

# **PUBLIC SERVICE COMMISSION OF WISCONSIN**

## **Memorandum**

December 7, 2021

### **FOR COMMISSION AGENDA**

TO: The Commission

FROM: Kristy Nieto, Administrator  
Tara Kiley, Deputy Administrator  
Bradley Rose, Bureau Director  
Laura Fay, Consumer Analyst  
Division of Digital Access, Consumer and Environmental Affairs

RE: Investigation on the Commission's Own Motion to Ensure Safe, Reliable and Affordable Access to Utility Services During Declared Public Health Emergency for COVID-19 5-UI-120

Suggested Minute: The Commission reviewed information related to quarterly reporting on arrears and collection information submitted by utilities and (took/did not take) action consistent with its discussion.

### **Background**

On April 5, 2021, in its Supplemental Order on Residential Disconnection – Fourth ([PSC REF#: 408377](#)), as part of the Investigation on the Commission's Own Motion to Ensure Safe, Reliable and Affordable Access to Utility Services During Declared Public Health Emergency for COVID-19, the Commission ordered that all electric, gas, and water public utilities continue to submit quarterly reports on arrears and collection information, including information regarding the utility's plans for communicating with customers about collections and arrears management, and the financial impacts of the utility's arrears, until further order of the Commission. ([PSC REF#: 408377](#)). The purpose of this memorandum is to provide the

Commission with an update on the information collected, and to request Commission direction on next steps related to the reporting schedule, format, and contents.

### **Energy Assistance Updates**

Commission staff continues to work with the staff at the Department of Administration's (DOA) Division of Energy, Housing and Community Resources (DEHCR) on status information and opportunities related to the Wisconsin Home Energy Assistance Program (WHEAP).

WHEAP is comprised of the federally funded Low Income Home Energy Assistance Program (LIHEAP) and the Public Benefits Energy Assistance Program. WHEAP runs on a federal fiscal year from October 1 to September 30 each year. Customers apply for energy bill payment assistance through local Energy Assistance (EA) agencies.

From January 2021 through September 2021, DEHCR applied over \$115 million in American Rescue Plan Act (ARPA) dollars allocated to LIHEAP directly to existing LIHEAP eligible customer accounts by working with electric and gas utilities. For the majority of these customers, the dollars applied brought past due account balances to zero. In addition, over \$6 million of federal dollars from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) were awarded to customers in crisis assistance. This is in addition to the approximate \$7 million in crisis benefits from the traditional funding sources applied to customer accounts during this timeframe, resulting in a grand total of over \$128 million in crisis assistance paid directly to customer accounts with all funding sources combined. This additional funding contributed significantly to the lower arrears balances being reported in the third quarter.

For the 2022 program year, between October 1, 2021 and November 17, 2021, WHEAP paid a benefit to 81,675 Wisconsin households, an approximate decrease of 10 percent as

compared to the same period during the 2021 program year.<sup>1</sup> The DEHCR team attributes the current decrease in applicants to a likely combination of the positive impact of the arrears payments, the winter moratorium going into effect on November 1, and decreased unemployment rates. The heating season runs through May 15, 2022, so customers have ample time remaining to apply for a benefit.

On the first payment extraction, WHEAP paid out \$9,362,480 in heating assistance and \$4,428,537 in public benefits to eligible households.<sup>2</sup> The average WHEAP benefit for the 2022 program year is \$568.<sup>3</sup> For the last heating season, total WHEAP benefits, including crisis benefits, supported approximately 58 percent of a household's heating season energy bill amounts. For the current heating season, it is projected that WHEAP benefits will pay from 16.4 percent (customers with the highest income and lowest energy burden) to 65.5 percent (customers with the lowest income and the highest energy burden) of the customer's bill.<sup>4</sup>

Additionally, the U.S. Department of the Treasury (Treasury) is providing financial assistance to states through the Emergency Rental Assistance Program. On February 25, 2021, Governor Evers announced more than \$322 million in funding available for Wisconsinites under this Program. The Wisconsin Emergency Rental Assistance Program (WERA), administered by DEHCR, provides direct financial assistance for rent, utility, home energy costs, and wraparound services for individuals who qualify. Once approved, eligible individuals may receive up to 12 months of assistance. DEHCR has partnered with members of the Wisconsin Community Action Program Association, as well as Energy Services, Inc. (a local nonprofit), to assist eligible

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<sup>1</sup>

<https://heplus.wi.gov/ReportViewer.aspx?ReportPath=%2fDirect+Benefits+Caseload+Comparison&ReportName=Direct+Benefits+Caseload+Comparison>

<sup>2</sup> Analysis provided by Department of Administration DEHCR.

<sup>3</sup> <http://homeenergyplus.wi.gov/category.asp?linkcatid=273&linkid=120&locid=25>

<sup>4</sup> Analysis provided by Department of Administration DEHCR.

renters impacted by the COVID-19 pandemic and in need of help with rent, utilities, and other housing stability. Rental and utility assistance payments are made directly to the landlord or utility on behalf of the tenant. The Treasury issued two separate allotments of funds for the Program separated into WERA1 and WERA2. Together, these funding allotments have helped over 28,000 Wisconsin households pay rent, utility bills (including water bills), and/or internet services.<sup>5</sup>

Going forward, DEHCR expects additional customer assistance in the form of Low Income Water Assistance Program (LIWAP) dollars allocated to state through the U.S. Department of Health and Human Services, as authorized by ARPA, to benefit water customers and utilities. Additional LIHEAP, WERA, and new Homeowners Assistance funds are also expected to become available to Wisconsinites in the future through ARPA.

### **Required Quarterly Reporting Information**

In its Supplemental Order on Residential Disconnections – Fourth, ([PSC REF#: 408377](#)) the Commission found it reasonable to continue to require that all utilities submit quarterly reporting on arrears and collection information, and information regarding the utility’s plans for communicating with customers about collections and arrears management, until further order of the Commission. Since the issuance of the Order on April 5, 2021, all water, electric, and natural gas public utilities were required to submit quarterly reporting for the last three quarters, covering the periods of January 1-March 31, 2021, April 1-June 30, 2021 and July 1-September 30, 2021. To facilitate efficient and consistent reporting and to simplify the process for utilities, staff created a simple, provisional online survey tool for utilities to complete. The Commission has offered numerous resources to assist all utilities with understanding and complying with

