

Utility Customer Assistance Programs: Pathways to addressing customer affordability

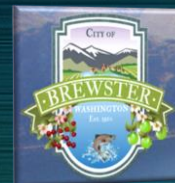
2018 IACC Conference
October 23, 2018



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Moderator: Fern Schultz, Office of Drinking Water

- In 2014 46.7 million Americans (or 14% of the population) lived in poverty.
- 86% of the U.S. population relies on a public utility for their drinking water services.
- In 2016 it was estimated that 11.9% of Americans find water bills unaffordable.
- By 2021, under current full price recovery models, percentage of Americans projected to find water bills unaffordable is expected to be 35.6% of Americans.
- Under current rate structures utilities find that around 1% of their customers are unable to pay at any given time.

Water and
Wastewater
Customer
Affordability: Is it
even an issue?



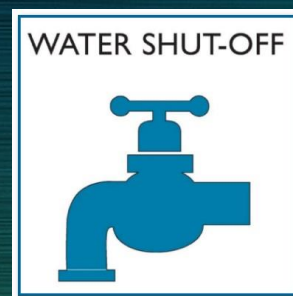
- Customer affordability is defined as the ability of the individual to pay their utility bills without “undue hardship”.
- Customer Assistance Programs (CAPs) are one way the water sector addresses customer affordability concerns
- CAPs are meant to support customers who cannot afford their water rates.
- CAPs come in many different forms
 - Bill Discount
 - Flexible Terms
 - Lifeline Rate
 - Temporary Assistance
 - Water Efficiency programs

Customer Assistance Programs: What are they?



- Run your utility like a business
 - Rates to reflect full cost recovery
- Utility managers are under increasing pressure to make sure the utility under their purview is financially viable.
- Artificially low rates
- Maintaining a Customer Affordability Program is good business.
 - Disconnecting and reconnecting
 - Tracking and follow up with late customers

Customer Assistance Programs: Does my utility need one?

