



June 23, 2020

Via Electronic Mail

The Honorable Roy Cooper
North Carolina Office of the Governor
20301 Mail Service Center
Raleigh, NC 27699-0301

Re: NC's Electric Cooperatives' and Electricities' Request and Proposal

Dear Governor Cooper:

On behalf of North Carolina's 26 electric cooperatives that serve 2.5 million people in 93 counties and North Carolina's 72 municipal electric systems that serve 1.2 million people in 41 counties, we want to thank you for taking time to talk with us last week about the current COVID emergency and its impact on residential consumers and the utilities that serve them.

We take our obligation as an essential service seriously and are working daily with our residential consumers to ease the impact of this pandemic on their lives.

Per our discussion, we offer the following information for your consideration as you evaluate how to transition away from the disconnection moratorium set out in Executive Orders 124 and 142 (collectively, the "Executive Orders" or "EOs").

We appreciate and understand you are making decisions in an effort to keep us all healthy and safe. There is no question that the COVID emergency has created and continues to create health and economic hardship for many utility consumers. With regard to the economic hardship, EO124 provided a needed sense of certainty for our consumers at the outset of the COVID emergency. To be clear, we absolutely understood the need for such certainty at that point. However, as several months have passed, we believe the time is right to transition from the blanket moratorium on disconnections to an effective alternative plan that continues to protect vulnerable consumers but also protects and provides certainty to the utilities that serve them and their neighbors.

Allowing the disconnection moratorium to expire on July 29 is the optimal alternative approach as it will restore the flexibility to utilities that they have traditionally exercised during emergencies to balance an individual consumer's hardship against the need to maintain the utilities' overall financial viability and ability to faithfully serve all of its consumers.

Unintended Consumer Confusion

While the EOs explicitly state that they are not an effort on the part of the government to forgive or toll indefinitely any lawfully owing debt for utility service, numerous consumers – including a number who do not necessarily need the EOs' protection – nonetheless perceive the EOs as state action that forgives utility bills accrued prior to and during the COVID emergency. We believe this confusion is exacerbating the steady increase in the amount of past due billings utilities are experiencing.

Our Aggregate Arrearages Are Growing

As you are aware, "[a]s of May 31, Utility Service Providers report[ed] an aggregate of \$252,110,079 in residential and non-residential customer arrearages."¹ While the customers of investor-owned electric utilities account for most of this aggregate arrearage, our residential arrearages are significant. And our arrearages are growing along with the other utilities. Per the report filed in NCUC Docket Number M-100, Sub 158 on June 16, 2020, "[f]or the 235 Utility Service Providers that provided the number of past due residential accounts for both April and May ... the total residential arrearages for those utilities went up by \$24,208,280. The average percentage of customers with past due accounts for the 256 Utility Service Providers that reported this information was 13.7%."²

These aggregate arrearages, which accumulated during the relatively low-usage spring season, will quickly grow unmanageable during the upcoming summer months when consumers use significantly more electricity to power their air conditioners.

Our Observations Suggest a More Effective Alternative Approach Will Strike a Better Balance

Prior to the extension of the disconnect moratorium via issuance of EO142, our systems experienced a noticeable increase in two behaviors by consumers: First, those to whom it became clear that the disconnect moratorium did not equate to bill forgiveness and who had an ability to pay began paying their arrearages and current bills. Second, those facing actual hardship began to engage with their utility and work out a payment plan.

When the moratorium was extended, our systems saw an immediate and precipitous decline in these behaviors.

We believe this indicates that the blanket disconnect moratorium is enabling some consumers with an ability to pay to avoid timely paying their fair share toward the ongoing operating costs of the utility and thereby shifting costs to consumers who have continued to pay. Our effective alternative plan is more targeted and will more appropriately serve our consumers in need as well as our ability to continue serving all our consumers, regardless of need.

Additionally, we note that as consumers accumulate more and more unpaid bills, it will become increasingly difficult for them to afford their regular utility bills and the extra monthly charges that will represent their payment plan. This situation is especially true as we approach the high-bill summer months.

