Fact Sheet
Addressing Customer Debt:
Guidance for the Water Sector

Overview

During the COVID-19 pandemic, many water utilities have seen a significant rise in unpaid accounts. At the height of the pandemic, customers in a dozen large cities owed more than $1 billion to their water utilities. Many customers are still experiencing financial stress due to the impacts of COVID-19 and the scarcity of living-wage jobs. At the same time, some utilities lost revenue over the past few years as commercial water usage declined. As water utilities end shutoff moratoriums and resume charges aimed at enforcing payment, customers may face significant arrears, late fees, and reconnection fees that can make their bills more unaffordable. Beyond water bills, households may be paying off other utility debts and housing costs.

To help with water affordability and restore and maintain healthy revenue streams, utilities need new tools to address the levels of debt related to COVID-19. They also need strategies to ensure that low-income ratepayers can manage their bills and do not fall back into debt—and this includes taking a look at how fees and charges accumulate for people facing financial challenges. This fact sheet highlights promising strategies that utilities are implementing to address customer debt.

Opportunities for action

Offer debt forgiveness tied to payment plans.

Offering debt forgiveness as part of a payment plan arrangement allows customers to make smaller, regular payments that they can afford while easing the burden of arrears.

- The City of Chicago's Utility Billing Relief Program offers a discount to low-income customers that enroll in a payment plan for their water and sewer bills. Their debt does not accumulate fees while they are enrolled in the payment plan, and they are protected from shutoffs. After a year without overdue bills, past debt is forgiven. The program operates in partnership with the Community & Economic Development Association of Cook County, which also operates LIHEAP in Chicago.

- Customers enrolled in Philadelphia Water’s Tiered Assistance Program (TAP) are eligible for debt forgiveness after two years of monthly payments. TAP charges income-indexed rates to low-income customers.

- The San Francisco Public Utilities Commission is piloting a debt forgiveness program that provides significant arrearage forgiveness for low-income customers. Participants also receive discounts on their current bills.
Offer emergency grants that customers can use to pay off water debt.

Some utilities face legal or regulatory barriers to forgiving debt directly. They can still support customers by offering grants that customers can apply to overdue water bills or making the terms of repayment more flexible.

• **Seattle Public Utilities’** Emergency Assistance Program provides funding that customers can apply to their utility bills. Low-income customers are eligible for these grants once a year, or twice a year if there are children in the household.

• **Greater Cincinnati Water Works’** Economic Hardship Water Debt Forgiveness Program was created to forgive debts accrued during the pandemic for low-income customers and customers who were financially impacted by COVID-19. The program was open to property owners and tenants that pay their water bills.

Use other funding sources to allow utilities to offer debt relief.

With water debt spiking over the past few years, utilities are identifying new revenue sources to make it possible to offer relief for larger quantities of debt.

• The **Michigan Department of Health and Human Services** used CARES Act funding to assist water utilities with customer debt accrued during the pandemic. Funding to Detroit, Flint, Saginaw, and other cities allowed utilities to cover up to $700 in water bills for low-income customers.

• The **Los Angeles Department of Water and Power’s** Utility Grant Assistance Program used CARES funding to offer one-time $500 grants to pay utility bills (including gas, internet, and cell phone service). To qualify, customers had to have experienced a loss of income due to COVID-19, as well as be low-income or be enrolled in one of LADWP’s preexisting assistance programs.

Evaluate the impact of fees on customer debt.

Late fees, reconnection fees, and other penalties contribute to water debt. Utilities can analyze data on arrears in low-income neighborhoods to determine how much of the debt is due to fees assessed on unpaid accounts. If they are a significant cause of debt, this suggests that using fees to incentivize payment is not working and may contribute to unpayable balances that the utility is unlikely to recover. In these cases, utilities should consider eliminating fees and exploring more effective strategies. A recent study from the Kentucky Public Services Commission concluded that the moratorium on late fees during the pandemic has had no material effect on customer payments and recommended eliminating late fees entirely.

Target support to households with plumbing issues.

Some customers accrue water debt because of leaks or faulty plumbing. Utilities can help identify these situations by flagging accounts with unusually high usage and alerting them to the potential leak. They can then offer guidance on leak detection and assist low-income households with repairs. Utilities can also offer debt forgiveness for high bills once the leak is fixed.

• **Seattle Public Utilities** offers adjustments for large bills due to leaks, provided that the leak is repaired within 60 days.

• **Atlanta Department of Watershed Management’s** Care and Conserve Plumbing Repair Program helps customers with leaks make repairs and lower their bills. The program provides funding to nonprofit organizations that repair plumbing and install efficient fixtures in low-income households at no cost to the customer.
Ensure that debt relief is prompt.
Distributing debt relief funding during the pandemic was an enormous task. Utilities and social service agencies had to develop protocols for distributing funds in the midst of a crisis, with directives from federal agencies changing quickly. Getting funds to households in debt often took many months. As a result, some customers made difficult sacrifices to pay off their debt because they were not sure if they would receive relief, including taking out predatory loans. In the future, utilities can aim to ensure that funding gets to those in need more quickly, or that customers are aware of the timeline for debt relief.

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