

COVID-Driven Utility Debt Fuels a Looming Crisis in Shut-offs in Massachusetts and the Nation

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National Consumer Law Center Analysis Finds Huge Increase in Number of Small Business and Residential Customers at Risk of Termination

Download the report at: <http://bit.ly/covid-util-arrearages>

Boston – The COVID-19 crisis put millions of Americans in financial peril, hitting households of color particularly hard. In response, moratoriums on utility shut offs were instituted in many states across the country to protect customers from the immediate danger of termination. However, some states' moratoriums have already expired, or were never instituted in the first place, meaning that for millions of customers the threat of shutoff due to the inability to pay their energy bills is already a reality. Many other states' moratoriums expire soon (Massachusetts, for example, is currently set to expire on April 1). Unpaid utility bills are accruing in the Bay State and across the country, and new analysis by the National Consumer Law Center finds that without additional aid and flexible repayment programs, millions of families and small businesses will face or are already facing a mountain of debt that they can't pay, placing them at high risk of disconnection.

"Our analysis shows that the pandemic has not only placed massive financial strain on low-income Americans who were already struggling to pay their utility bills but has also created a major burden on small business owners and other residential utility customers who are newly unable to pay their energy bills, which is of grave concern," said **National Consumer Law Center attorney Charlie Harak and co-author of the report.**

In Massachusetts alone, over a one-year period ending November 2020, the total amount of utility debt owed more than 90 past due days increased significantly: Small business owners saw an increase of 135% from \$18 million to \$41 million over that time while regular residential arrearages increased 80% from \$194 million to \$351 million (numbers rounded). The low-income arrearages increased less — 25% — because those customers started at a much higher baseline: The average arrears per residential customer was \$805 in November 2019 versus \$1,252 per low-income customer.

Key Findings

- The COVID-19 pandemic has created a new class of struggling customers in Massachusetts—those who were previously able to pay their bills, but due to the pandemic are no longer able to make payments.
- When the Massachusetts moratorium on residential terminations ends in April 2021, hundreds of thousands of customers will be at least 90 days in arrears and will be first in line for termination. It is expected that terminations will continue to hit Black and Hispanic customers particularly hard, as the limited data on shutoffs by race and ethnicity already shows.
- The average arrearages are getting older and larger.
- The scale of the problem has reached a crisis level. Customers in the three classes (low-income

residential, regular residential and small commercial and industrial) analyzed in Massachusetts had accumulated over \$730 million in arrears by November 2020, and an estimated tens of billions of dollars in utility debts are accumulating across the country.

“We know that more low-income Black (20%) and Hispanic (28%) households already reported having more trouble paying their bills than white (12%) households between last June and August,” said **Anna Kowanko, National Consumer Law Center assistant researcher and co-author of the report**. “Although our analysis just looked at Massachusetts arrearages, it’s likely happening in most, if not all states in the U.S. The time is now for federal and state governments to collect data by zip code to help address racial disparities and to identify customers who are most at risk of losing utility service to ward off millions of terminations.”

Recommendations

1. Any federal aid bill should include substantial additional funding for energy assistance programs.
2. Any supplemental Low Income Housing Energy Assistance Program (LIHEAP) funding should leverage cancellation of all or a significant portion of customers’ utility debt.
3. Programs meant to help customers pay or write off past arrearages should be made more flexible and accessible.
4. States should collect detailed data on the number of customers in arrears, the amount of arrears accruing, and the age of arrears by customer class. Also, it is imperative that data collection be expanded to include zip code level data in order to understand and address any racial disparities. Massachusetts specifically should continue collecting the data being reported in DPU Docket 20-58 and mandate the reporting of zip code level data.