

Appendix B

UTC Staff Water Utility Options COVID-19 Recovery

This Appendix B contains separate provisions from, the revised term sheet applicable to energy companies attached to the Commission's Order 01, Docket U-200281, issued October 20, 2020. UTC's Staff Water Utility Options Appendix B is directed to water utilities only for COVID-19 recovery.

Staff notes that water utilities are subject to the Governor Inslee's utility disconnection moratorium but were not members of the UTC COVID-19 workgroup or its process, which focused on energy utilities. A water industry stakeholders' group will be held in July or August. Staff recommends water utilities work with the Commission's regulatory and consumer protection staff to ensure appropriate transition plans and consumer protections are in place for their respective companies.

Section A – Disconnection Moratorium

Staff recommends the Commission:

1. Suspend disconnection of water utility services for customers until September 30, 2021 (Resumption Date).
2. Water utilities may resume issuing disconnection notices, including the delivery of a 60-day disconnect resumption notice described below, on or after September 30, 2021, or as a bill insert with their September 2021 billing cycle, so long as no disconnections occur prior to September 30, 2021.
3. Ensure the water utilities have met the following provisions prior to resuming disconnection:
 - a. Provide a 30-day notice to customers at least one bill cycle in advance of the resumption of disconnections by that water utility. This notice shall be in writing (at a minimum in English and Spanish), or by the customer's preferred method of receiving communications, to all customers and include:
 - i. The resumption date of water utility service disconnections,
 - ii. The resumption date of late fees and deposits as outlined in the *Fees* section below,
 - iii. All flexible payment options that are available to avoid disconnection and how to enroll in each flexible payment option,
 - iv. Outline all programs that may provide financial assistance to customers,
 - v. Water utility company contact information,
 - vi. Commission contact information including the commission's toll-

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free number 888-333-WUTC (9882), email consumer@utc.wa.gov, web address www.utc.wa.gov, and mailing address PO Box 47250, Olympia, WA 98504-7250.

- b. Make a good-faith effort to contact the customer to inform the customer of flexible payment options, financial assistance programs, and any other means to avoid disconnection.
- c. Display prominently on the water utility website all information regarding the flexible payment options and financial assistance programs available to customers.
- d. Issue disconnection notice(s) specified in WAC 480-110-355 and the water utility's tariff where more restrictive than the rules.
- e. Follow any applicable disconnection processes outlined in WAC 480-110-355 and the water utility tariff.
 - i. For a minimum of 180 days after the Resumption Date, each disconnection notice needs to include information on the availability of, and how to apply for assistance programs, low-income assistance, exemptions for low-income assistance and medical emergencies.
 - ii. Companies must notify commission staff at disconnects@utc.wa.gov prior to disconnecting any customer for up to 12 months after the disconnection Resumption Date. Commission staff will commence a review of the affected customer's account, and the company must halt the disconnection process for that customer account until commission staff notifies the company they can proceed.
- f. Customers applying for, receiving, and/or participating in a long-term payment arrangement, bill assistance, or medical certification protection will not be disconnected from service.
- g. Ensure language barriers are removed by providing translation services either through its own customer service center or a contracted language translation and interpretation service provider.

Section B – Reconnection of previously disconnected customers

Staff recommends the Commission require:

1. The water utilities make a good-faith effort to contact customers, if any, who were disconnected for nonpayment between January 1, 2020, and April 17, 2020, and offer reconnection, except when:
 - a. Reconnection could compromise safe operations,
 - b. The water utility has proof that the customer benefitted from theft or tampering, or
 - c. The premises are vacant or unoccupied.

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2. If reconnection is denied, the utility must provide the Commission's contact information so the customer can dispute utility's decision.
3. Reconnection be offered only for the same service address that was previously disconnected for nonpayment, and each water utility shall waive any fees for reconnections provided under this section.
4. The water utilities to offer any applicable flexible payment plans or other assistance programs to these customers.

Section C – Fees

Staff recommends the Commission:

1. Waive late fees, interest and deposit requirements for existing customers until 180 days after the Resumption Date.
2. Waive any applicable disconnection and reconnection fees until 180 days after the Resumption Date.
3. Prohibit charging any “disconnection visit fees,” or “site visit fees” related to disconnection activities for 180 days after the Resumption Date. The Commission considers such fees to be “disconnection fees” as that term is used in the Third Revised Term Sheet.¹

Section D – Long-term Payment Arrangements

Staff recommends:

1. Each water utility should offer extended Time Payment Arrangements (TPAs) for up to 18 months for customers.
2. Each water utility will offer the availability of these TPAs for 180 days after the Resumption Date. Additional plan requirements or parameters are provided below:
 - a. A customer whose financial condition changes during the term of a TPA, or a customer who defaults on a TPA and seeks to reestablish payment arrangements, may do so one time under the same terms described above.
 - b. Missing two consecutive payments does not constitute default on the payment plan.
 - c. Financial hardship may be verbally expressed and does not require documentation.
 - d. The water utility must disclose to customers seeking long-term payment arrangements all the programs available to address arrearages, including bill assistance.

