



# **Discussion of COVID-related Customer Debt, and SVCE's Delinquent Payment Policy**

**SVCE Executive Committee Meeting  
April 23, 2021**

# Staff is seeking guidance from the EC on how/when to resume SVCE's delinquent payment policy during the summer of 2021.

## Discussion Outline

- Background, and SVCE's delinquency policy prior to COVID
- Current versus historic customer debt statistics
- PG&E timeline for resumption of noticing/service disconnection for non-payment
- Current IOU/CPUC debt-related programs, and policy deliberations
- SVCE goals and constraints
- High-level options for resumption of SVCE Delinquent Payment Policy

# In March 2020, PG&E announced a service disconnection moratorium, and SVCE suspended its delinquent payment policy.

## PG&E Disconnection Policy

- Customers past due at 21+ days
- Collections threshold per customer's risk level, as low as \$75 > 26 days, or \$50 > 81 days
- Customers receive a 15-Day on-bill Notice, then a 48-Hour Notice and two phone calls
- Soonest customer disconnection is ~52 days after the bill was sent
- After a customer is disconnected, they must pay the full past due amount to be restored

## SVCE Delinquency Policy

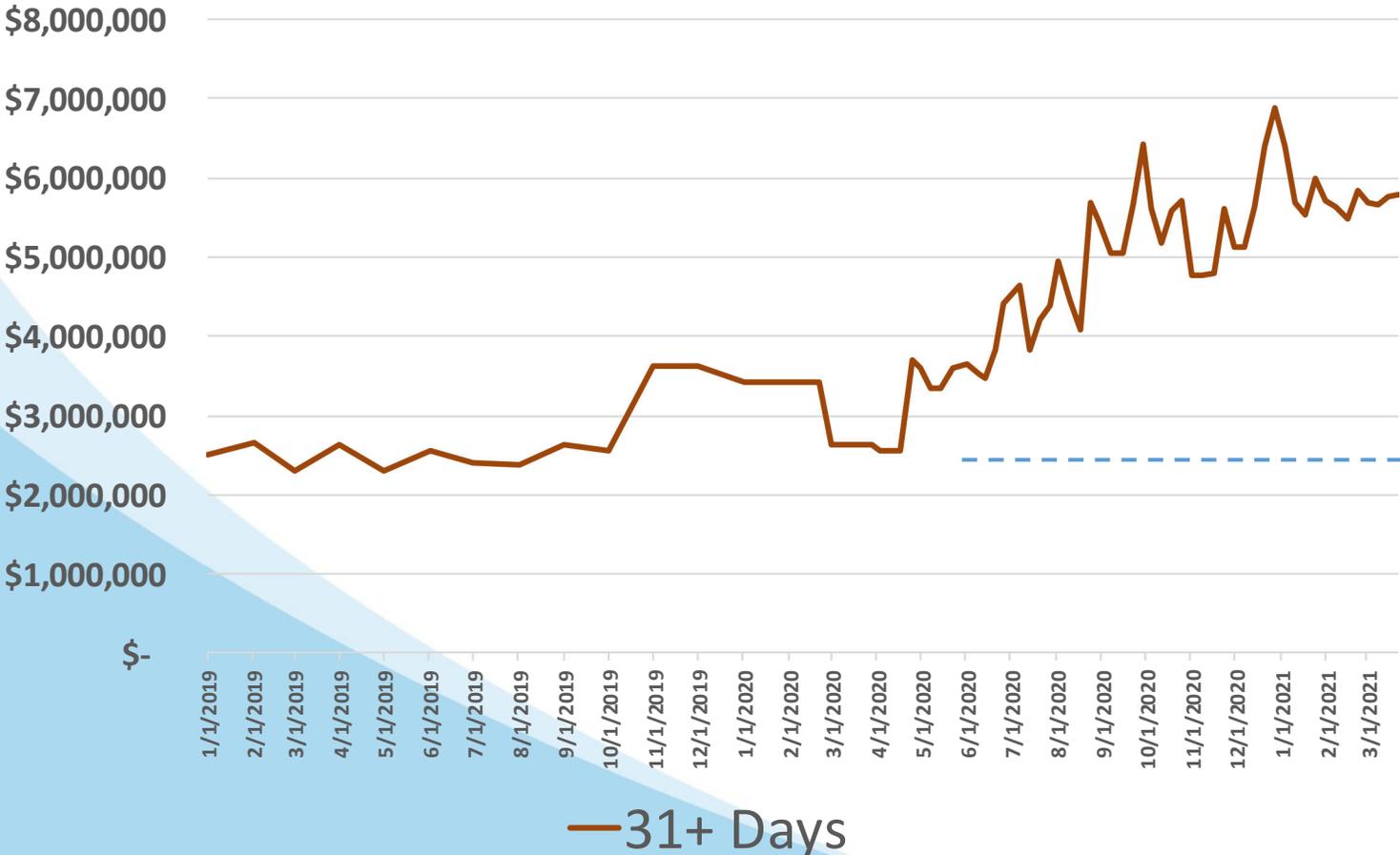
- Customers with overdue balance of \$100+ and 90+ days are sent a Late Payment Notice (LPN) re return to PG&E service UNLESS they:
  - make a new payment\* (and/or)
  - set up structured Payment Plan with PG&E
- Customers that receive an LPN in three consecutive months are returned to PG&E
- Historically, returns were 150-200/month