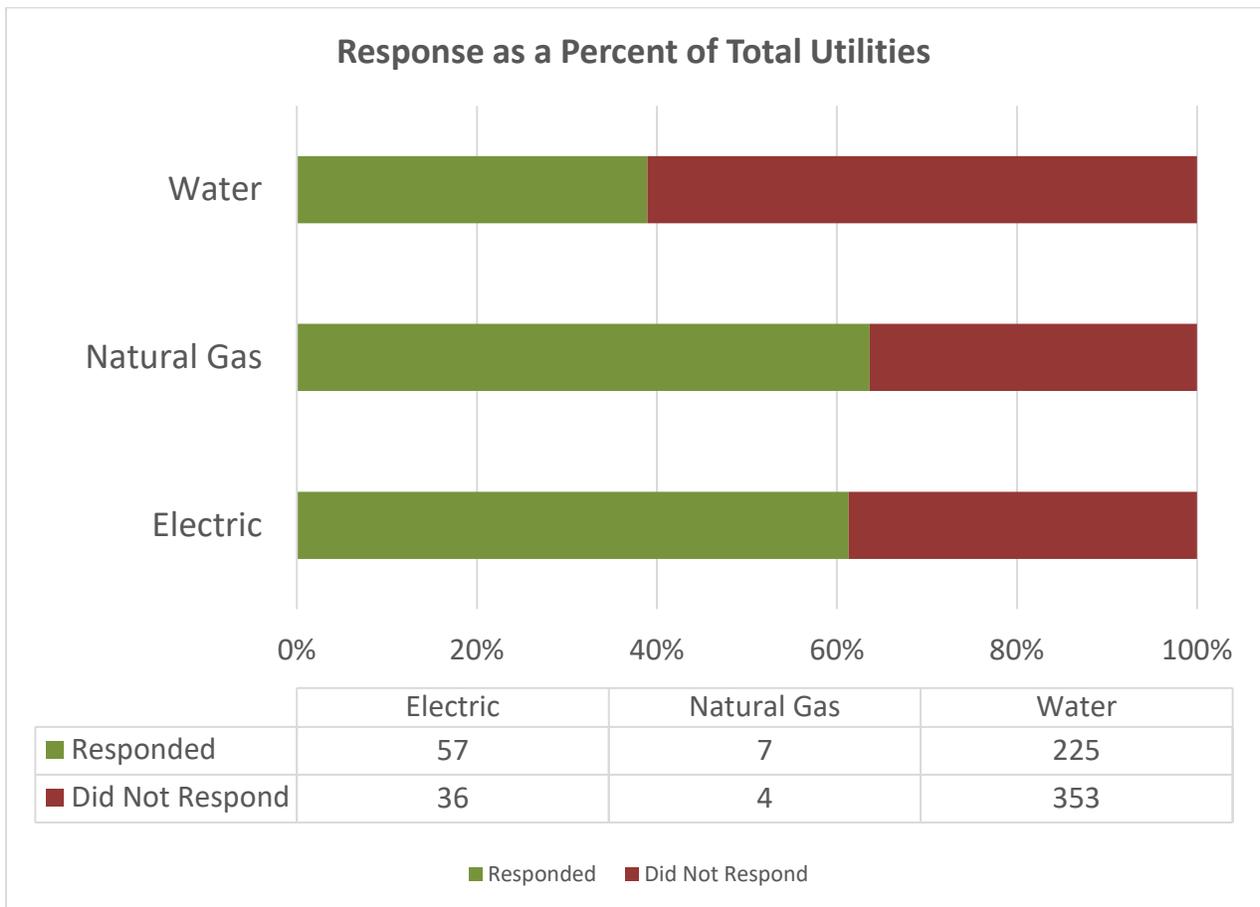
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<sup>5</sup> Information provided by Department of Administration DEHCR.

orders in this investigation, including a Frequently Asked Questions page on the Commission’s website based on inquiries from utilities and stakeholders, and as always, staff available to respond daily to emails and phone calls via a dedicated utility inquiry line. While the quarterly report was required of all utilities, the overall response rate to the survey for the third quarter of 2021 was 42 percent. In comparison, the response rate for the fourth quarter of 2020, provided to the Commission on January 15, 2021, was slightly above 50 percent.

The following chart shows the percentage of utility survey responses for the third quarter only, July 1- September 30, 2021.

**Chart 1:** Quarterly report submittal by utility type – Third quarter only



The following data and information is an update and a summary of the data provided to the Commission. The chart below shows the total arrears comparison for residential customers of all service types for the years 2020 and 2021. This information includes the data provided by the 289 utilities that submitted the quarterly report for the third quarter. The reported total arrears for all service types for responding utilities as of September 30, 2021 was \$187,555,258, compared to \$277,632,329 as of September 30, 2020, a decrease of 48 percent from the same time last year for the responding utilities.