¹ Docket U-200281 Order 03 ¶42

- e. No customer will be required to make a down payment or deposit.

Section E – Credit and Collection Process

Staff recommends that the water utilities refrain from sending active customer accounts to collection agencies, credit bureaus, or reporting agencies until 180 days after the Resumption Date.

Section F – Cost Recovery

Staff provides the following guiding principles for the Commission to consider regarding COVID-19 deferred accounting:

1. Petitions must identify specific categories of expenditures and certain revenues and not include overly broad requests. While it is neither normal Commission practice, nor Staff's preference to allow the deferral of revenues, this is an unprecedented time, and the future financial stability and liquidity of the regulated utilities is of equal important to the immediate customers' protection needs.
2. Establishment of regulatory asset accounts that provide for specific expenditure and revenue categories and regulatory liability accounts for identified benefits. However, due to the unprecedented nature of the COVID-19 pandemic, Staff understands that not all costs and benefits may be known at this time and does not recommend the Commission require the Utilities to provide the estimated deferral amounts at this time.
3. Recovery of any deferrals be subject to a future Commission proceeding for prudence as per the Commission's normal practice.

Staff supports the following for consideration of deferral treatment:

1. Direct costs for reasonable measures taken by the water utility in response to the COVID-19 pandemic, including incremental costs associated with personal protective equipment, cleaning supplies and services, contact tracing, medical testing, financing costs to secure liquidity, information technology updates, equipment needed for remote work options, and the administrative needs to implement the term sheet components accepted by the Commission. Direct costs are net of savings, credits, payments, or other benefits received by the water utility from a federal, state, or local government that are directly related to a COVID-19 direct cost, including federal, state, or local tax credits or benefits.
2. Any amount of bad debt expense accrued in 2020, 2021 and 2022 above the bad debt baseline as defined below. While the water utility will defer the bad debt expense that is accrued above the baseline being collected from customers today, it will not collect any amount above the actual amount that is written-off. The bad debt expense baseline is the amount that is currently being collected from customers for bad debt, as determined over the previous five years (2015-2019) or in the most recent general rate case filed

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after 2015.

3. For calendar year 2020 the average annual amount of late payment fees collected over the previous five years (2015-2019) less the actual amount collected by the water utility from January 1, 2020, through March 1, 2020, for calendar year 2020. For 2021, the water utility may defer the average annual amount of late payment fees collected from 2015-2019, prorated monthly for the period of January 1, 2021, through the Resumption Date plus 180 days. If the Resumption Date plus 180 days extends into 2022, the water utility may defer late payment fees using the same formula as described for 2021 in 2022.
4. For calendar year 2020 the average annual amount of reconnection charges collected over the previous five years (2015-2019) less the actual amount collected by the water utility from January 1, 2020, through March 1, 2020, for calendar year 2020. For 2021, the water utility may defer the average annual amount of reconnection charges collected from 2015-2019, prorated monthly for the period of January 1, 2021, through the Resumption date plus 180 days. If the Resumption date plus 180 days extends into 2022, the water utility may defer reconnection charges using the same formula as described for 2021 in 2022.

Staff opposes the deferral of lost revenues due to the reduction in customer usage.

Section G –Reporting

Staff recommends the water utilities provide the data listed in Section H at the time of any request for consideration of treatment or cost recovery, including any cost recovery through a general rate filing.

Section H – List of Requested Data to be Filed

All reports under this Section H must include data broken down by billing period and number of customers **by meter size**.

1. Disconnections:
 - a. The number of customers disconnected each month during the period.
 - b. Average duration of disconnection.
2. Fees

The number of customers assessed late payment fees, disconnection fees, or reconnection fees or charges each month during the period, and the aggregate amount of each type of fee charged.
3. Long-term Payment Agreements
 - a. The number of customers taking service each month during the period under existing long-term payment agreements.
 - b. The number of customers completing long-term payment agreements each

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month during the period.

4. Medical Certificate Data

The number of customers taking service during the period under existing medical payment arrangements.

5. Deposits

The number of customers by meter size with required deposits with the company.

6. Bill Assistance

Number of customers receiving bill assistance or enrolled in any other assistance program.

7. Past Due Balances

- a. The number of customers with past-due balances (arrearages);
- b. The amount of past-due balances that are 30, 60, 90, and more than 90 days past due, and the total amount of arrearages;
- c. The amount of past-due balances classified as uncollectible;
- d. If different than item c, the number of past-due balances written off and classified as bad debt; and
- e. The number of customer accounts referred to collection agencies, the total amount of debt referred for collection, and total revenue to the company from the collection process.

8. Outreach activities

Please provide both a narrative and the specific number of contacts the company made by phone, mail, email, etc.

Reporting on water utility costs in responding to COVID-19 should be reported as recommended in the *Cost Recovery* section of this document.