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Unpaid utility bills are soaring in the pandemic. Consumer advocates fear mass shutoffs loom.

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In an economy unsettled by pandemic, Pennsylvania utility customers are falling behind on payments at a record pace, and energy companies are pressing the state to [relax a ban](#) on shutting off nonpaying customers.

The state's electric and gas utilities say total customer unpaid bills have soared to \$479 million through the end of June, up \$139 million or 41% over 2019 levels. Money owed is up across customer classes, including commercial and industrial customers, whose unpaid balances are

54% greater this year than last.

The utilities say that a moratorium on service shutoffs, enacted in March in the early days of the coronavirus emergency, has had the unintended consequence of discouraging customers from entering into payment plans, even when they are offered enhanced terms.

Peco, the company that serves Philadelphia and its suburbs, says that only 2% of overdue customers responded to its outreach efforts to enter into payment plans, a rate it called “quite low.”

“Peco believes that customer participation in these payment arrangements will increase if the moratorium is lifted,” the company said in a filing Tuesday with the Pennsylvania Public Utility Commission. About 146,000 of Peco’s residential, commercial and industrial electric customers were in arrears at the end of May — about 9% of its 1.6 million customers.

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Every year, a moratorium on shutoffs takes effect in

November and lasts for four months. And executives fear that if a change isn't made soon, those in arrears could slip by until next spring, making the problem even larger.

But consumer advocates say it would be unconscionable to allow utilities to resume service shutoffs while more than two million Pennsylvanians have applied for unemployment benefits and so many people are confined to their homes, telecommuting or supervising children while schools are closed.

“We're very concerned that folks will be terminated and will forgo their other basic necessities in order to maintain service or that they will attempt to go without service, which places both them and their household and everyone around them at greater risk of harm,” said Elizabeth Marx, a lawyer for the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania.

“Allowing utility terminations while the pandemic is ongoing places families and whole communities at risk of physical, emotional, and financial harm, and will exacerbate the already disparate impact of the

virus on low-income and minority communities,” Emma Horst-Martz, an organizer for advocacy group PennPIRG, wrote in a [letter to the PUC signed by nearly 700 organizations and individuals](#).

Many residential customers are also facing bigger electric bills from the additional energy they are consuming while under quarantine. Peco said that total residential electric use was up 8% in the second quarter compared with last year, while energy use was down 14% in the battered commercial and industrial sectors.

The moratorium debate is set to be thrashed out Aug. 27 before the PUC, which has [deadlocked twice](#) before along political party lines over efforts to modify its March emergency order on service terminations. The two Republicans have proposed lifting the moratorium on shutoffs while the two Democrats have opposed it. Both measures failed by 2-2 votes.

Gladys Brown Dutrieuille, the PUC chair, recently asked for public comments on whether the moratorium should be changed. Most of the [28 responses](#) received by the deadline Tuesday were

from utility companies or trade associations who asked for the moratorium to be lifted. But consumer advocates argued for retaining the ban on shutoffs, as did Gov. Tom Wolf, Attorney General [Josh Shapiro](#), and [Valerie A. Arkoosh](#), chair of the Montgomery County commissioners, all Democrats.

“I write to urge that the moratorium be continued,” Wolf [said in his letter](#), “unless, and only unless, strong consumer protections remain in place to protect low-income customers and those who have lost significant income as a result of the pandemic.”

In their carrot-and-stick approach to nonpaying customers, utilities say that the threat of termination typically leads customers to pay down balances or to enter into payment plans. In 2018, [the most recent data available](#), the PUC said that gas and electric utilities issued 3.5 million 10-day termination notices (often the same customer gets multiple notices). About 300,000 customers were actually shut off that year.

Consumer advocates say that the state does not have a good statistical handle on the scale of the nonpayment problem, and that there is a risk to

lifting the moratorium on service terminations. The state's electric, gas and water utilities reported in June that about 845,000 customers were so far behind that their service could be ended, an increase of 9.6% from a year ago. Of the accounts in arrears, about 790,000 are residential customers, including 211,000 classified as low-income families.

"We don't really understand the depth and breadth of the problem," said Robert Ballenger, an energy lawyer with Community Legal Services in Philadelphia who represents the Tenant Union Representative Network, an advocacy group. "And the numbers reported are now completely out of date so we don't know enough to really anticipate what will happen if the utilities are allowed to resume termination."

If the threat of termination is supposed to motivate customers to respond, Ballenger said, it's uncertain whether customers are able to make payments and whether existing customer assistance programs are adequate. "Those are big unknowns, and until we answer those questions, it's not appropriate to risk the public health by allowing terminations to

proceed,” he said.

The Energy Association of Pennsylvania, the trade group that represents the state’s electric and gas utilities, said the problem with mounting unpaid bills will only grow worse the longer the moratorium remains in place. According to data the trade group collected from member companies, residential arrearages stood at \$404 million at the end of June, up \$113 million from a year ago, or 39%. About 45% of the unpaid balance came from customers classified as low-income.

The more unpaid bills grow, the association said, the greater the risk that utilities will be forced to write off the amounts as uncollectible. Under current law, utilities are allowed to pass those costs on to other customers in higher rates.

“Continuing the moratorium indefinitely will exacerbate the problem of nonpayment, which is contrary to the interests of both those customers with growing arrearages and the general body of customers who will eventually be called upon to pay growing uncollectible expenses,” the association said in its filing.

But some advocates suggest it may be time to rethink the longstanding regulatory principal that allows utilities to be made whole for uncollectible bills — one of the trade-offs of getting utilities to submit to state regulation of their rates. Utilities may be facing increased political pressure to cover some of the costs from their own profits.

“The entire burden of the COVID-19 pandemic cannot fall on the customers of the utility, whether residential, small business, commercial or industrial,” wrote Tanya J. McCloskey, Pennsylvania’s acting consumer advocate, whose office reports to Attorney General Shapiro.

McCloskey acknowledged that the commission’s role traditionally has been to balance the interests of all sectors of the public, but there are circumstances where it may not be possible to satisfy all aspects of the public interest. “The commission should recognize that a proper balancing of the interests may require a sharing of this burden between shareholders and consumers,” she said.

About [24 states have enacted pandemic bans](#) on

utility shutoffs, and New York has extended its moratorium until next year, according to the National Association of Regulatory Commissioners.

Utilities in 15 states, including New Jersey, have voluntarily banned terminations. The coronavirus bans on shutoffs have expired in the remaining states.

There is one area upon which the adversaries in Pennsylvania agree: They all support legislative proposals to allocate some of the state's federal COVID-19 relief money to support utility customers facing termination.

One proposal would allocate \$150 million to utility relief. "It would serve like a protection wall to customers," said Horst-Martz of PennPIRG. "So that if the moratorium is lifted, the customers still wouldn't have their services shut off because the utility companies would be taken care of."