COVID-driven Arrearages & Rising Energy Prices Increase Risk of Utility Shutoffs

November 2022

This issue brief is being released as Massachusetts households approach a winter of unprecedented energy prices. As of its October 24 weekly survey,[1] the state Energy Office reported an average price for home heating oil of $5.69 per gallon, up 72% from the same time last year, and up 175% from just two years ago.[2] National Grid, one the largest electric companies in the state, announced a 64% increase[3] in the prices it charges residential customers: this increase went into effect on November 1. Eversource, the state's other large electric utility, is expected to announce somewhat comparable increases in its winter rates by mid-November. While prices for natural gas are not increasing as sharply, the state Energy Office predicts that winter 2022-2023 prices will be almost 25% higher than in the prior winter.[4] There have even been reports of some kerosene dealers not being able to get supply at all. This coming winter will be harder than any prior winter for those who struggle to pay the heating bills as they try to keep warm.

Given these extraordinary energy prices, this brief provides an update on the arrearages already incurred by Massachusetts gas and electric customers[5] as reported through July 2022 by MA Investor Owned Utilities (IOUs) in Department of Public Utilities (DPU) docket 20-58.[6] Previous reports[7] from the National Consumer Law Center (NCLC) showed that COVID-19 severely impacted hundreds of thousands of customers' ability to pay their bills, creating a new class of struggling residential customers who previously were able to pay their bills but fell behind due to the pandemic. It is important to note that data discussed in this report include data for Fitchburg Gas and Electric (Fitchburg), where previous reports excluded it; therefore, numbers reported in the table below will be slightly different from those that appear in previous reports.

Table 1: Summary of Key Data from Past Reports, Plus Recent Data:

Report Release Date	Data Reported On	Dollar Value of Arrears Held by Customers More Than 90 Behind		Average Amount Owed by Customers More than 90 Days Behind		Percent of Customers in Arrears who are More than 90 Days Behind	
		Standard Rate[8]	Discount Rate[9]	Standard Rate	Discount Rate	Standard Rate	Discount Rate
Start of Shutdown	March 2020	$220.5M	$175.3M	$903	$1,399	36%	62%
February 2021	November 2020	$355.7M	$206.2M	$1,002	$1,358	53%	71%
November 2021	June 2021	$429.3M	$247.8M	$1,337	$1,666	52%	67%
February 2022	December 2021	$336M	$230.4M	$1,193	$1,576	47%	70%
Current Report	July 2022	$357.4M	$245.1M	$1,191	$1,629	52%	75%

The July 2022 data highlights that hundreds of thousands of MA residential customers are still severely struggling: those who are more than 90 days behind, and thus at high risk of termination, continue to be much farther behind on their bills compared to when the COVID-19 shutdown began in March 2020. In July 2022, there were nearly half a million residential customers (450,403) more than 90 days behind on their energy bills, owing a total of $602.5 million dollars, or $1,338 each on average.

Summary:

- The COVID-19 pandemic has created a new class of struggling customers who continue to be unable to pay their bills, indicating that assistance either did not reach all who needed it or was not enough.
- The percent of residential households who are significantly behind on their bills is much larger than when COVID arrived: 52% of standard rate customers are more than 90 days in arrears as of July 2022 (compared to 36% in March 2020), and 75% of discount rate customers are in arrears more than 90 days as of July 2022 (compared to 62% in March 2020).
- Standard rate customers appear to be hit particularly hard, as their average arrears have increased 32% since March 2020 (from $903 to $1,191) while discount rate customers have seen their average arrears increase a much smaller 16% (from $1,399 to $1,629). These standard rate customers are far less likely to know of the assistance that may be available to help with paying utility bills. Additionally, these customers will remain at high risk of disconnection throughout the winter as they are not automatically protected by the income-limited winter moratorium on terminations beginning mid-November.