\*note partial res payments applied to PG&E balance first (payment waterfall)



**Since that time, the number of customers with past due balances has increased by 1.61X, and overall arrearage amounts by 2.3X.**

### SVCE 31+ Day Arrearage Totals

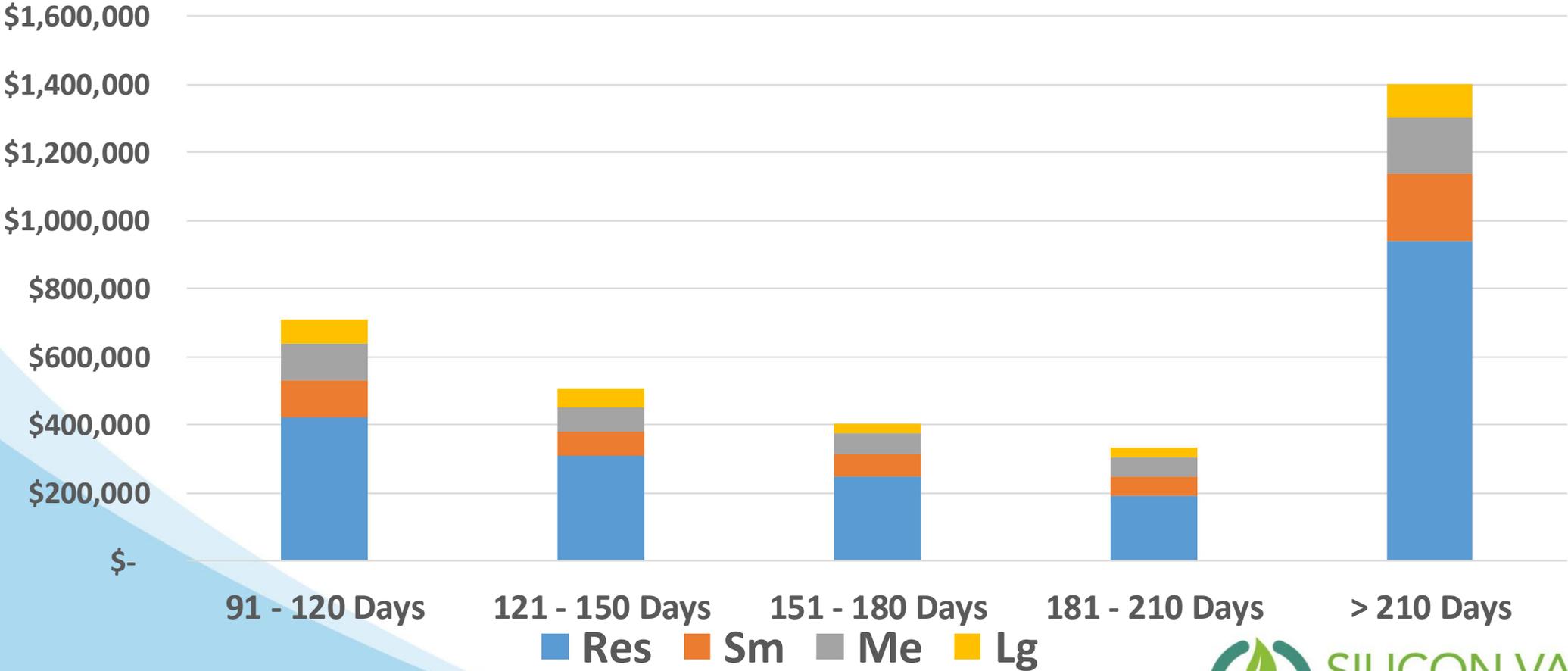


- 21,000 customers in arrears
- \$5.8M outstanding
- associated write-offs tbd
  
- 13,000 customers in arrears
- average \$2.5M outstanding
- write-offs ~\$500k/year



**64% of problem arrearage is residential; 180+ day balances across all segments total ~\$1.7M.**

**90+ Day Arrearage by Customer Segment**



**Immediate resumption of SVCE’s delinquency policy would imply 6,000+ residential send-backs, with 1,800+ being CARE/FERA.**

**90+ Day Residential Arrearage**

	<u>CARE/FERA Customers</u>	<u>Non CARE/FERA Customers</u>	<u>Unassigned Customers</u>	<u>Total Customers</u>	<u>Total \$ Balance Outstanding</u>
<b>90-120 days</b>	3,097	6,487	1,465	11,049	\$ 714,050
<b>121-150 days</b>	2,266	4,148	1,349	7,763	\$ 507,629
<b>151-180 days</b>	1,833	3,579	1,194	6,606	\$ 405,810
<b>181-210 days</b>	1,394	2,847	841	5,082	\$ 333,757
<b>&gt;210 days</b>	N/A	N/A	N/A	N/A	\$ 1,407,444

Average SVCE 150+ day past due balance is ~\$325



**PG&E is planning to end its disconnection moratorium on June 30<sup>th</sup>, with disconnections beginning as soon as late August.**

### **Resumption of Collection and Certification Activities**

- Residential and small business customers in arrears will receive 15-day notices and calls beginning in August
- Earliest possible business disconnections August 16<sup>th</sup>, residential August 25<sup>th</sup>
