

# **SOUTHSTRONG** **CITIES**

PEOPLE FIRST. EQUITY CENTERED

## **UTILITY SHUT-OFFS**

SouthStrong Cities Grab-N-Go Policies

# Utility Shut-offs

JUNE 2021

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## What's the issue?

As part of the public health response to the COVID-19 emergency, many utility providers halted shut-offs for nonpayment during COVID. As local governments lift moratoria, many utility consumers may find it difficult to make payments and risk losing essential utility services. This is due to the ongoing threat of job loss and economic consequences.

The Center for Biological Diversity published the data below: [\*Despite Transparency Failures, Utility Information Reveals Major Home Shutoff Problem.\*](#)



**U.S. utility companies have shut off natural gas and electricity service to more than three-quarters of a million households across just 10 states during the pandemic.**



## Why does it matter?

A significant share of these challenges will fall to cities to navigate, as cities often control residents' local water systems and sometimes other utilities such as sewer or electricity. As cities move post-COVID to remove shut-off moratoria, they may face an unusually high backlog of customer accounts in arrears. Residents who benefitted from shut-off moratoria may now owe several months of accumulated deferred billing, perhaps including associated fees and interest.

Cities should seek ways to balance support for the local community with the responsibility to recover utility costs. Cities and their residents should be alert to this time as an opportunity to review their city's utility shut-off policies and seek solutions designed and implemented to include equity considerations.

This 2020 SEAP [policy brief](#), *Limiting Water Shutoffs and Addressing Equity through Utility Regulation*, outlines some key considerations.

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## Policy Options: What Cities Can Control

### 1. Offer payment assistance plans to eligible/vulnerable customers.

Customer Assistance Plans (CAP) can help smooth payment issues and effectively address the economic impacts of COVID-19 closures and unemployment. Many cities already offer CAP, typically designed to support designated customer groups such as low-income seniors or veterans. By expanding eligibility for existing CAP's to include customers facing economic stress or job loss or implementing new CAP's, cities can equitably manage the effort to restore customers to good status. Some common examples of CAP tools are below.

#### **Waive Late Fees (penalties and interest)**

Many cities waived utility customers' late fees as part of their COVID-19 response. While some of these protections remain in place, many have been removed.

- This [Delray Beach, FL website](#) highlights the recent decision to resume late fees for utility customers.
- [Sacramento, CA](#) continues to maintain the waiver of later fees.

#### **Extend Repayment Timeline**

Many cities offer the opportunity for an extended time for repayment of past due balances.

- For example, [Winston-Salem, NC](#) offers fixed monthly repayment arrangements with no additional late fees.
- [Purcellville, VA](#) offers customers experiencing COVID-19 hardships to apply for repayment options ranging from 6 to 24 months.

#### **Forgive past due balance in exchange for on-time payment of bills**

For older debt, the rate of collection for past due utility balances can be meager.

Given this, cities can consider programs that encourage customers to become current on new bills and provide debt relief for old balances in return.

This [Circle of Blue article](#) reviews a Chicago, IL program to provide utility debt relief to low-income customers who can stay current on reduced payments for a period of 12 months. Similar policies are under development in Philadelphia and Baltimore.

## Policy Options: What Cities Can Control

### 2. Provide City funding for emergency assistance for eligible/vulnerable customers.

By offering emergency assistance funds to offset utility bills, cities can support customers facing one-time economic challenges. Under this approach, eligible customers are offered limited financial assistance to offset their utility bills. This assistance can be specified as one-time support or can be provided up to a specific amount within a given time period. The American Rescue Plan provides ample funding that local governments can use to provide emergency assistance to utility customers who are delinquent in their bills.

- This [Raleigh assistance program](#) provides up to \$240 in assistance per year for eligible customers. The county human services department provides eligibility screening. Public donations are used to help support the program.

The source of funding can vary. Cities can use general funds to contribute to this program, seek funding from external partners like nonprofits, or establish programs within the utility to seek designated donations from other utility customers.

- This [Help My Neighbor program](#) for water and sewer customers in Chapel Hill, NC is funded by community donations to pay off other customers' past due bills. The program website specifically references the increase in community financial hardships due to COVID-19.

Eligibility for assistance funds can be specified by the city and could be tied to job loss, income thresholds, or eligibility for other state or federal assistance programs.

- Eligibility for utility assistance [Austin, TX programs](#) are linked to other state and federal support programs.
- Eligibility for the [Hopewell, VA assistance program](#) includes loss of income due to COVID-19 unemployment, underemployment, or other impacts.

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### Policy Options: What Cities Can Control

#### 3. Adopt shut-off policies that acknowledge equity considerations.

When cities undertake shut-offs for their utility customers, the approach can be susceptible to unequal application. Some cities will identify customers with significant arrears and practice completing shut-offs for nearby delinquent customers to use staff efficiently. This can create disproportionate outcomes in some neighborhoods.

To correct unequal administration, some cities identify shut-offs using an approach that reviews customers' status by area on a rotating basis. For example, establishing quadrants or zones of the city and then rotating shut-off actions by zone.

This [Circle of Blue article](#) describes strategies several cities use to equitably approach utility shut-offs, including examples where rotating zones reduce disproportionate outcomes.

## Additional Resources

- Legal considerations vary state by state related to whether and how public utilities can provide customer assistance programs.
- This [paper](#), *Does public ownership of utilities matter for local government water policies?*, provides research that concludes that public ownership of water utilities results in more protections for residents from shut-offs:
  - [Water equity: Public ownership can safeguard communities](#)
- This [Pacific Institute study](#) provides data on disparate rates of utility shut-off across households by race, household type and income.
  - [Water and the COVID-19 Pandemic: Ensuring Access to Water as Shutoff Moratoriums Lift](#)
- This [American Water Works Association guidebook](#) provides guidelines for utilities to incorporate “stewardship” into operations. The chapter on Finance provides information on customer assistance strategies and implementation examples.
- This [Aspen Institute report](#) reviews equity issues related to water affordability:
- This [SPUR paper](#) proposes policy changes to address water bill debt in the context of COVID-19 impacts.