Recommendations:

- More funding from the federal and state government for the Low-Income Home Energy Assistance Program (LIHEAP) is critically needed. In addition, the state and utility companies must continue their expanded outreach efforts to make sure all struggling customers, particularly standard rate customers who are behind on their bills, are aware of the available assistance and can easily apply.
- The state Department of Public Utilities (DPU) must require more granular data reporting on disconnections, reconnections, and other regularly reported credit and collection data. In order to analyze and address any geographic or demographic disparities, particularly racial disparities, this data should be disaggregated by zip code, or, preferably, census tract.

As we head into a winter of unprecedented energy prices, there are also concerns that the New England region may struggle to get adequate supplies of natural gas.[10] These circumstances will only deepen the hole that many customers find themselves in. As discussed in previous reports, standard rate customers, or those not coded as low-income, have been impacted severely, and will feel the full weight of these price increases. These customers will not be protected by the winter shutoff moratorium that begins in November for discount rate customers, and are likely not used to accessing, or are possibly still unaware of, the assistance that is available to them. Since the COVID-19 residential shut-off moratorium was lifted in July 2021, there have been 56,247 residential terminations of electric and gas service.[11] While there have been 33,880 residential reconnections during that same period, we do not have the data needed to fully understand how long customers were without service or if the same customers who were

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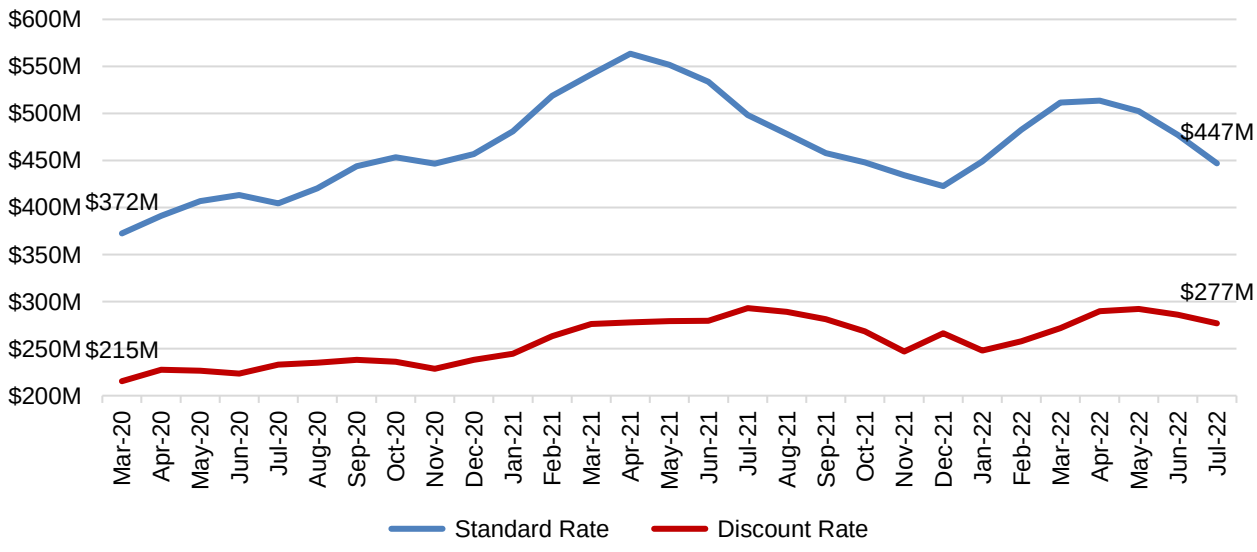
disconnected were reconnected. Better data is needed to understand the experience of those terminated, which will allow for developing policy responses.

When reading through the data in this brief, it is important to remember that unpaid bills most often illustrate a customer's inability to pay, rather than their disinterest in making payments. The data makes it clear that there are hundreds of thousands of standard rate customers struggling to pay the bills, many of whom may qualify for the discount rate but are unaware of its existence or that they qualify: again, these customers will be at high risk of termination going into the coldest months. Additionally, it is reasonable to assume that households of color are carrying a disproportionate share of these unpaid bills and have been disproportionately experiencing termination and threat of termination compared to white households of comparable income. National survey data and credit and collection data available in other jurisdictions show that households of color disproportionately experience energy insecurity even when adjusting for income – more frequent threats of termination or actual disconnection of utility service,[12] higher energy burdens,[13] and a greater likelihood that the household will have to forgo other basic necessities to pay an energy bill.[14] It is imperative that there is public access to credit and collection data that has been further disaggregated by zip code or census tract to identify any racial disparities and address them.[15] Our previous reports include a more in-depth discussion of the likely racially disparate impacts.

