

Before the Consumer Protection & Professional Licensure Committee
Senate of Pennsylvania
Hearing on Reauthorization of Chapter 14 of the Public Utility Code

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On behalf of the Pennsylvania Chapter of the National Association of Water Companies

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Good morning Chairman Stefano, Chairman Boscola and members of the Senate Consumer Protection & Professional Licensure Committees.

My name is Laura Martin, Senior Director of Government and External Affairs for Pennsylvania American Water. I am honored to speak to you today on behalf of the Pennsylvania Chapter of the National Association of Water Companies. I would like to thank you for providing this opportunity for public comment and discourse on the important issues surrounding the reauthorization of Chapter 14, The Responsible Utility Consumer Protection Act.

The Responsible Utility Customer Protection Act was effective December 14, 2004. Its aim was to create a balance between customers, utilities and regulators regarding the collection of debt. Chapter 14 recognized that the ultimate cost of unpaid debts falls to utility ratepayers and sought to provide a framework in which customers who have trouble paying their utility bills could receive assistance. Customers as a whole benefit from a fair and effective collections process, as paying customers pick up the tab for uncollectible expenses – i.e. unpaid bills.

It is the view of our organization that Pennsylvania, as a result of Chapter 14, provides some of the most favorable protections of any state in the country for customers who fall behind in paying their bills. For example, it identifies important provisions to protect vulnerable customers, such as victims of

domestic violence and individuals with serious illnesses. With regard to payment arrangements, it allows for an additional payment arrangement from the utility for customers with changes in circumstances, such as the loss of a job, and it also maintains the right and ability of a customer to contact the Public Utility Commission to obtain an additional payment arrangement if that customer has already exhausted their allowable payment arrangements through their utility.

All of our member water utilities offer customer assistance programs, from grants that can help a customer alleviate a debt and avoid termination, to monthly bill discounts designed to make bills more affordable for low-income customers. And, in some cases, such as Aqua's CAP, customers can wholly defer arrears and receive arrearage forgiveness benefits for each timely bill paid. Our customer service agents work with customers that are facing financial challenges and offer these programs and other external resources, such as the Low-Income Household Water Assistance Program (LIHWAP), Emergency Rental Assistance Program (ERAP), and Pennsylvania Homeowners Assistance Program (PAHAF). As Mr. Fitzpatrick noted in his testimony today, customers with past due balances are contacted directly and receive a number of notices prior to a potential loss of service that include information about available assistance and protections. These touchpoints allow us to offer low-income households assistance and encourage them to make full use of the resources available to them.

Before terminating service, Pennsylvania utilities are required to provide three separate notifications to customers (four during the winter moratorium), and shutoffs are prohibited between Dec. 1 and March 31 for customers of certain income levels who use water in home heating. Customers receive an initial 10-day termination notice, followed by a 3-day notice, 48-hour notice (during winter moratorium) and time-of-termination notice. Water utilities have 60 days from the date of the 10-day notice to actually terminate service, meaning shutoffs typically do not occur immediately.

Unfortunately, the prospect of termination is often the sole motivating factor for a customer to seek out assistance from their utility. Receipt of the mailed notice or a personal contact attempt, such as a phone call or posted notice in the days ahead of termination, can be the only catalyst to contact the utility to establish a payment arrangement plan or apply for help. Extended moratoriums delay the interaction between the customer and the utility, leading to higher balances that can be difficult, if not insurmountable, for some customers. Moratoriums on winter terminations for heating services were implemented in 1976 as the result of the tragic loss of life of an elderly woman without heat. It is an important protection and should remain in place, but it is not intended to be a furlough from utility bill payment responsibility. Extending moratoriums beyond winter protections for those who use water for heating purposes would only defer contact with the utility, increasing balances, and ultimately bad debt.

Several things have changed since Chapter 14 was last reauthorized, and I wish to acknowledge those changes and address them accordingly. The COVID-19 pandemic dramatically impacted PUC-regulated water utilities and our customers, and the suspension of shutoffs for up to a year – either voluntarily or as a result of the PUC’s Utility Shutoff Moratorium – was essential to ensure the provision of critical utility services during an unprecedented global pandemic. However, customer arrearages remain high post-COVID and still have not normalized to pre-COVID levels. By example, one of our member companies has seen a nearly twofold increase in the percentage of customer balances over 90 days past due. Past due balances were at 9.26% in December 2019 compared to 15.38% at present, with the highest percentage of past due balances at the end of 2020 due to the moratorium, where they reached 21%. Creating new moratoriums and extending payment arrangements will only further inflate past-due balances, which ultimately are paid for by other customers.

Also, in 2019, the PUC CAP policy statement for electric and gas utilities changed, prompting many of our member companies to revise their programs consistent with this policy statement. For example, in response to this revised CAP policy statement, Pennsylvania American Water adopted a

multi-tiered bill discount program featuring the same income tiers recommended in the policy statement and adopted an online platform for applying for assistance grants.

In summary, Chapter 14 provides multiple layers of opportunities for our customers to obtain assistance and avoid termination of services while protecting the most vulnerable populations. At the same time, it incentivizes customers to seek assistance by providing clear consequences following ample notice. Eliminating the incentive for customers to make regular payments on their utility bills has negative long-term consequences for customers facing financial challenges. Making the utility credit and collections process more complex and allowing arrearages to reach levels where they can never realistically be repaid serves no one's interest – the nonpaying customer, the paying customer, nor the utility.

Lastly, I would like to raise a concern regarding the safety of our utility workers. As all of us are aware from daily news consumption, acts of aggression and even fatal interactions, are occurring more often in our society. While carrying out their daily duties, including shutting off water service, the men and women who complete these tasks regularly face threats of personal harm and intimidation. We support our colleagues who are seeking to limit the in-person interaction of the utility worker with the customer on the day of termination, as these situations can be emotionally charged and create unsafe environments for our workers. We are open to further dialogue about how we can best protect our utility workers who are vulnerable at the time of termination of service, but at a minimum, we believe that the current requirement for our workers to attempt to make in-person contact at the time of termination should be eliminated. Of the 14 states in which American Water operates, only three other states besides Pennsylvania still require this in-person contact. Even states with extremely progressive consumer protection policies like California do not have this requirement.

In summary, the Pennsylvania Chapter of the National Association of Water Companies recommends reauthorizing Chapter 14 in a manner that preserves the law's existing balance for all parties and proposes only modest changes to the law to improve safety for utility workers, respond to changes in technology, and improve efficiency. These recommended changes include: Eliminating the requirement for in-person contact at the time service is terminated to better protect worker safety; allowing for either written or electronic notice for termination notices in recognition of current technologies and operational efficiencies; and allowing for service terminations on Fridays when utilities can both accept payments and reconnect service on Saturdays.

In closing, I would like to again thank you for your time and interest in the reauthorization of Chapter 14. It is my sincere hope that as all of us work together on potential revisions to Chapter 14, we reflect on its original intent, as noted in its title, The Responsible Utility Consumer Protection Act.