The Proposed "Effective Alternative" Plan

A. The Proposed Plan (present – July 29)

EO 124 provides, in Section 1(J), that for non-jurisdictional utilities "the Attorney General may waive provisions in [his] discretion and order an effective alternative."

We appreciate the availability of the waiver option. Under the proposed plan set forth below, utilities that face the more immediate prospect of an emergency rate increase or insolvency may avail themselves of this waiver option between now and July 29.

¹ NC Utilities Commission Second Monthly Report to the Governor Regarding Executive Order 124, p. 2, Docket No. M-100, Sub 158 (June 16, 2020) (accessed at <https://starw1.ncuc.net/NCUC/ViewFile.aspx?Id=5296064d-421a-49b3-93ed-0afaca2e9849>).

² Id. at p. 3.

B. The Proposed Plan (July 30 – Ending of E.O. 116 State of Emergency)

With the EOs' disconnect moratorium having expired, the traditional flexibility of cooperative and municipal utilities to work with their consumers would be restored and the utilities would indeed work with their consumers facing hardship, including:

- avoiding disconnection of those consumers with verified need who both (a) enter into payment plans spreading payment of their arrearages out over no fewer than six months and (b) continue to pay in accordance with their payment plans;
- instituting hardship exceptions to avoid disconnecting consumers who have been medically diagnosed with COVID-19;
- working with their partners, such as local Department of Social Services offices, to verify our consumers' need for relief; and
- connecting their consumers with available resources for assistance (e.g., low-income home energy assistance program ("LIHEAP") funding, crisis intervention program ("CIP") funding, and any funding program created by H.B 1200³ or similar state or federal legislation);

Early Communication of Your Intent to End the Moratorium Will Provide Certainty and Increased Flexibility to Work with Our Consumers Facing Hardship

The proposed plan will work most effectively for our consumers if it can be communicated as early as possible, preferably by mid-July, so that consumers can plan accordingly.

We, as public power and non-profit organizations that are community-owned, need to ensure our organizations remain financially healthy to continue to provide essential utility services to our communities. We face the prospect of rapidly advancing toward two worst-case scenarios: multiple emergency rate increases and/or insolvency. Both of these worst-case scenarios, which are increasingly likely under the status quo, will prove more detrimental to consumers in need and our overall consumer bases than ending the moratorium and implementing the effective alternative plan. Again, the earlier we receive certainty from your office that we can implement the proposed plan, the better positioned we will be to work with our consumers in need.

Additionally, certainty regarding your endorsement of the proposed plan will enable us to prepare to implement the plan in a highly effective manner. Implementation of the proposed plan by mid-July will enable the work required during July to transition to the proposed plan on July 30. Such work, including communicating clearly to consumers what to expect, re-programming our customer information systems and related software, and training customer service representatives, requires several weeks' lead time.

³ The federal CARES Act will inject \$25 million in supplemental, emergency funding into North Carolina's LIHEAP program and the General Assembly may enact H.B. 1200, injecting an additional \$28 million in funding to remediate utility arrearages. However, we do not consider either of these relief measures adequate to justify an extension of the blanket moratorium, especially when considered against the extent of the current and expected aggregate arrearages noted above in this letter.

Conclusion

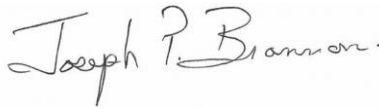
We, again, want to thank you for taking the time to meet with us and your willingness to explore an effective alternative plan for our consumers and their utilities.

Cooperatives and municipal utilities are local and are directly accountable to their consumers. For many years, we have worked with our consumers, who are frequently our neighbors, to address past due bills and financial hardships after floods, hurricanes, and other significant disruptive events. Ending the disconnection moratorium on July 29 and restoring the flexibility of our utilities to manage disconnections and payment plans on a case-by-case basis will provide better and more efficient responses to each circumstance.

The proposed effective alternative plan, set out above, offers protection for those individual consumers who face hardship yet need our essential service to remain healthy and safe; it also offers certainty to the utilities that have an obligation to provide reliable, affordable service to all of their consumers.

We look forward to your response at your earliest convenience.

With kind regards,



Joseph P. Brannan
EVP & CEO
NC Electric Cooperatives



Roy L. Jones
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