**Chart 2:** Residential arrears all reporting utilities in 2021 compared to 2020 – Third quarter only

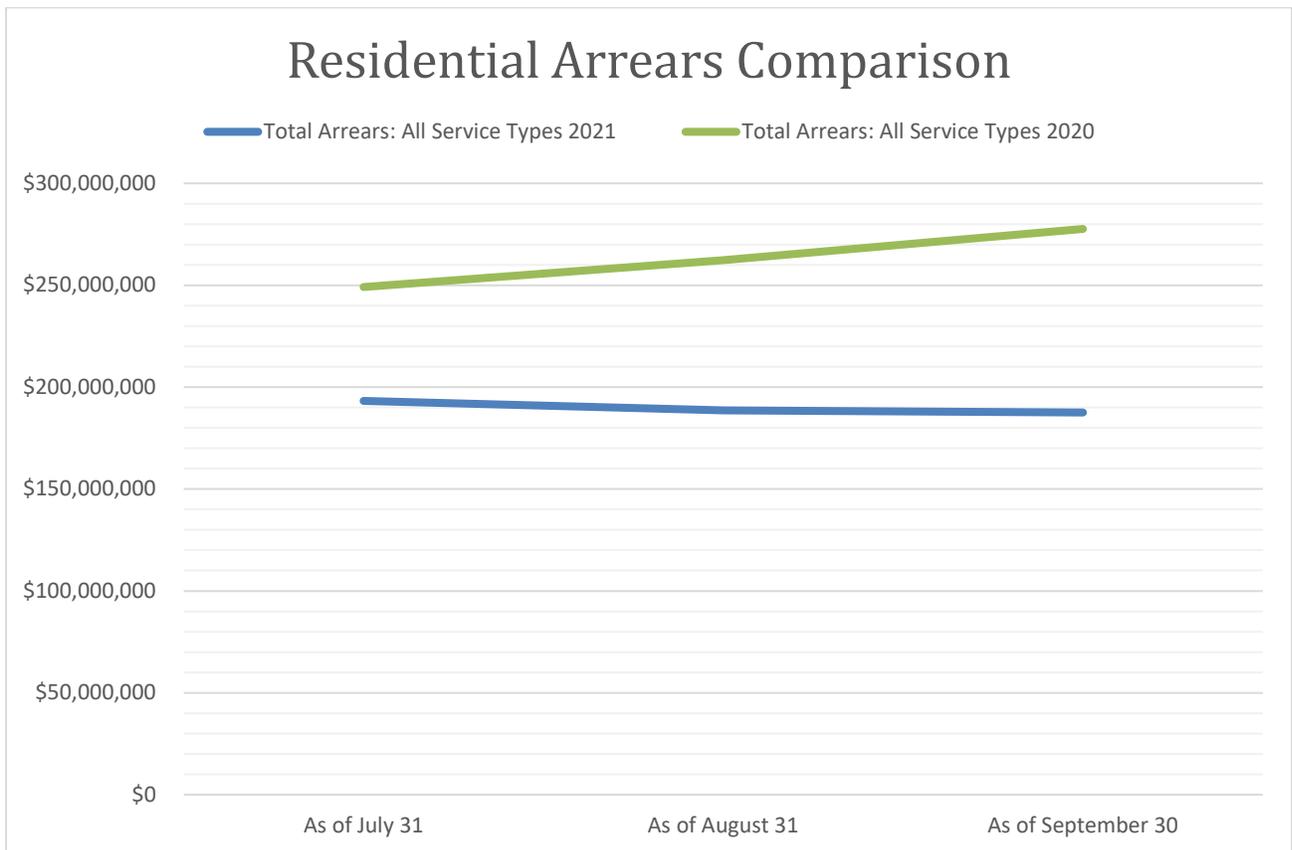
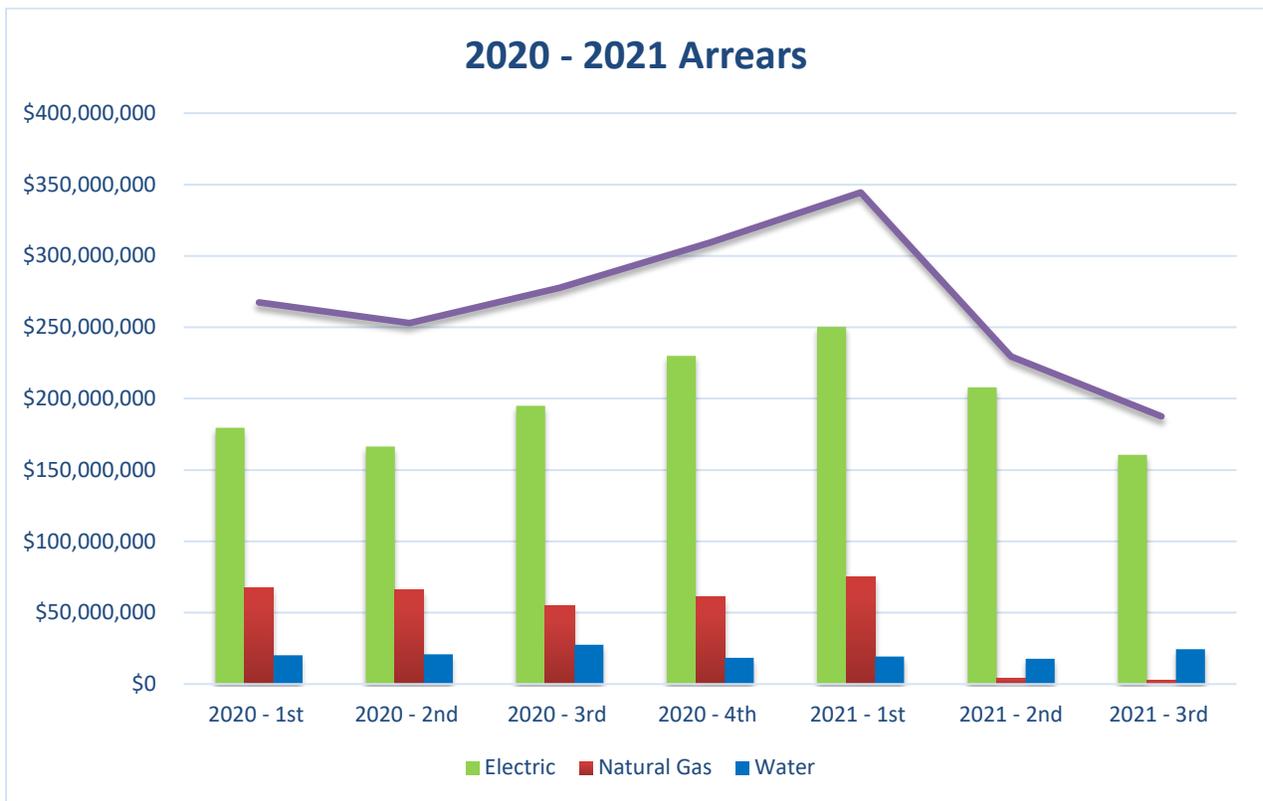


Chart 3 below displays the dollar amount of residential arrears reported over the last seven quarters, January 1-March 31, 2020/2021, April 1-June 30, 2020/2021, July 1-September

30, 2020/2021 and October 1-December 31, 2020. Arrears peaked in the first quarter of 2021 at \$344,357,046 for all service types, but have trended downward for the last two quarters. The total reported arrears for all service types for the third quarter of 2021 was \$187,555,258, the lowest it has been since utilities began providing quarterly reporting information.