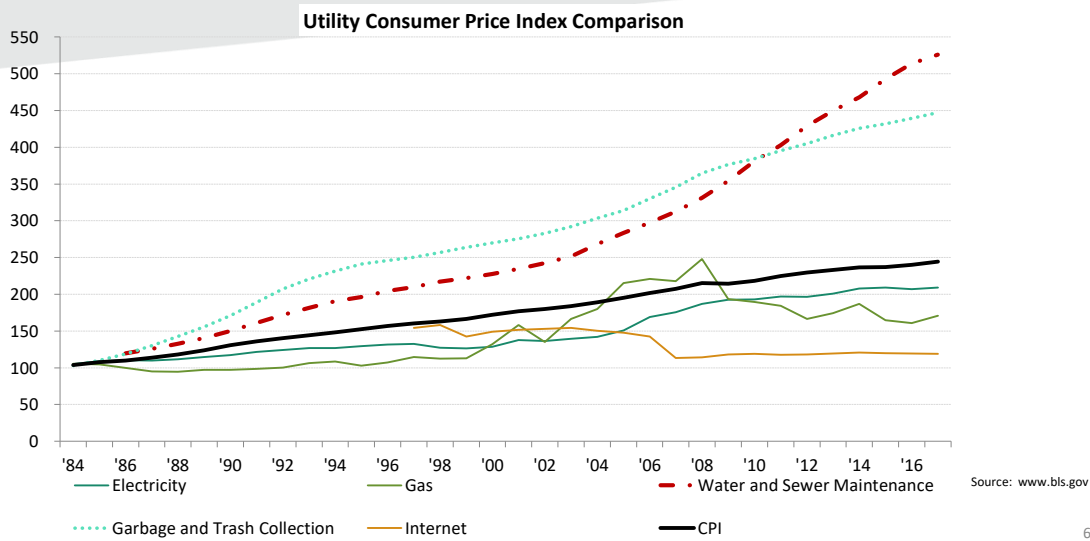


Underpriced, yet expensive: The water industry’s wicked problem

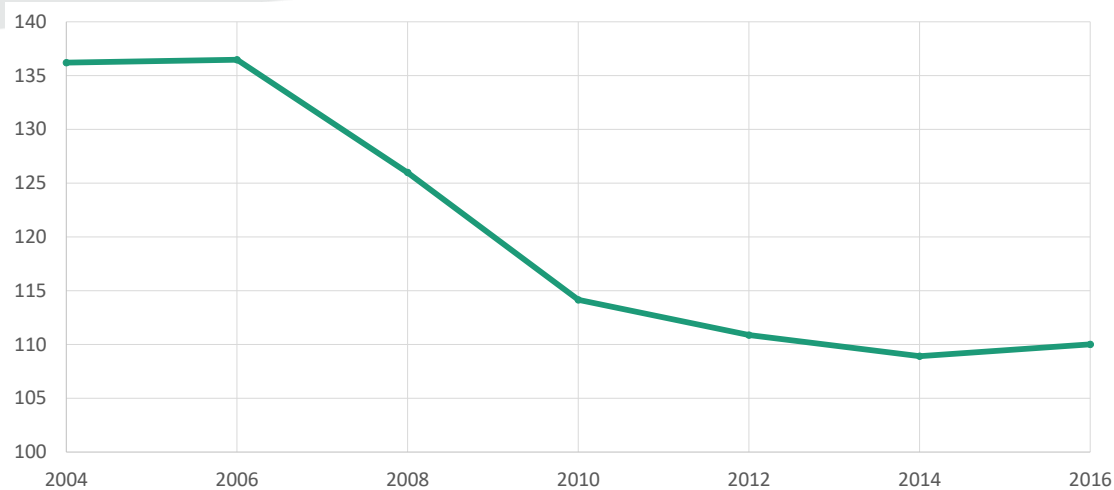
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Water and wastewater costs are increasing



Water use per capita is declining



Top Ten Issues Facing Water Industry

- | | |
|----|---|
| 1 | Renewal & replacement of aging infrastructure |
| 2 | Financing for capital improvements |
| 3 | Public understanding of the value of water systems and services |
| 4 | Long-term water supply availability |
| 5 | Public understanding of the value of water |
| 6 | Watershed / source water protection |
| 7 | Aging workforce / anticipated retirements |
| 8 | Public acceptance of future rate increases |
| 9 | Emergency preparedness |
| 10 | Governing board acceptance of future water and wastewater rate increases/Pricing water to accurately reflect its true cost |

STATE OF THE WATER INDUSTRY REPORT

2018



American Water Works Association
Dedicated to the World's Most Important Resource®

Affordability vs. Customer Assistance



Fixed income
Working poor
Health issues
Poor money management
Job loss
Divorce
Emergency
Injury

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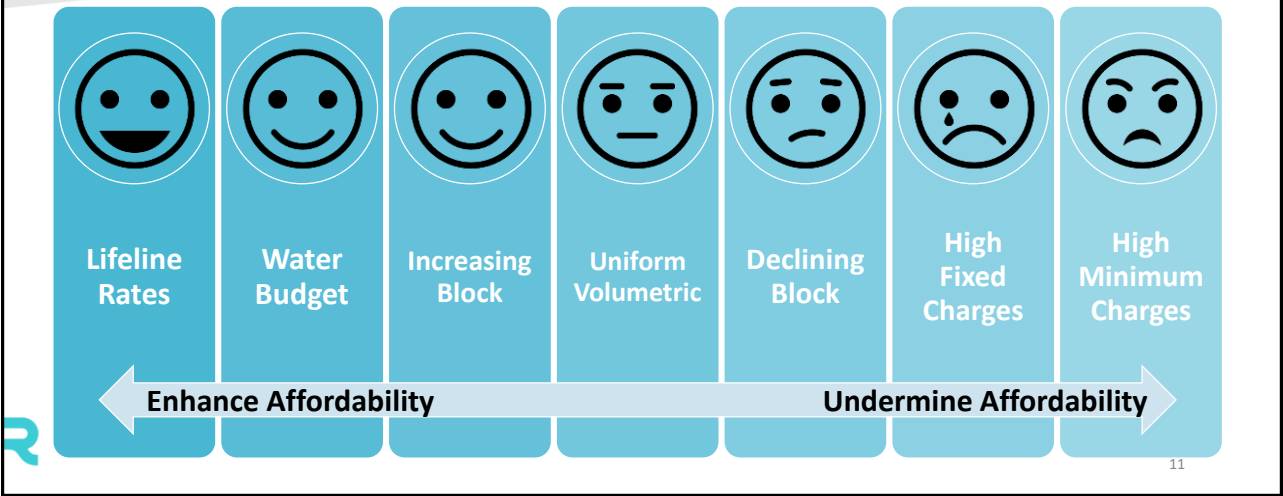
Bill delinquency vs. choosing which bill to pay