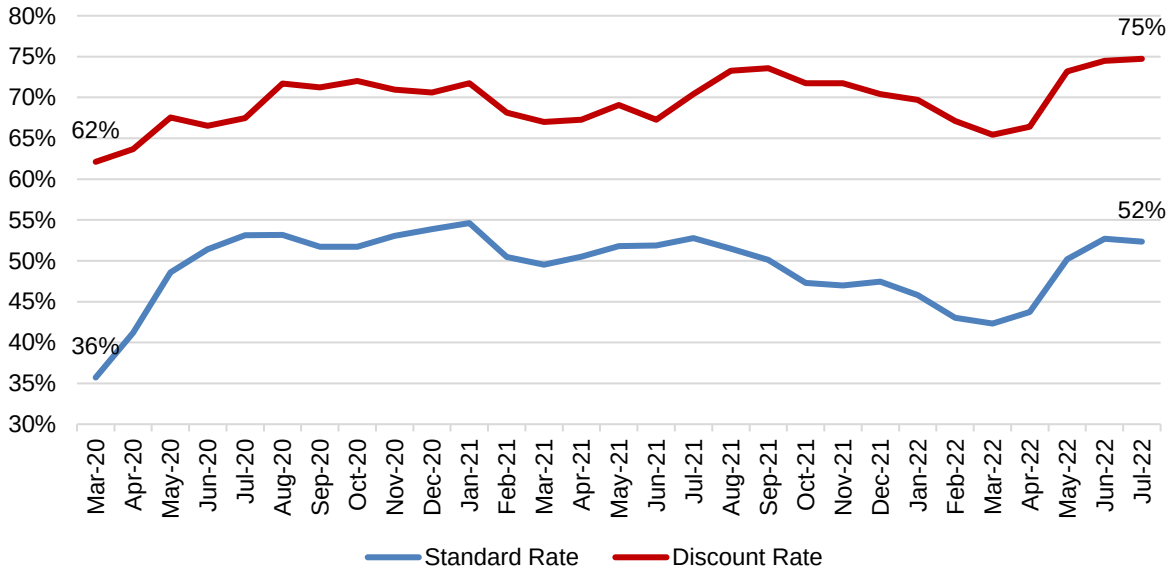
The COVID-19 pandemic has created a new class of struggling customers unable to pay their bills. This group seems to be split between those who suffered significantly at the outset of the pandemic but have been able to recover and those who continue to fall even farther behind. For context, Chart 1 shows the overall arrears more than 30 days old held by standard and discount rate residential customers since March 2020. Both customer classes still owed significantly more overall in July 2022 than in March 2020 – standard rate customers owed over $447 million, a nearly $75 million increase, and discount rate customers owed nearly $277 million, a more than $64 million increase (Chart 1).

Chart 1: Total Dollar Value of Arrears Owed by Discount and Standard Rate Customers, March 2020–July 2022



This update however focusses specifically on customers more than 90 days behind. Standard rate customers this far behind may still be suffering economic harm from the effects of COVID-19, may be unaware of available assistance, and will continue to be at risk of termination throughout the cold winter months. While discount rate customers more than 90 days behind will be protected from termination throughout the winter, they will be at high risk of termination outside of the winter moratorium months. Nearly 300,000 standard rate customers and 150,500 discount rate customers were more than 90 days behind on their bills in July 2022, an increase of 55,662 (18%) and 25,174 (17%) from March 2020 respectively. Among all standard rate customers who are in arrears, 52% of them were behind by at least 90 days in July 2022, up 16% from March 2020. Among all discount rate customers in arrears, 75% were more than 90 days behind in July 2022, up 13% from March 2020 (Chart 2).