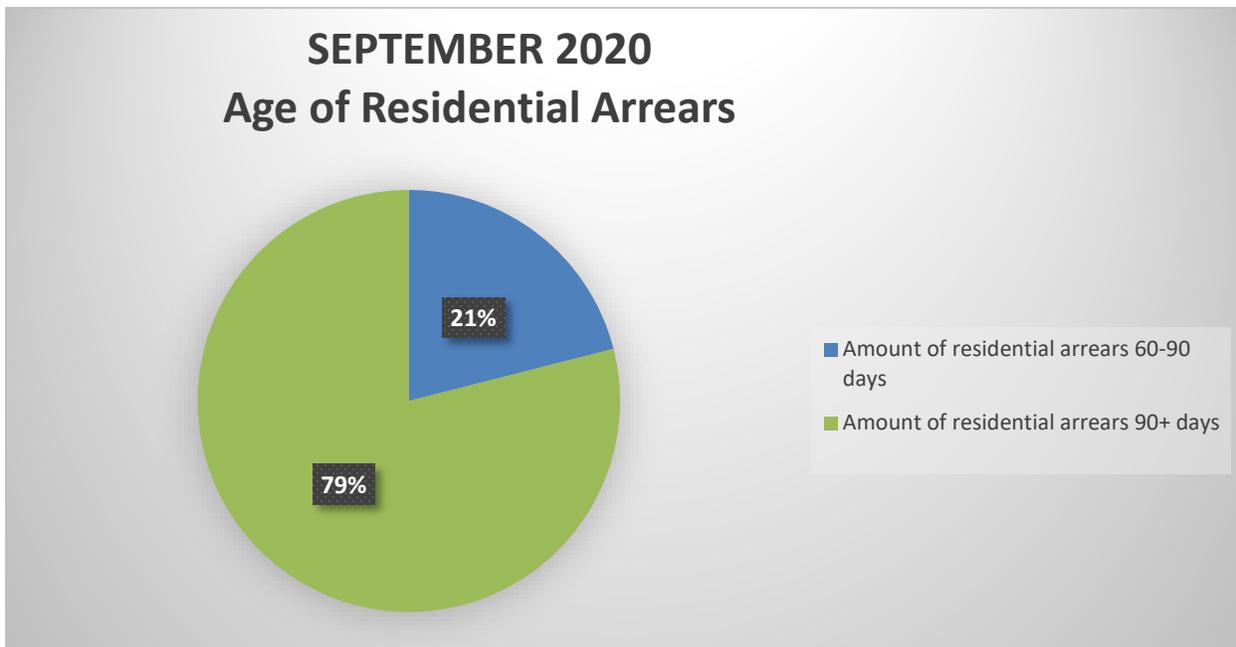
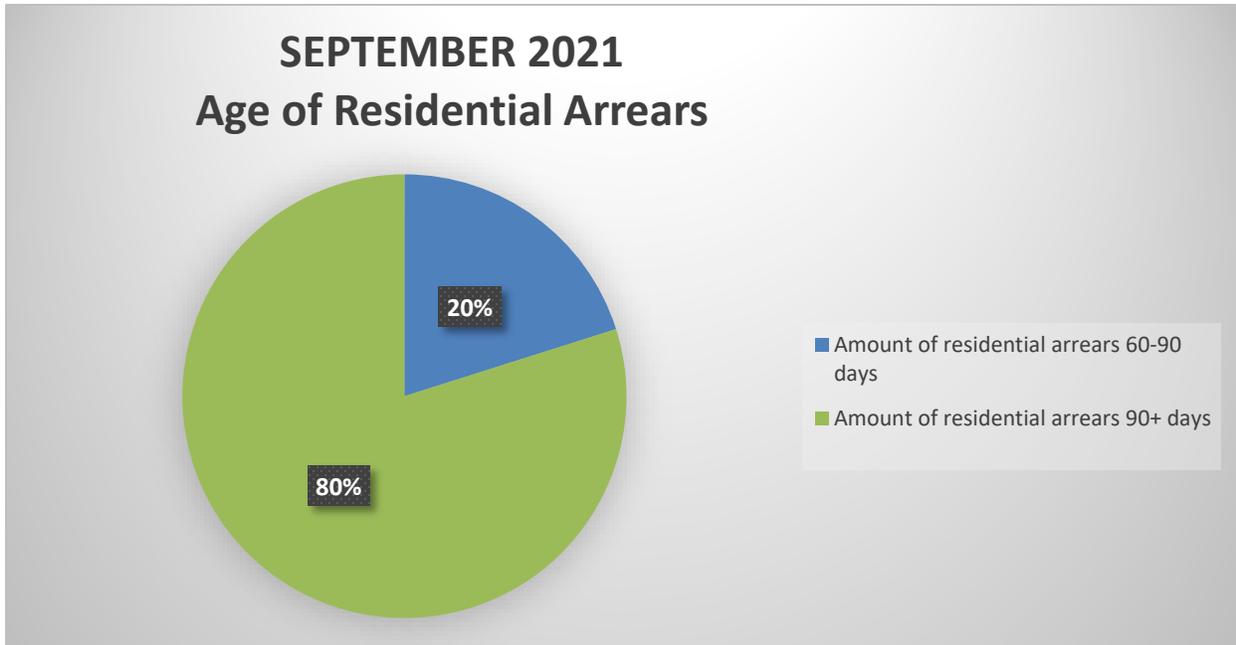
**Chart 3:** 2021 Residential arrears comparison



The following chart compares the age of residential arrears for all service types for the years 2020 and 2021. The reported total arrears from September of 2020 to September of 2021 that were 60-90 days past due (80 percent and 79 percent respectively) and more than 90 days past due (20 and 21 percent respectively) as a percentage remained relatively unchanged, however the total dollar amount decreased from 2020 to 2021. In September of 2020, the total dollar amount of arrears 60-90 days past due was \$133,066,576, and the total dollar amount of

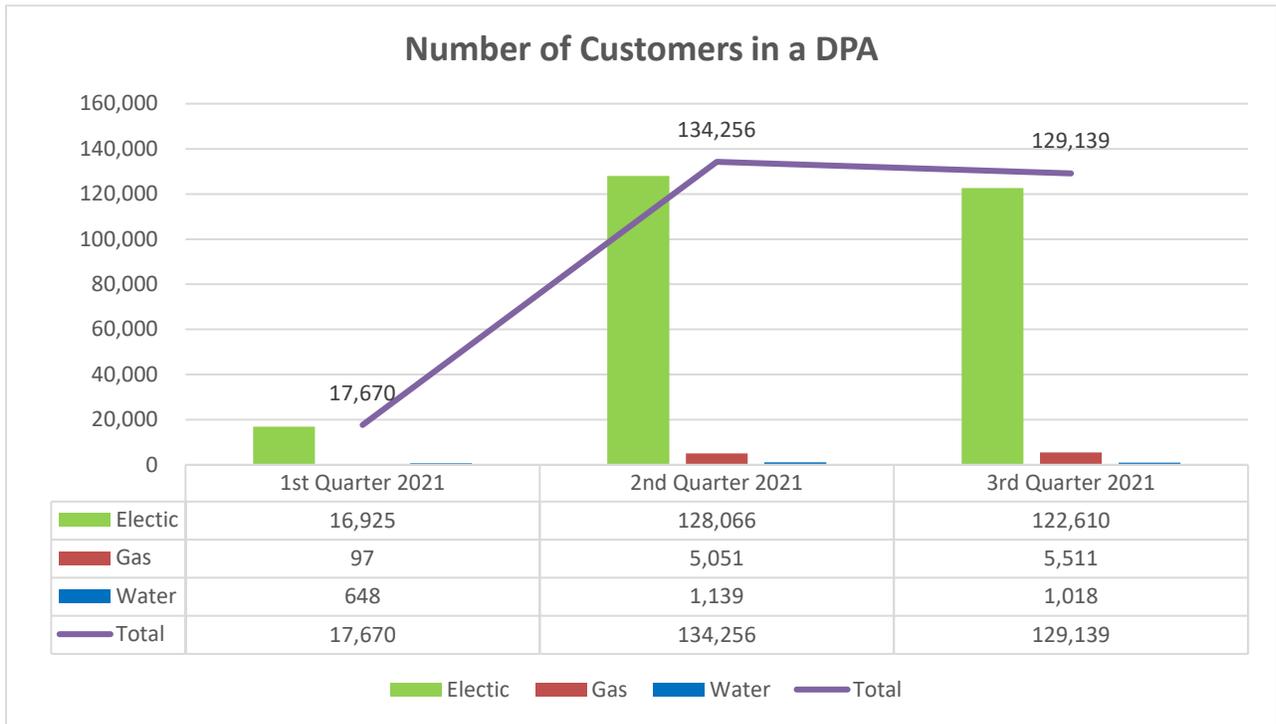
arrears more than 90 days past due was \$424,450,461. These amounts compare to those reported in September of 2021, where the total dollar amount of arrears 60-90 days past due was \$88,519,010, and the total dollar amount of arrears more than 90 days past due was \$351,583,313.

