

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

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

Docket No. 05-UI-120

MUNICIPAL UTILITIES COMMENTS

The Municipal Utilities¹ provide these comments in response to the Commission's July 24, 2020 Order on Residential Disconnection ("Order") in this docket. We appreciate the opportunity to provide additional input, and appreciate the way this investigation has functioned, especially the collaborative approach among Commission staff, utilities and other stakeholders.

We share the interests of the Commission and stakeholders in balancing customer and community health with the financial health of utilities. We believe this balance was achieved in the extension of the no-disconnect order for residential customers until September 1, 2020.²

As reflected in our prior comments in this docket and Docket No. 5-AF-105, the Municipal Utilities are concerned about the impact the ongoing pandemic will have on utilities' economic health, and on their ability to continue providing reliable and affordable electric service. Limited tools are available to the Municipal Utilities to promptly replace lost revenues, especially those resulting from unpaid customer bills, for which utilities see no corresponding reduction in their operating expenses. One of the tools the Municipal Utilities successfully sought and obtained was an expansion of the State Trust Fund Loan Program which allowed loans to municipal utilities for the purpose of maintaining liquidity. This expansion was included in 2019 Act 185, signed by Governor Evers on April 15, 2020. However, the expansion was temporary and is no longer available, having expired in July.

¹ The "Municipal Utilities" include the Municipal Electric Utilities of Wisconsin, WPPI Energy, and their members.

² In response to Data Request-PSC-Fay-1, the Municipal Utilities suggested that the disconnect rules for residential customers should be restored by September 1, 2020. PSC REF# 389539, p. 3.

Continued non-payment of utility bills can have substantive negative impacts on municipal utility liquidity, and has become an issue in several communities. Going forward, liquidity risks have been mitigated substantially as a result of the Commission’s restoration of rules and tariff provisions relating to collection of revenues from commercial and industrial customers, which is greatly appreciated. However, uncertainty and liquidity risk persists. We appreciate the Commission’s caution in its Order that customers who have received disconnection notices or who otherwise have unpaid balances with their utility “not ... wait until September 1, 2020, to take remedial action to address their obligation to pay for the service they use.”³ This proactive approach benefits both customers and utilities.

Each Municipal Utility, applying its own local approach, continues to work with residential customers to make flexible payment arrangements and establish deferred payment agreements. We also assist customers with applications for financial assistance, some of which is available directly from the utility and other local community sources as a supplement to State and other energy assistance programs. The municipal utility model provides for a strong connection to residential customers. Municipal utility workers and their customers live in the same community, shop at the same grocery store, attend the same church and cheer for the same high school team. Customers are often known by their name, not just by their account number, and communications happen locally. Until the public health emergency, a utility clerk often spoke face to face with customers to help work out a payment agreements. This “community-based model” allows municipal utilities to manage customer service in a unique way.

While the Municipal Utilities continue to work with customers having difficulty paying their utility bills, we share the concern that the longer customers go without paying their bills, the more difficult it will be for them to get their account(s) current. This concern is particularly true for customers who have been in arrears since prior to the November 1, 2019 shutoff moratorium (not due to the pandemic), and who could end up with more than 17 months of unpaid bills if disconnections are not allowed this fall. The Order notes that “[d]isconnection notices play an important role in the financial health of utilities by initiating processes for customers to obtain

³ Order, PSC REF# 394202.

financial assistance and take steps to address amounts owed to utilities.” Id. p.5. This has been the experience of the Municipal Utilities, who see substantial increases in requests for assistance, bill payments, deferred payment agreements and other arrangements once disconnect notices are issued. As we always have, the Municipal Utilities will continue to work with all customers to minimize disconnections when the Commission’s stay is lifted, and consider disconnection as a last resort. We continue to believe restoring this tool on September 1 is appropriate, and ensures the balance between customer and community health and the financial health of utilities is maintained.

Many but not all of the Municipal Utilities also have some ability to collect delinquent utility charges using the tax roll process authorized by Wisconsin Statute.

Generally, Wisconsin municipal governments have the ability to collect special assessments and special charges against real property to compensate for the costs of providing services to and installing public works on the property. They include for example garbage collection and disposal, snow removal and other property maintenance, and the cost of sidewalk installations and repair. These special assessments and charges are liens on the property through the tax roll process. Similarly, municipal governments can elect to collect items such as unpaid personal property taxes and delinquent utility bills (sewer, water, electric, natural gas, and telecommunications) through the tax roll process. Many but not all municipalities have authorized the collection of delinquent electric utility bills through the tax rolls (this means for some Municipal Utilities, the process is available in some of the municipalities in their service territories, but not others).

These tax roll processes have been used in Wisconsin for over a century, and are useful financial tools for municipalities to ensure recovery of municipal costs. In the case of municipal utilities, the process supplements other utility collection efforts, including disconnection notices, and increases the likelihood that delinquent bills will be paid by the customer. This benefits all utility customers in two ways. First, the impact of uncollectible debt included in the utility’s revenue requirement, which is borne by all utility customers, is lessened. Second, the utility’s liquidity needs are somewhat reduced, although there is still some lag in collection between placing the obligation on the tax rolls and when the customer ultimately pays it.

Not every one of the Municipal Utilities with the ability to place delinquent utility bills on the tax rolls expects to do so in 2020 given the difficulties and challenges faced by many residential customers due to the pandemic. For those utilities that will, each employs its own approach for utilizing the process. Customers are typically encouraged to make arrangements to reduce or eliminate past-due balances by October 15 in order to avoid a tax lien being filed on November 15.

Residential landlords are often caught in the middle of the tax roll process where the delinquent bill of a residential renter results in a lien on the landlord's property. Municipal utilities notify both the landlord and tenant of their responsibilities when receiving electric service, and landlords are encouraged to collect a security deposit sufficient to cover electric bills and so they can avoid having to take responsibility for a tenant's non-payment. While landlords have other tools available to them if a tenant fails to pay, such as the right in certain circumstances to demand that the utility terminate service to the rental unit, and the right to a lien on the personal property of the tenant if the landlord pays the tenant's delinquent bill, ultimately the outstanding utility balance can be applied as a lien against the landlord's property.

The Municipal Utilities recognize the further strain the tax roll process can put on residential customers, as well as landlords. Like disconnection notices, the tax roll process plays an important role in the financial health of municipal governments and their utilities and encourages customers to obtain financial assistance and take steps to address amounts owed to utilities. And like disconnections, it is a last resort for Municipal Utilities intending to apply it in 2020.

There's no doubt that many utility customers are facing financial difficulties as a result of the COVID-19 crisis. We support the Commission's ongoing efforts to ensure electric service remains available during these challenging times. At the same time, we appreciate the attention paid to the financial health of utilities and the unique characteristics that impact their relationships with customers. Thank you again for the opportunity to provide comments.

Respectfully submitted this 10th day of August, 2020.

**MUNICIPAL ELECTRIC UTILITIES
OF WISCONSIN (MEUW)**

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