Chart 2: Percent of Standard Rate and Discount Rate Residential Customers Already in Arrears, Who Are More than 90 Days Behind on Their Bills March 2020–July 2022



The total dollar value of arrears more than 90 days old is still significantly higher than at the beginning of the pandemic. Standard rate customers more than 90 days behind owed a total of $357 million in July 2022, an increase of about $137 million, or 62%, from March 2020. Discount rate customers in arrears for at least 90 days owed nearly $70 million (40%) more in July 2022, totaling over $245 million (Chart 3). The average amount owed per customer 90 days behind tells an equally alarming story. Standard rate residential customers owed $1,191 on average in July 2022 compared to just $903 in March 2020, an increase of nearly $300, or 33%. Discount rate customers owed $1,629 on average in July 2022, $230 more than in March 2020 (Chart 4).

Chart 3: Dollar Amount Owed by Standard and Discount Rate Customers Who Are More than 90 Days Behind on Their Bills, March 2020–July 2022

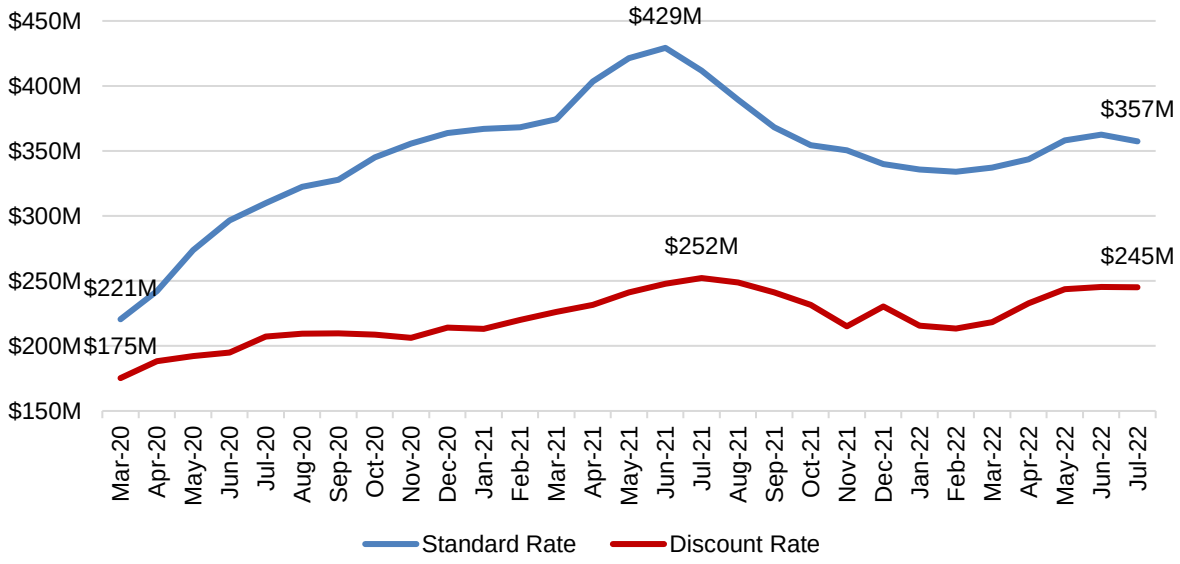
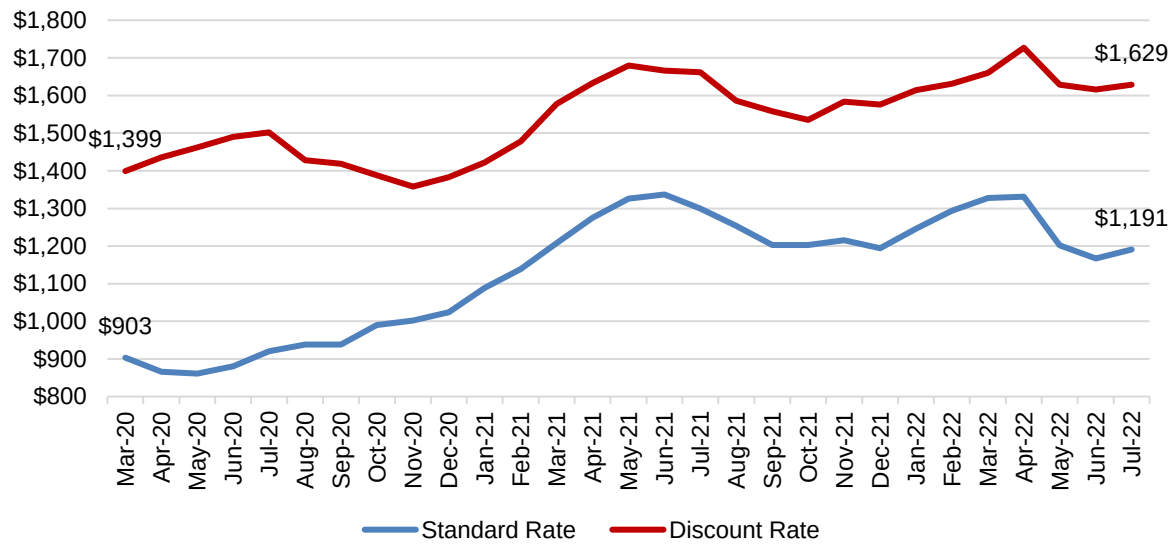