- CARE/FERA re-certifications and post-enrollment verifications to resume in July, with removals for non-certification beginning in October timeframe

# Payment plans, discounts and debt forgiveness programs are available; additional actions are being considered by the CPUC.

## Customer Relief Programs and CPUC Deliberations

- Income-qualified CARE/FERA programs offer 20+% bill discounts
- Debt forgiveness via Arrearage Mgt Program (AMP) for qualifying CARE/FERA
  - 2,264 qualifying SVCE customers, and 280 enrolled
- Payment plans offer 12-month terms for debt repayment, w/regular monthly payments
- Other one-time payment support programs for customers at risk include LIHEAP, REACH
- The CPUC opened a 'special relief' proceeding to consider more options, including
  - one-time forgiveness of \$200 for res/small business with balances >\$1,000
  - expanded 24-month payment plans and/or three monthly deferrals before "broken"
    - eligible arrearages accrued from March 2020 through June 2021
  - Proposed decision expected May 21st, final on June 24<sup>th</sup>

**SVCE has increased its FY20/21 budget allowance for bad debt, and could consider further direct financial support for customers.**

## **COVID Financial Exposure and Related Actions**

- SVCE exposure to COVID-related bad debt difficult to precisely estimate . . .
  - ~\$1.2M at low end, if repayment matches historical trend
  - ~\$3.9M at high end, if all additional debt from COVID is uncollectable
- SVCE increased bad debt allowance to \$1.5M in FY20/21 budget (from ~\$500K)
- In 2020, provided bill credits to CARE/FERA (\$2.8M) and small business (\$750K)
  - Additional funding this summer (e.g. \$1M) from CRCR contingency? other?