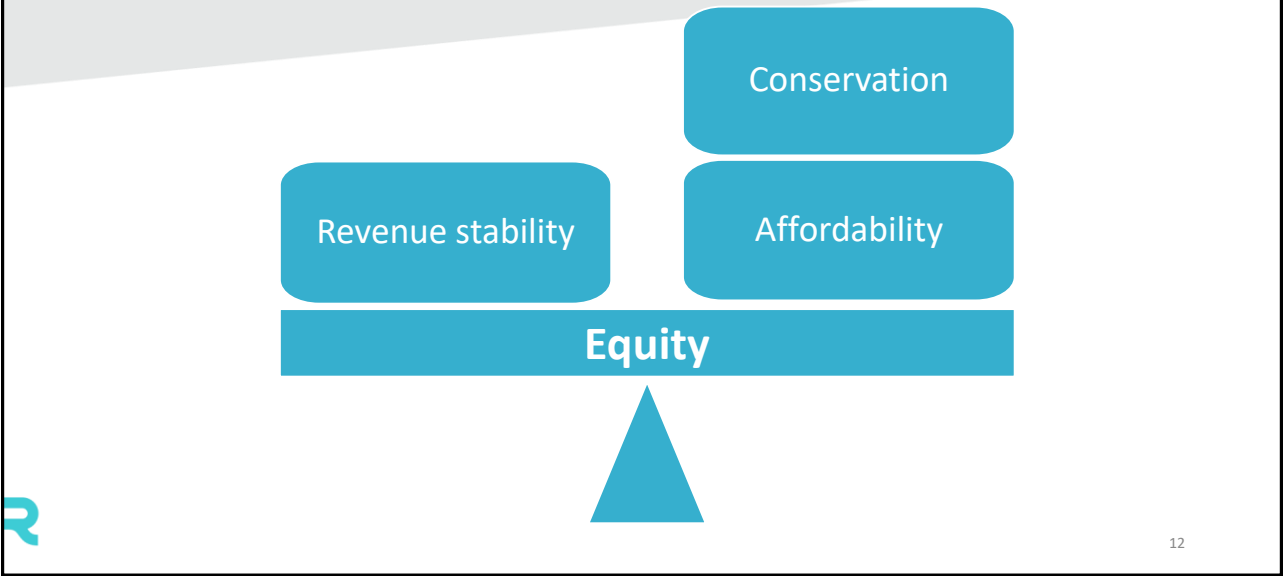
- Delinquency rates tell you what percentage of customers did not pay this billing cycle
- Delinquency rates do not tell you which customer chose to pay the water bill over other household bills

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Rate structures play an important role



Balancing conflicting goals



Case Study 1: Baltimore, MD

- Old Structure: High minimum charge for water and wastewater
- New Structure: Fixed base charges with uniform volume charges
- Messages:
 - You only pay for what you use
 - You can control your bill through conserving
- Results:
 - Implemented new rate structure in October 2016 along with monthly billing to help soften a 9% revenue increase
 - Customer dissatisfaction was high
 - Potential to couple with an income-based assistance program in the future



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Case Study 2: DC Water

- Old Structure: Fixed base charges with uniform volumetric rates for water and wastewater
- New Structure: Fixed base charges with lifeline water rates and uniform wastewater rates
- Messages:
 - You can mitigate bill increases through conserving
 - Residential (SFR and MFR) customers pay less due to lower seasonal peaking factors
- Results:
 - Implemented new rate structure in October 2016 to help soften a 16% revenue increase
 - Customer dissatisfaction has since increased
 - Enrollment in pre-existing CAP has remained steady at 40-50% of eligible customers



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Customer Assistance Programs: An Overview



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Prevention before delinquency

- Connecting payment-troubled customers with public assistance programs that help support low-income residents
- Utilities are in a unique communications environment where they have a direct connection to the customer through their bill
- Promoting the following can help boost household income, meaning more money is available for utility bills:
 - Earned Income Tax Credit (EITC)
 - Supplemental Nutrition Assistance Program (SNAP)
 - Local assistance programs
 - National School Lunch Program (NSLP)
 - Low Income Home Energy Assistance Program (LIHEAP)



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Intervention after delinquency

- Ask customers if they want to receive information
- Late fees may actually impede ability to make on-time payments
- Empower Customer Service Reps to take a “promise to pay” for first time delinquencies
- Soft reminders of payment
- Offers of bill leveling or payment installments
- Moving to more frequent, smaller payments
- Use shut-off notices carefully, they are a protection to the utility, not a collection device