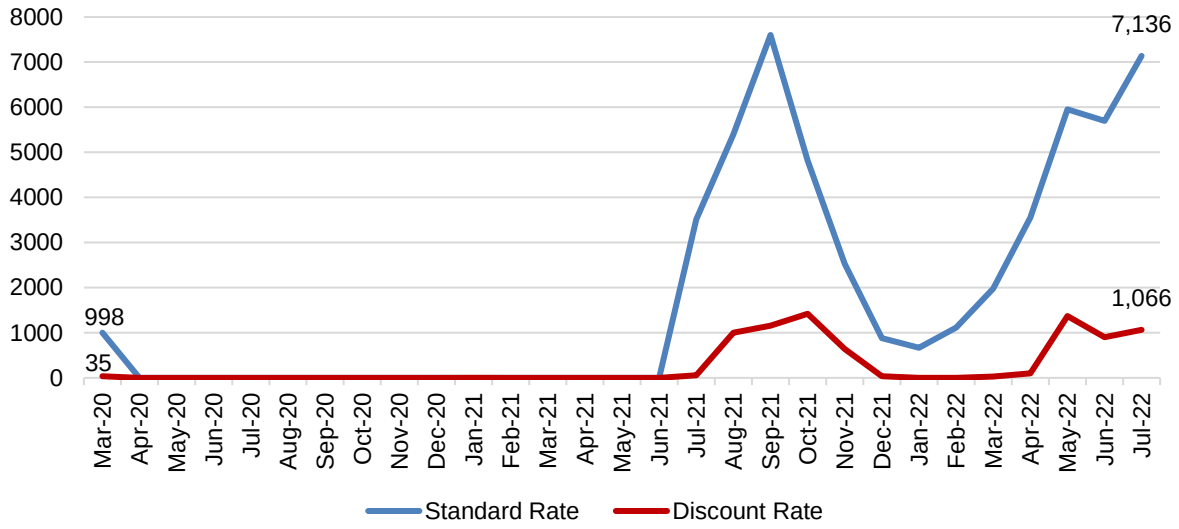
Chart 4: Average Amount Owed by Discount and Standard Rate Customers more than 90 Days Behind on Their Bills, March 2020–July 2022



The high level of arrears held by customers more than 90 days late is especially concerning because, as mentioned, these are the customers generally first in line to be disconnected. In July 2022, 7,136 standard rate customers, and 1,066 discount rate customers had their service terminated (Chart 5). While it appears that a fairly high percentage of these customers were reconnected, there are a few reasons why drawing definitive conclusions from this data are difficult. First, we have no way of knowing how long customers were disconnected. Second, we are unable to compare whether the same customers who were disconnected were then

reconnected. Lastly, customers may have been on the standard rate when disconnected, but upon reconnection were discovered to be eligible for the discount rate, and were therefore reconnected as such, making any reconnection ratios by customer class difficult to estimate. We need more granular disconnection and reconnection data to get a picture of the termination experience that customers are facing and be able to make calculations such as the reconnection ratio and the average amount of time that customers were disconnected. This information would be invaluable for policy development and consumer protection going forward.

