Southern New Jersey's PHL COVID-19 Fund
- Puget Sound Energy provided \$250K to the Seattle Foundation

Source: DEFG's online utility survey, March 20-23, 2020. The wording of the question was: "Q7. Some utilities have announced that they will provide charitable contributions to increase energy assistance through community partners. If your utility has done so, please describe: To whom? How much? What else is planned?"

Survey Question on Contingency Plans

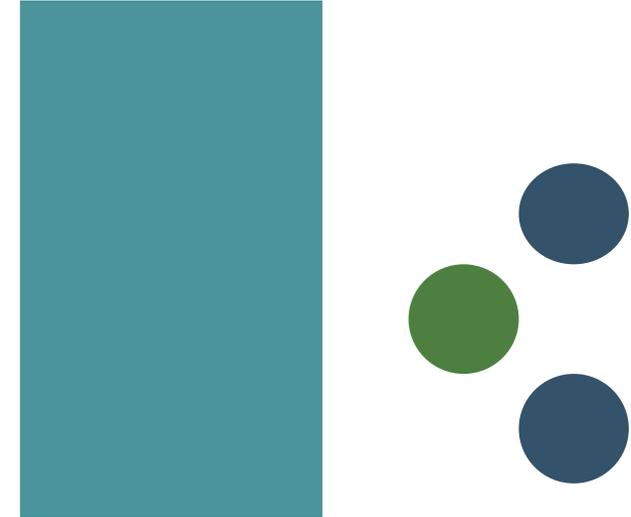
In response to the question about contingency plans to manage debt in Q3 an Q4, most utilities stated that “the situation is fluid,” “it’s a work in progress,” or “unknown”

- A municipal / public power utility anticipates a hiring freeze and 7% budget reduction
- A municipal / public power utility plans a decrease in discretionary spending
- A municipal / public power utility will extend payment arrangements to 18-24 months and extend assistance (possibly using an enhanced discount)
- An investor-owned utility anticipates special agreements for standard rate customers, deferment of negative accounts for prepayment customers, and increased use of prepay
- An investor-owned utility is planning outbound calls to ensure customers are aware of budget billing and assistance options
- An investor-owned utility anticipates increased management of payment plans that work, balanced the against its fiduciary responsibility to shareholders

Source: DEFG’s online utility survey, March 20-23, 2020. The wording of the question was: “Q8. Most utilities assume there will be an accumulation of significant customer debt in the next few months. What are your contingency plans to manage that debt in Q3 and Q4? If this is a work in progress, what are your key considerations?”



Contingency Planning



- This is an unplanned event with large, uncertain consequences. Significant amounts of utility debt will accumulate in the accounts of low-to moderate-income households and businesses
- We need an 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. It is unreasonable to assume that business-as-usual will be effective
- New programs and services take time to set up, test, and implement. Utilities must simultaneously manage and plan



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 on 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.

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.

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.

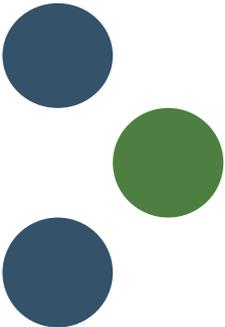
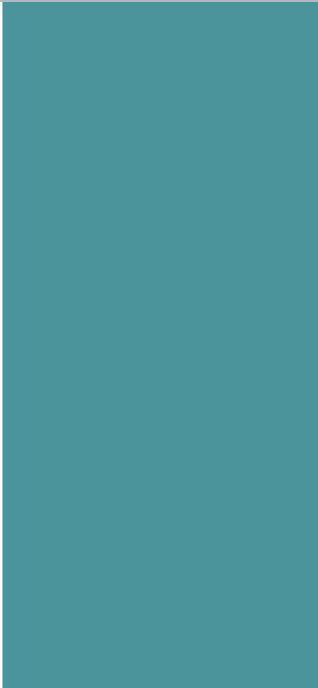
Energy Assistance and Income-Qualified Program Administration

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

Next Steps

1. DEFG will conduct the next layer of survey work and research.
2. DEFG will provide a series of regular updates on practices, impacts, and planning in real time.
3. DEFG will schedule coordinating calls as needed.
4. DEFG will continue to develop and socialize and a growing list of innovative approaches to better serve vulnerable customers.

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