**Chart 4:** Age of residential arrears all reporting utilities in 2021 compared to 2020



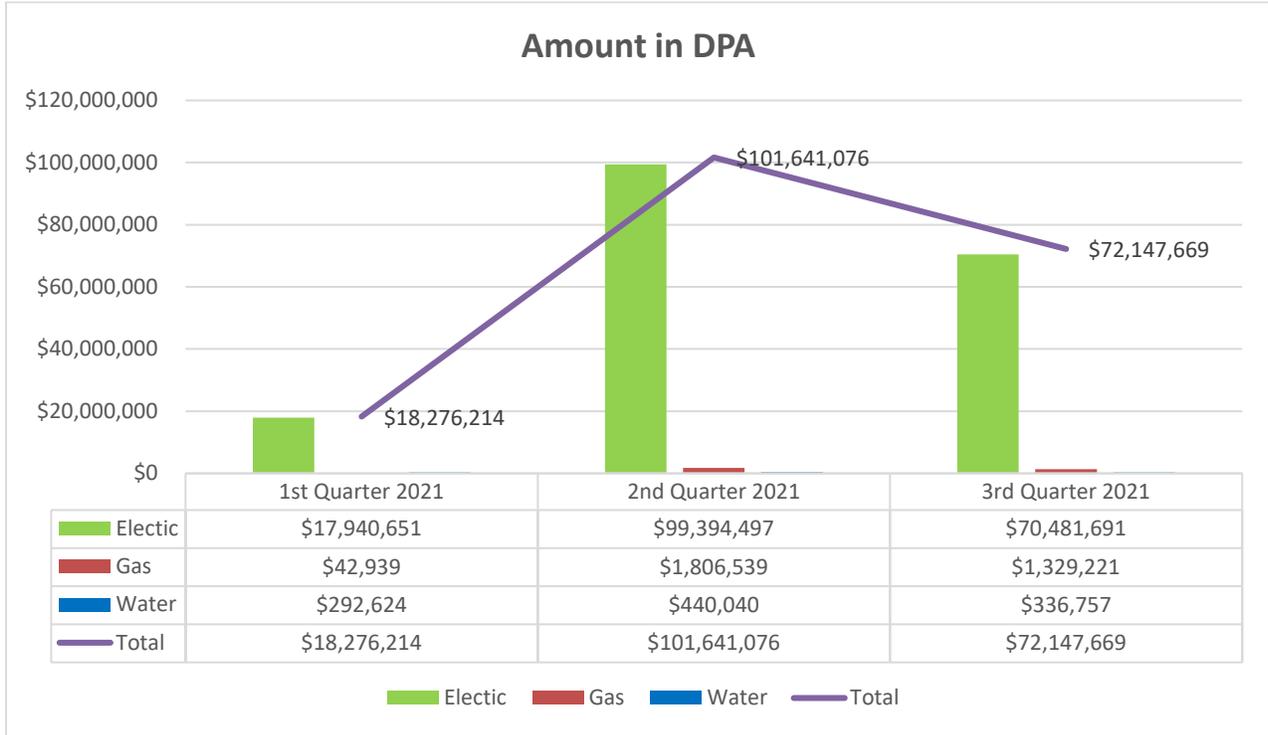
The quarterly report responses indicated that 129,139 total residential customers were in a DPA as of the end of the third quarter of 2021. The reported amounts displayed in Chart 5 indicate a stark increase in DPAs from the first quarter of 2021 to the second quarter and then a slight decline for the third quarter.

**Chart 5:** Number of customers in a DPA by service type



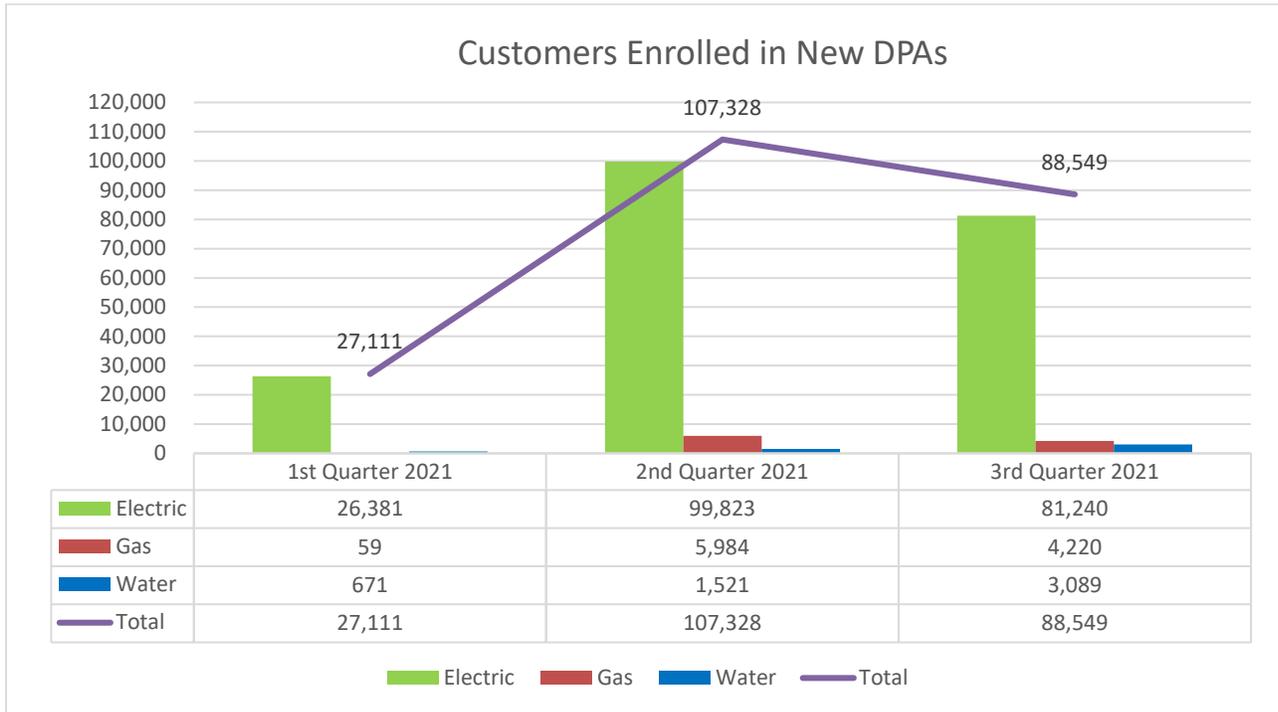
A similar trend shown in Chart 6 below also illustrates a spike in the dollar amount in a DPA from the first quarter of 2021 to the second quarter and then a slight decline for the third quarter. As of the end of the third quarter of 2021, the total dollar amount in an active DPA was \$72,147,669.