Chart 5: Number of Discount and Standard Rate Customers Disconnected for Non-Payment, March 2020–July 2022



From the data presented here, it is clear that many Massachusetts residential utility customers are struggling in the wake of the pandemic, with those who are behind falling even more severely behind. Many of these customers will remain eligible for termination, even after the shut off moratorium takes effect for discount rate customers in November. With the increase in heating and electric bills this winter, we expect the situation to worsen for many. In addition to better data collection, more assistance is needed to keep struggling consumers connected to essential utility services this winter and keep customers from falling too far behind. Supplemental funding for LIHEAP is necessary, and more outreach is needed to make sure that eligible customers are connected with assistance programs and subsequently put on the discount rate. Additionally, strong efforts must be made to reduce bills before they even reach customers mailboxes.

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Endnotes

[1] Energy Policy, Planning & Analysis Division, Massachusetts Department of Energy Resources, "Massachusetts Home Heating Fuels Prices."
[2] U.S. Energy Information Administration, "Weekly Massachusetts No. 2 Heating Oil Residential Price."
[3] Alysha Palumbo, NBC10Boston, "Mass. Energy Price Hikes Go Into Effect," (November 1, 2022).
[4] Energy Policy, Planning & Analysis Division, Massachusetts Department of Energy Resources, "Massachusetts Household Heating Costs."
[5] These companies include three National Grid operating companies (Massachusetts Electric Company, Boston Gas, and Colonial Gas Company); four Eversource reporting entities (Western Massachusetts and Eastern Massachusetts Electric, Eversource Gas [formerly Columbia Gas], and Eastern Massachusetts Gas), Berkshire Gas, Liberty Utilities, and Fitchburg Gas and Electric. **Note: previous reports did not include data from Fitchburg Gas and Electric.**
[6] DPU Docket 20-58, "Inquiry of the Department of Public Utilities into Establishing Policies and Practices for Electric and Gas Companies Regarding Customer Assistance and Ratemaking Measures in Connection to the State of Emergency Regarding the Novel Coronavirus (COVID19)" (opened May 8, 2020).
[7] February and November 2021, and February 2022
[8] "Standard rate residential customers" refers only to residential customers who have not been coded as low-income, and "discount rate residential customers" refers to only residential customers who have been coded as low-income. "Residential customers" refers to the aggregate of customers on the standard rate and those on the discount rate.
[9] *Ibid*.
[10] Grace Finerman and Ray Brewer, WMUR9, "Eversource CEO says he wrote letter to president because of upcoming winter challenges" (November 1, 2022).
[11] Termination data does not include terminations performed by Liberty Utilities because we do not have reconnection data for those customers.
[12] Environmental Resilience Institute (ERI), Indiana University, "Survey of Household Energy Insecurity in Time of COVID Preliminary Results of Wave-2, and Wave-1 and Wave-2 Combined September 22, 2020;" Steve Daniels, Crain's Chicago Business, "ComEd cuts off 1 in 25 households in Black South Side neighborhoods" (November 17, 2020); Steve Daniels, Crain's Chicago Business, "One way to measure the depth of pandemic pain" (October 23, 2021).
[13] Auffhammer, Maximilian, Energy Institute Blog, UC Berkeley Energy Institute at Haas,"Consuming Energy While Black" (June 22, 2020).
[14] Data pulled and cross tabulated by the National Consumer Law Center from the U.S Department of Energy/Energy Information Administration 2015 Residential Energy Consumption Survey Microdata (Sept. 2018).
[15] John Howat, National Consumer Law Center, "The Need for Utility Reporting of Key Credit and Collections Data Now and After Covid-19 Crisis" (April 2020).