# In addressing customer arrearage goals, SVCE faces a number of key trade-offs and constraints.

## SVCE Goals

- Enable customers to successfully reduce arrearage amounts and avoid service disconnections
- Leverage available external programs and funding
- Minimize overall expenditure on bad debt write-offs, arrearage support
- Minimize 'send backs' to PG&E
- Minimize exposure to new arrearage amounts

## Key Tradeoffs/Constraints

- Outstanding SVCE balance is only a portion (e.g. ~20%) of overall PG&E bill
  - does not include T&D, PCIA, gas
- SVCE has limited visibility to customer's PG&E debt, financial circumstances/need
- SVCE funding is limited; PG&E payment & debt forgiveness programs can be recovered through public-purpose charges
- Payment 'waterfall' expected to resume post-COVID

# For EC consideration, three basic options are outlined for resumption of the Delinquent Payment Policy in Summer 2021.

## **1) Immediate Resumption**

- any customer with a balance >\$100 beyond 150 days would be sent back to PG&E (if not on payment plan)
- other customers >\$100 and beyond 90 days would receive notices re impending send-back if conditions aren't met in next 1-3 months

## **2) Phased Resumption**

- any customers >\$100 and 90+ days would receive notices re impending send-back within 3 months if conditions aren't met
- available debt relief or other payment plans would be actively communicated to eligible customers

## **3) Phased Resumption + Cash Support**

- any customers >\$100 and 90+ days would receive notices re impending send-back within 3 months if conditions aren't met
- available debt relief or other payment plans would be actively communicated to eligible customers
- SVCE provides financial support for qualifying/applying customers from CRCR contingency or other

# Questions

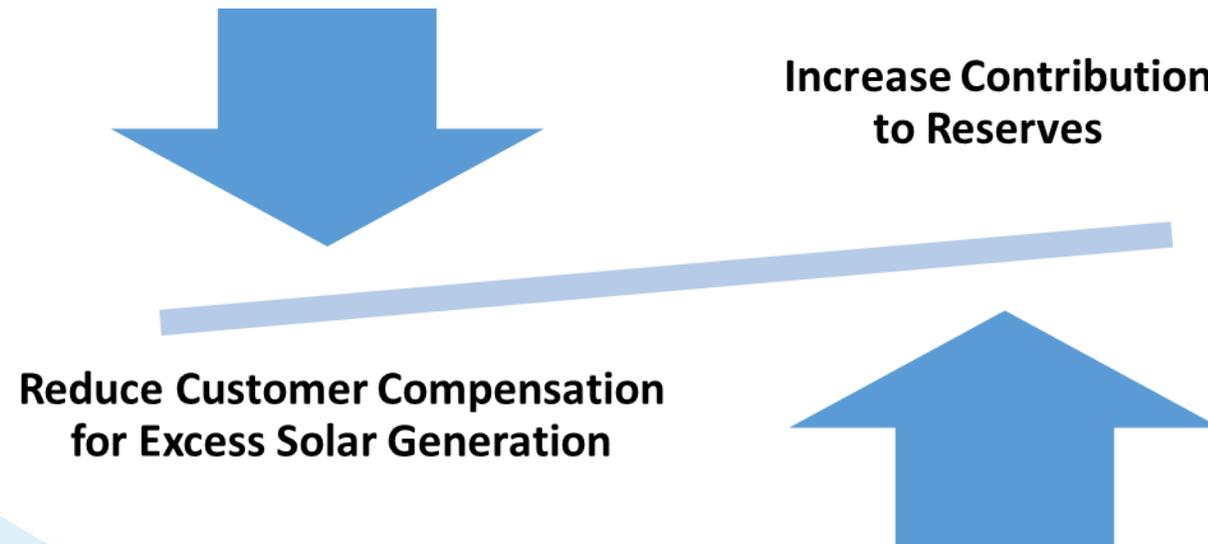


# Proposed Update to SVCE NEM Policy

**SVCE Executive Committee Meeting  
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## Staff is seeking guidance from the EC on a potential update to SVCE's NEM Policy.

- Reduce SVCE's 'annual cashout' compensation to NEM customers who produce excess solar, while remaining competitive with PG&E and saving SVCE \$500K or more annually.