**Chart 6:** Dollar amount in a DPA by service type



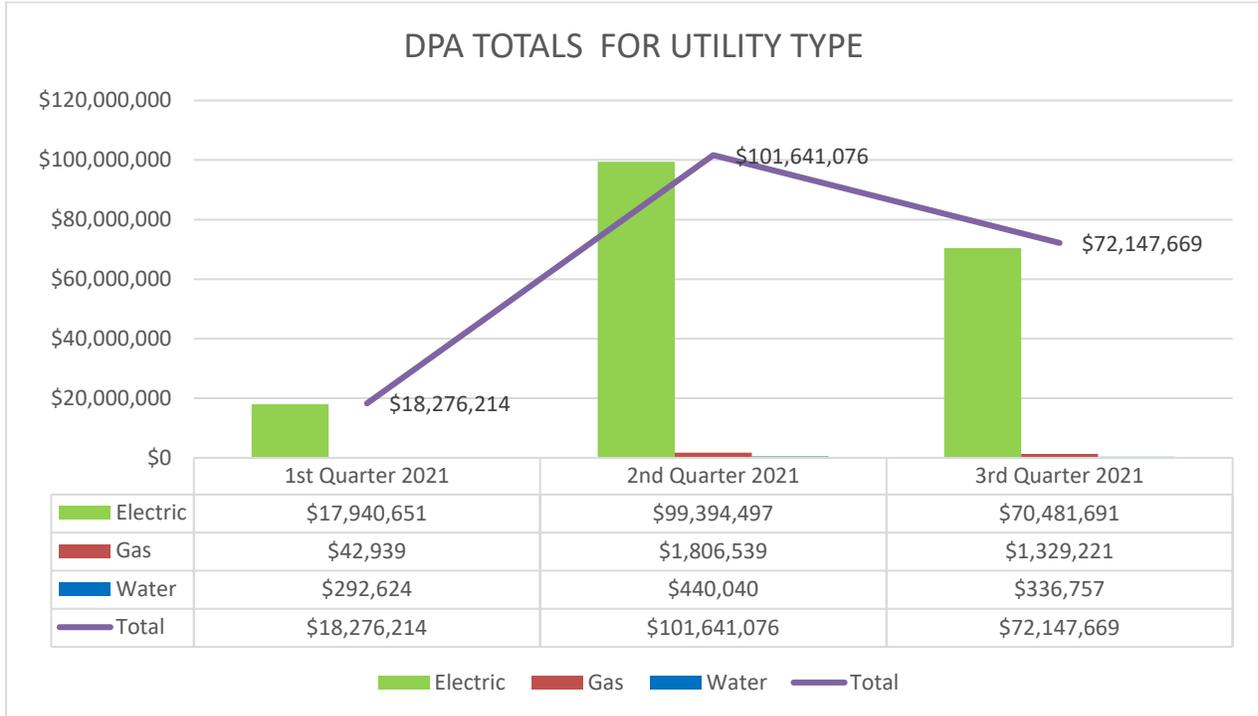
As of the end of the third quarter of 2021, 88,549 new customers established a DPA. The trend of a spike in DPAs between the first and second quarter and then a slight decrease for the third quarter follows the same pattern for new DPAs.

**Chart 7:** Number of customers enrolled in a new DPA by service type



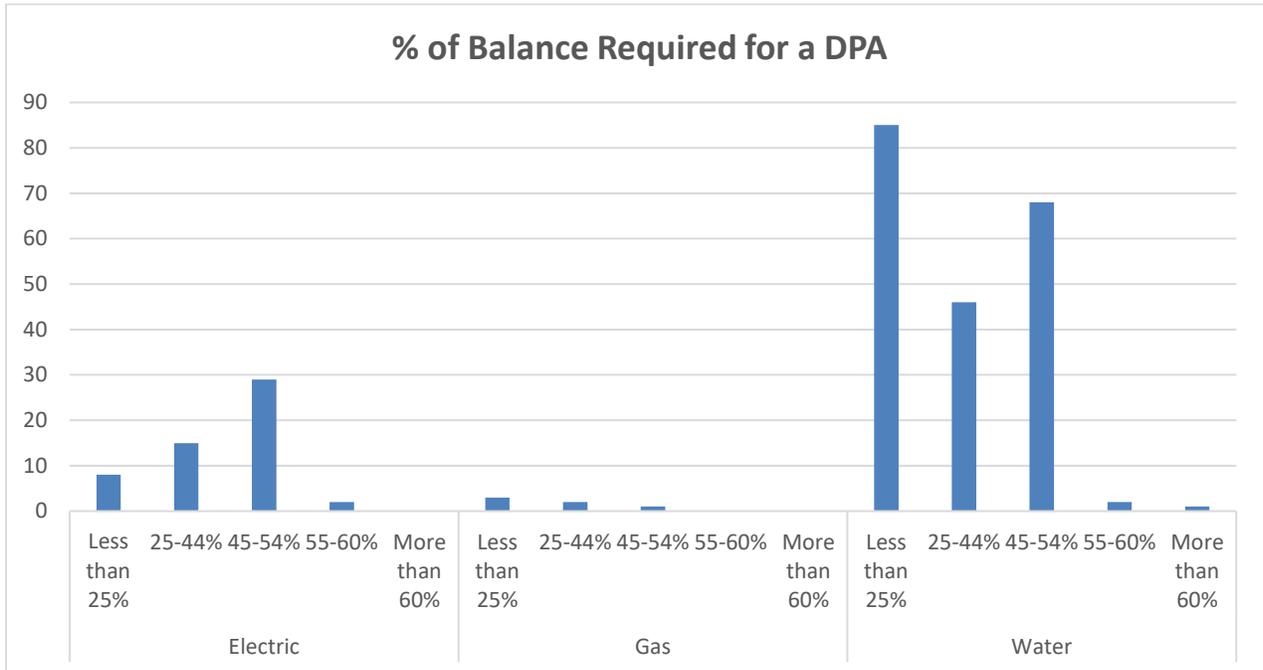
As of the third quarter of 2021, the total dollar amount in a new DPA was \$72,147,669, again demonstrating an increase from the first to second quarter and a slight decrease moving into the third quarter.

