



# Kentucky Rural Water Association

Helping water and wastewater utilities help themselves

## Lifting the Moratorium on Disconnections and Late Payment Fees

Governor Andy Beshear, through Executive Order 20-323 issued on May 8 and the Public Service Commission through its earlier order on March 16 temporarily suspended disconnections for non-payment, as well as late payment fees, in order to provide relief for utility customers during the COVID-19 pandemic. Unlike the Executive Order, PSC's order did not apply to municipal utilities, but it does urge them to follow suit and suspend non-payment disconnections and late fees.

The Executive Order also states, "No provision contained within this Order shall be construed as relieving any individual of the obligation to pay for a utility service provided, or to comply with any other obligation that an individual may have with a utility."

Public utilities have complied with these orders over the past several months resulting in significant losses in late payment fee collections and an increase in non-payment of regular monthly bills by an increasing number of residential, commercial and industrial customers. Unfortunately, the threats of disconnection and assessment of late payment fees are the only incentives that utilities have to ensure that the highest collection rates are achieved. A consistently high ratio of payments over delinquencies allows user rates to be adequate for the utility's operations and more affordable to the customer.

While the orders were designed to assist individuals directly affected by the economic fallout from COVID-19, an unintended consequence of these orders is that a substantial number of customers are choosing not to pay their monthly utility bills and are amassing sizable account balances owed to utilities. The fear among utilities is that a large percentage of these non-paying customers will never be able to pay their bills, even with lenient and flexible payment plans.

The outcome, which is growing worse each month, is that delinquent customers will be in more precarious financial positions than they would have been under normal payment rules. Most public utilities already offer flexibility and leniency to customers who truly struggle to pay their bills. The outcome will be further worsened by passing the cost of these unpaid bills to the remaining customer-base through higher future rates.

Utilities are prepared to work with distressed customers to prevent their unpaid utility balances from ballooning. We ask the governor to strongly consider ending this moratorium and allow utilities to once again engage customers, create reasonable collection plans, collect late payment fees, and make disconnections, if warranted.

We are supportive of Governor Beshear's efforts to deal with the unknown and incalculable effects of COVID-19 on the Commonwealth and its citizens and vow to be a part of the solution as we serve our valued customers with safe drinking water and provide protection of our precious water resources.