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The Time Has Come for New York to Pay Its \$2.3B Utility Debt

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(TNS) — New Yorkers piled up billions in unpaid utility costs during the Covid pandemic, but now the bill is coming due.

State officials are working with National Grid and other utilities on a plan that could include an unprecedented bailout for hundreds of thousands of households and small businesses that did not pay their bills during the Covid moratorium on utility shutoffs.

That could mean higher utility rates for everyone in New York, depending on what the state Public Service Commission decides to do.

Unpaid gas and electric bills piled up relentlessly in New York during the Covid-19 pandemic. Nearly one household in every six fell behind, as did thousands of small businesses. New York blocked service terminations, but no one forgave the bills.

Now state officials are trying to avoid a crisis of shutoffs and to get the utilities the money they are owed.

Last month, the PSC approved a plan to fully pay off \$587 million in overdue bills owed by low-income customers who are enrolled in utility bill-discount programs. To help cover the cost, utility customers on Aug. 1 will begin paying a small surcharge on their bills.

But the debts of customers with known low incomes are not the biggest problem. Other residential customers and small businesses account for three-quarters of the record-setting \$2.3 billion in unpaid bills that piled up during the pandemic.

The PSC is looking to help those customers, too, in a second phase of the bailout. If the commission chooses to pay off all or

most of their debts, ratepayers are likely to pick up at least some of the cost.

The PSC has pulled together representatives from utilities, state agencies and consumer groups to come up with a way to pay off some or all the debt.

“Are they going to completely wipe it out? I don’t know,” said Bill Ferris, a legislative representative at AARP, one of the groups in the discussion. “But they are definitely looking at the people ... who aren’t eligible for any of the assistance programs.”

The scale of the debt crisis is something never seen before.

In the two years after Covid-19 arrived in March 2020, unpaid utility bills nearly tripled from \$794 million to \$2.3 billion statewide. Without some resolution, utility companies warn, all those unpaid bills could set off a torrent of service terminations, impede economic recovery and spur utilities to seek rate increases to cover uncollectable bills.

There’s pressure to find a solution quickly.

In May, utilities started shutting off residential customers for nonpayment for the first time in more than two years.

Two Phases of The Bailout

Working with the governor and legislature, the Public Service Commission last month [put together a plan to pay off the \\$587 million](#) in unpaid utility bills racked up by low-income households that qualify for utility programs for the poor.

Those households will be notified that their overdue bills accumulated through May 1 of this year will be paid off, even debts incurred before Covid-19 arrived. Utilities have agreed not to terminate service for any low-income customers at least until Sept. 1.

The state will tap a variety of sources to pay for it. State legislators appropriated \$250 million in the budget; another \$100 million or so is expected to come from the Office of Temporary and Disability Assistance, which is using money from its rental assistance program to pay some of the bills. The utility companies are contributing \$36 million.

Most of the rest – about \$180 million – will be covered by a new surcharge paid by utility ratepayers. State officials say the

surcharge, which begins Aug. 1, will add less than 0.5 percent to residential bills — for example, about \$1 on a monthly bill of \$200.

Separately, utilities began charging another new fee July 1 to compensate for all the late payment penalties they were not allowed to charge during the pandemic. Money collected from that surcharge also will be used to pay down the debt of low-income households. The special charge will add about \$1.50 a month for a typical National Grid household with gas and electric service.

That's "Phase 1" of the bailout.

But it leaves a huge overdue bill — roughly \$1.7 billion. Of that, \$1.1 billion is owed by residential utility customers who don't qualify for low-income programs. More than \$600 million is due from small commercial customers.

Across the state, nearly one household in six is at least two months behind on utility bills. The same is true in National Grid's Upstate territory. As of April, the average past-due amount owed by 76,000 low-income National Grid customers was \$1,139. The average past-due bill for 151,000 non-low-income customers was \$1,872.

In addition, more than 14,000 of the utility's small commercial customers owed an average of \$3,049 as of May, National Grid reported.

State regulators are just starting to work on plans for a 'Phase 2' bailout to help small businesses and non-low-income customers dig out from the debt. How much of their arrears will be paid off? Will all businesses and residents qualify for help or will there be a hardship test? None of the details has been addressed yet.

In addition to seeking out state and federal funds for Phase 2, the PSC is likely to consider a surcharge on utility bills to cover some of the cost, as they did with Phase 1. Part of the discussion also will be how much utility shareholders should contribute to the effort.

For Phase 1, National Grid will contribute \$4.85 million. By comparison, the PSC calculated that the utility's Upstate customers will pay about \$33 million toward Phase 1 via a surcharge that will begin showing up on bills Aug. 1.

Shutoffs Are Back

Unpaid bills were already [a problem before the pandemic](#). In recent years regulators beefed up programs for low-income customers,

who get monthly bill discounts. National Grid has about 175,000 poor Upstate customers enrolled in its Energy Affordability Program.

But [the pandemic multiplied the hardship](#), and many higher-income households that could normally keep up with utility bills stopped paying.

Under the state of emergency declared by then-Gov. Andrew Cuomo in March 2020, utilities were forced to stop charging late fees and shutting off customers for nonpayment.

Technically, that moratorium on shutoffs ended a year ago. But the state gave customers a grace period through December if they were affected by the pandemic. And utilities typically don't shut people off during winter months.

When spring arrived, utilities started terminating service for nonpayment again. That heightens the urgency for the PSC to finalize its plans for the big debt problem. Some of the customers targeted for shutoff now might qualify for debt relief later this year.

Depending on what the PSC orders for a "Phase 2" of debt relief, non-low-income customers at risk of shutoff are likely to qualify for help with pandemic-related bills at some point this year. But how that will work won't be known for at least a couple months.

All New York utilities have promised not to shut off customers who are in their Energy Affordability Programs at least until Sept. 1. However, low-income customers who qualify but are not yet enrolled can take advantage of the PSC's debt relief if they sign up by the end of December.

During May, National Grid terminated service for 2,751 residential customers Upstate, the first shutoffs in more than two years. The utility is focusing on customers who owe \$500 or more, spokesman Jared Paventi said.

More than 240,000 of National Grid's Upstate customers are potentially eligible for shutoff, because they owe at least two months' worth of unpaid bills.

What Comes Next?

For low-income customers: If you are already in your utility's low-income Energy Assistance Program, you do not have to do anything to get help with overdue bills from before May 1. You are

responsible to keep current on bills after that date.

If you are not in the Energy Assistance Program but receive income-based benefits such as SNAP (the Supplemental Nutrition Assistance Program), contact your utility to enroll. National Grid customers can visit ngrid.com/eap to learn more and apply.

For other customers: National Grid says service termination is a last resort. If you have overdue bills, the utility must offer you the option of a deferred payment agreement to clear it up. The payments can be as low as \$10 a month.

National Grid has a team of consumer advocates that work with customers on affordability issues. To reach a consumer advocate, call 1-800-642-4272.

The PSC has said it hopes to have a plan in place to address the backlog of unpaid bills before the heating season begins in mid-October.

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