**Chart 8:** Dollar amount of new customers in a DPA by service type

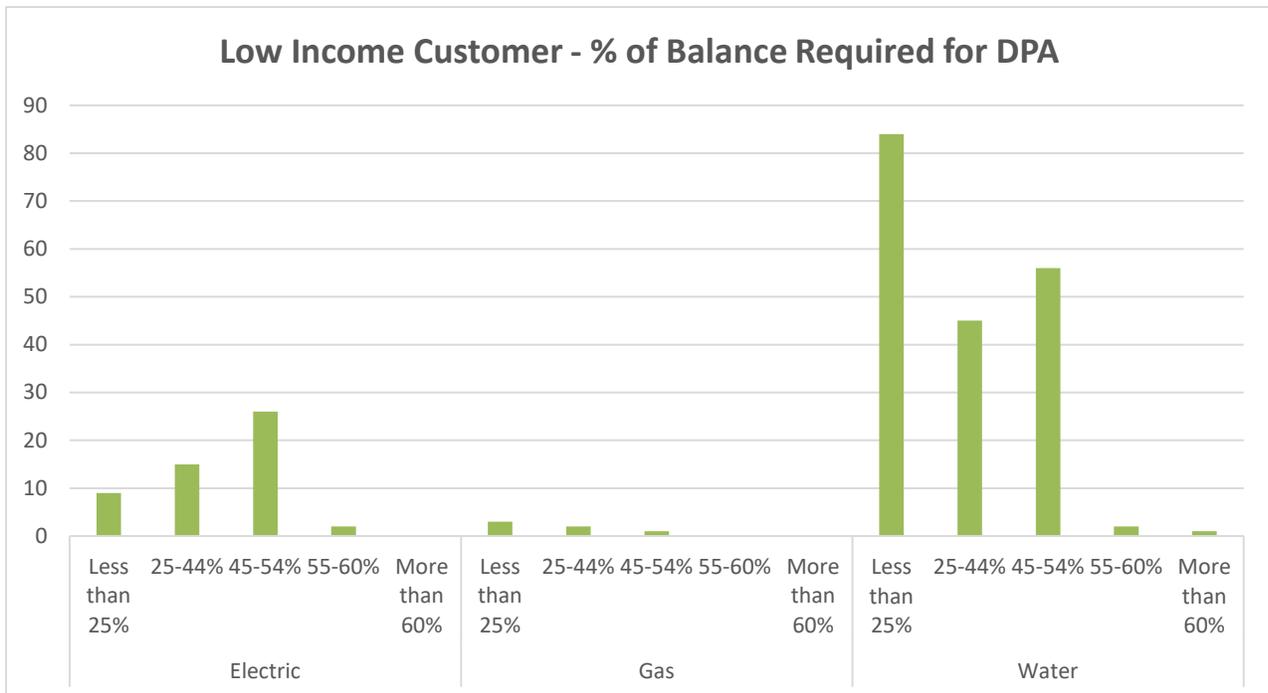


The majority of reporting utilities indicated they require less than 50 percent of the arrears to be paid as a down payment in order for a customer to establish a DPA, regardless of whether the customer is residential or residential low-income. In Commission staff’s March 3, 2021 memorandum ([PSC REF#: 406149](#)), the majority of utilities indicated requiring 50 percent of arrears as a down payment in order for a customer to enroll in a DPA. Utilities have shifted to offering DPAs with more flexible terms and down payment amounts. This shift is consistent with the requirement in Wis. Admin. Code §§ PSC 113.0404(3), 134.063(3) and 185.38(3) that utilities take into account individual customer circumstances when negotiating a DPA. This shift appears to have resulted in increased numbers and percentages of customers entering into payment agreements and making some payment.