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Ease of payment

- In person payment is actually growing in some communities
- Reconsider charging a fee for credit card processing
- Allow for authorized bill payment centers in different parts of the community to facilitate cash and in-person payment accessibility



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A holistic approach to customer assistance

- Conservation programs aimed at low income customers
- Housing stabilization assistance
- Direct one-time payment assistance
- Customer contribution programs
- Partnering with community organizations
- No interest loans for plumbing and service line replacements
- Debt forgiveness



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Here's a good place to start

- Empower customer service representatives to suggest programs
- Talk about and feature affordability and customer assistance prominently on your bills and website
- Partner with community assistance providers to provide customer referrals
- Use your bills and newsletters to promote other forms of financial assistance in your community—the more help people get the more funding available to pay your bill
- Consider providing bill leveling services
- Service line protection programs can help fund direct assistance

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City of Brewster Customer Assistance Program

Capital Improvement Funding

- 679 Connections
- Majority of residents of Brewster are low income
- Residents ability to pay full cost of infrastructure improvements is unrealistic

Deferral Program

- Home owner/ Renter may make arrangements to defer the utility payment to a later date in the month.

Low Income Senior and Low Income Disabled Rate

Benefits

- 1/2 Rate Water, Sewer and Garbage Monthly Charge

Eligibility

- 62 years of age or
- Qualifies for special parking privileges under RCW 46.19.010(1)(a)-(f)
 - or is a blind citizen as defined in RCW 74.18.020(4),
 - or is a developmentally disabled citizen as defined in RCW 71A.10.020(5).
- Has a maximum annual income of not more than 125 percent of the poverty level guideline established annually by the United States Department of Health and Human Services.
- Is the sole occupant or head of household and resides at a single family residential property for which the discount is sought.
- Low Income Senior and Low Income Disabled Rate reductions included in rate study completed in 2014

Community Assistance Program

Birch Bay Water & Sewer District

October 2018

Birch Bay Water & Sewer District

- 7,700 water connections
- Most of the District's water and sewer service areas fall within an Urban Growth Area, which has been one of the most rapidly growing parts of Whatcom county in recent years and is projected for most of the future growth along with the City of Blaine
- 12 full-time employees
- 1.45 MGD wastewater treatment plant (WWTP) located on a 60 acre site. In addition to the WWTP, the District's wastewater system consists of about 50 miles of pipe, with 900 manholes and 11 pump stations. The District's outfall lies 1500 feet off Point Whitehorn near the Georgia Strait
- The District's current water supply consists of groundwater delivered under a long-term contract with the City of Blaine. Three reservoirs, four booster pumps and about 70 miles of water mains
- Formed in 1968 celebrating our 50th Anniversary this year

“

Provide a reliable supply of safe Drinking water
and manage wastewater transmission, treatment
and removal in an environmentally responsible
manner

”

Mission statement BBWSD, employee manual



Affordable rates

- Conservation program
- 10 year revenue model
- Modest staffing
- Cost containment O&M
- CIP financed by PWTF
- 2010 implemented an inverted block rate

Customer service for customers with low income

- Basic charges (water & sewer for two months) are \$70.80 (includes 400 cf water)
 - We accept vouchers (Salvation Army)
- Water shut offs could be extended for customers that have faced a life threatening issue or family emergency
 - District goal to reduce service lock offs by 10% (2017,2018)
 - Prepayment of water bills could be a 'budget plan'

“In addition to using the Salvation Army vouchers, could we partner with the cap and strengthen our community? Could we collect contributions from our customers?”

Dan Eisses
General Manager

Interlocal agreement with the CAP



Customer voluntary contributions

Wrap around services for the family

- Transportation
- Groceries
- Student essentials
- Emergency Housing (1-3 days)

Voluntary Contributions to assist low income customers RCW 57.46

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Voluntary contributions

- Commerce
- Local community assistance program

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Quarterly Report

- Account for each customer served
- Make sure the CAP payment is what was applied to the customer account

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Not Co-mingling of funds

- No separate bank account
- Receipts are coded to an "agency held funds" revenue account
- Check to CAP is expensed to an "agency held funds" expense account

Almost 4 years with the cap

- Hundreds of customers have been helped – not only with their water/sewer bill
- Easy to collect the contributions
- CAP handles the eligibility – preserves the relationship for the District and it's customers