**Chart 9: Percent balance required to establish a DPA**



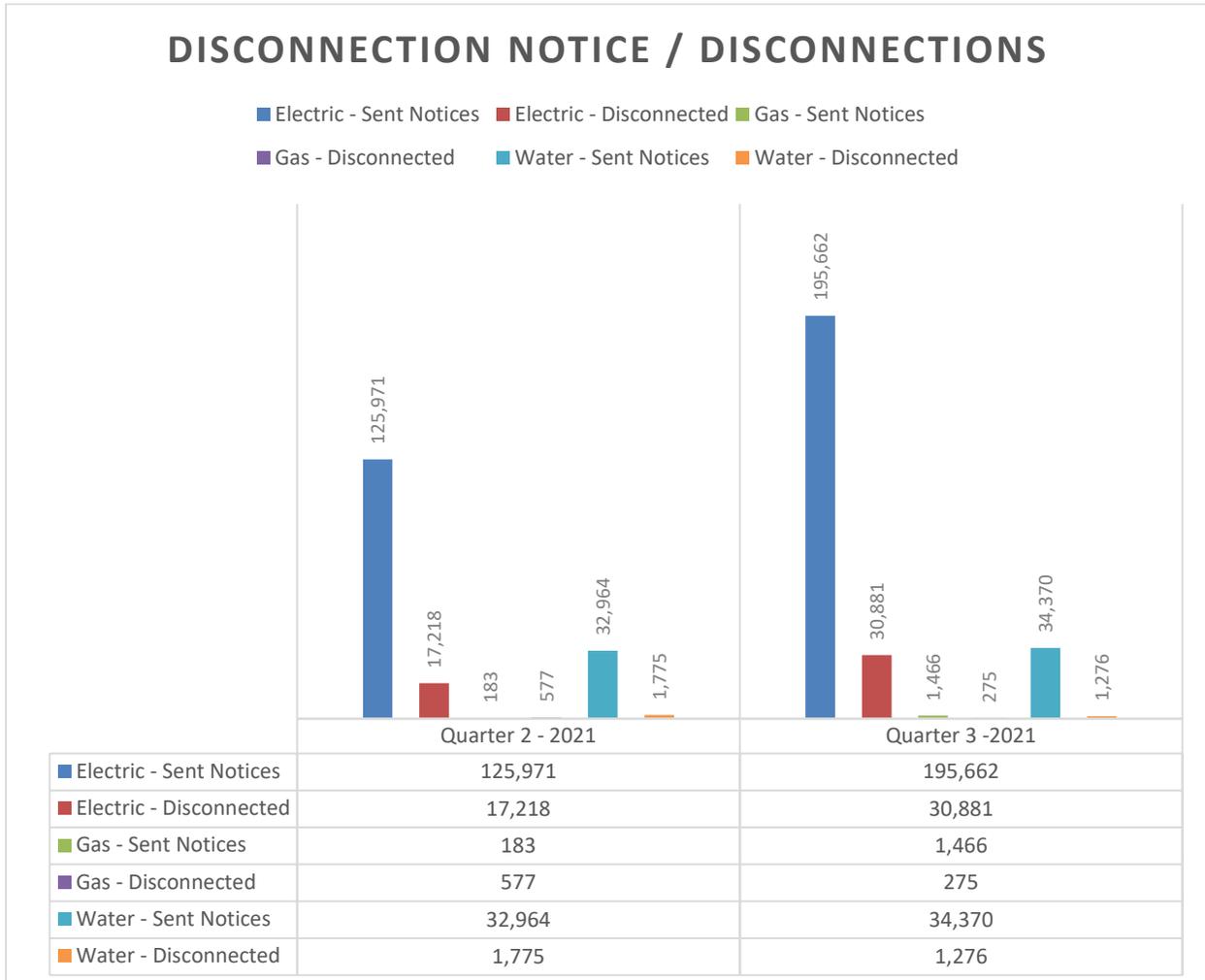
**Chart 10: Percent balance required to establish a DPA – Low-income**



Disconnections resumed in the second quarter of 2021. Utilities were allowed to resume disconnecting residential service for non-payment as of April 15, 2021. Chart 11 below shows

the number of disconnection notices sent and the number of completed disconnections by service type. Utilities were required to offer DPAs to customers and, as shown in the charts above, many customers established DPAs with utilities in the second quarter as disconnection activity began. This may have contributed to the lower number of disconnection notices and disconnections for electric service in the second quarter compared to the third quarter.

**Chart 11:** Total number of disconnections notices vs. number of customers disconnected <sup>6</sup>



Several factors may account for the customer trends observed in the data. Overall, arrearages are lower in 2021 as compared to 2020 and appear to be on a downward trajectory coming into 2022. The 2021 data demonstrates increases in: the dollar amount and number of customers with arrearages, and DPAs and disconnections from the first quarter to the second quarter of 2021. The data also indicates slight decreases in these metrics heading into the third

<sup>6</sup> Alliant Energy does not parse out the disconnection notices sent to gas and electric customers since many customer have both service types. For the purposes of this report, the disconnection notices sent to Alliant Energy gas customers are captured in the electric amounts. Disconnection notices for gas customers captured in the electric amounts likely account for the there being more disconnections of gas customers than disconnections notices having been sent to gas customers in the 2<sup>nd</sup> Quarter.

quarter. Under this docket, the Commission prohibited utilities from disconnecting residential service for non-payment until it lifted the moratorium on disconnections on April 15, 2021. Therefore, at the beginning of the second quarter, many utilities resumed disconnecting residential service for nonpayment, accounting for the increase in disconnection notices and disconnections in the second quarter.

Furthermore, the increase in the number of DPAs and in new DPAs helped decrease the number of disconnections and arrearages. Typically, when a customer receives a disconnection notice, it drives customer payment and establishing a DPA. As a part of their arrearage management planning, many utilities are offering flexible DPAs with lower down payments and longer repayment terms, while some utilities also offer arrearage forgiveness payment plans to qualifying customers. The lower down payment options make it feasible for more customers to establish a DPA and provide customers facing financial hardships with an incentive to prioritize payment to the utility, and a pathway to managing the account balance. Utilities have increased efforts to communicate with customers to make them aware of the different financial assistance resources available to assist with the payment of their utility bills. Moreover, the additional financial assistance that qualifying customers received, coupled with DEHCR taking a strongly proactive approach to working with utilities, helped reduce customer arrears overall and lowered disconnection numbers.

Many of the data points gathered under this reporting requirement have been useful in establishing an ongoing baseline to calibrate or contextualize Commission consideration of issues related to arrears, collections and customer assistance programs. At the same time, the data collected in this docket is limited somewhat by the utilities' response rates. To that end, staff has developed an update to the permanent Commission utility annual reporting for both

investor owned and municipal utilities, to collect annual data from all utilities on: residential arrears, number of disconnection notices, disconnections, and for municipal utilities, data on arrears placed on the tax roll. Commission staff continues to collect detailed arrears and collection information (DPA, deposit, disconnection, energy assistance, and minimum payment option data) in the Spring and Fall of each year from the state's largest investor owned utilities. Pursuant to Wis. Admin. Code §§ PSC 134.0623 and PSC 113.0303, all gas and electric utilities file reports with the Commission starting in the fall of each year, stating the number of dwellings assumed to be occupied where service remains disconnected as of November 1st or later and the reason that service has not been reconnected. Utilities that continue to have dwellings without gas or electric service which may be occupied must file subsequent weekly reports until all dwellings are reconnected or are confirmed to be vacant.

Currently, utilities are required to submit quarterly information regarding collections actions and arrears until further order of the Commission as part of this docket. The Commission may wish to consider, based on the information provided in this update together with the other, permanent reporting collected, whether it remains necessary to require reporting on a quarterly basis, or whether it may wish to modify the reporting requirement, or to discontinue the quarterly reporting requirement under this docket.

**Alternatives – Reporting on Collections and Arrearages (more than one may apply)**

**Alternative One:** Take no action.

**Alternative Two:** Modify, pursuant to the Commission’s discussion, the requirement that all utilities shall supply reporting quarterly, in a format provided by Commission staff, on arrears and collection information, information regarding the utility’s plans for communicating with customers about collections and arrears management, and the financial impacts of the utility’s arrears.

**Alternative Three:** Discontinue the reporting requirement.

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