## SVCE currently provides a generous NEM annual surplus payout relative to PG&E.

### SVCE

- Each April, customers with a NEM credit balance >\$100 are paid the **full retail value** of their generation balance, up to \$5,000. Amounts >\$5,000 are forfeited.
- Customers with a NEM credit balance between \$0 and \$100 have their retail credit balance rolled forward into the following year.
- GreenPrime customers receive additional value of \$0.008/kWh for their net retail credits

### PG&E

- Each year on the customer's annual true-up date, any retail generation credit balances are zeroed out and forfeited.
- For customers who have generated more kWh in a year than they have consumed, they are eligible to be paid 'net surplus compensation' (NSC) of ~2.7 cents/kWh
- NSC value varies, depending on the average wholesale cost of power

# SVCE's NEM policy from early 2017 was modeled after other CCAs at the time, to meet a number of key goals.

## Early Goals of SVCE NEM Policy

- Encourage energy-savvy NEM customers to make the switch to a different but competitive offering from SVCE, versus staying with PG&E
  - Clearly recognize customers investing directly in renewable generation
  - Establish good relations with customers likely to be on the leading edge of electrification/decarbonization
  - Avoid perceptions of 'competing' with local solar
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- SVCE's current opt-out rate for NEM customers is ~6%, versus 4% in total
  - SVCE now has 23,800 NEM customer accounts

**In April 2020, SVCE made NEM cashout payments to ~13% of NEM customers – that had annual retail credit balances >\$100.**

**NEM Cashout Customers and Amounts, 2020**

<b>Class</b>	<b>Number of Customers</b>	<b>Total Cash-out</b>	<b><u>Class Average</u></b>
Commercial	97	\$134,444	\$1,386
Residential	2,639	\$656,870	\$249
<b>Total</b>	<b>2,736</b>	<b>\$791,314</b>	

# Concerns about the equity of NEM policy in California have been growing – a 'NEM 3.0' proceeding is now underway at the CPUC.

## NEM Policy Concerns

- Cost shift from NEM customers to non-NEM customers
- Benefits of on-site solar more accessible to wealthier customers, single-family homeowners
- Changes to NEM must encourage more equitable access to solar and storage
- Changes to NEM must be reasonable and cannot hurt the growth of BTM solar industry

**In 2020, most residential customers receiving NEM cashouts were in higher-income SEVI census tract quartiles.**

**Annual NEM Cashouts by SEVI Quartile, 2020**

	SEVI 1	SEVI 2	SEVI 3	SEVI 4
<b>Residential Customers</b>	798	888	519	302
\$ Paid	\$213,439	\$213,848	\$128,463	\$68,473
% of Customers	34%	34%	21%	11%

	SEVI 1	SEVI 2	SEVI 3	SEVI 4
<b>Commercial Customers</b>	20	17	31	28
\$ Paid	\$28,381.68	\$27,854.99	\$44,477.05	\$32,202.46

Note: totals do not include ~5% of customers not identified with a SEVI quartile



# Recently, neighboring CCAs have moved to switch their retail NEM cashout policies to utilize an NSC/kWh payment.

## Current CCA NEM Cashout Policies

- Several CCAs now pay a multiple of PG&E's Net Surplus Compensation rate:
  - 3CE pays 2.5X
  - MCE pays 2X
  - SJCE pays 1.25X
- SCP pays 2X PG&E's NSC amount for excess kWh, and adds 1 cent/kWh for generation value used in net metering
- EBCE pays same NSC rate as PG&E, but CARE/FERA customers qualify for annual cashout at full retail value plus 1 cent/kWh
- PCE pays retail, similar to SVCE's current policy

**If SVCE were to switch to an annual cashout method that utilized NSC for excess kWh, the savings would be substantial.**

**Moving from Retail to NSC-based Annual Cashout**

	Annual Cost (based on 2020 volumes)	Annual Savings vs 2020
SVCE's current retail cashout policy	\$791,000	\$0
Net surplus compensation at 1X PG&E NSC for accounts with surplus balance >\$100	\$64,000	\$727,000
Net surplus compensation at 2X PG&E NSC for accounts with surplus balance >\$100	\$209,000	\$582,000

- SVCE has ~1,000 CARE/FERA NEM customers
- Average payout of \$249, for 13% of 1,000 = \$32k



## In lieu of today's retail NEM balance cashout payment, staff suggests moving to an NSC/kWh-based payment.

- • Effective after the April 2021 cashout:
  - for all customers other than CARE/FERA, pay 1.5X the PG&E NSC rate for all surplus kWh (currently 4.05 cents/kWh)
  - for CARE/FERA customers, continue current retail-based annual cashout policy
- For customers with a cashout amount (under the new policy) that's greater than \$50, mail a check and zero the NEM credit account balance
- For customers with a cashout amount that's less than \$50, zero the NEM credit account balance, then apply the cashout amount.
- Method would also apply to close-out checks to NEM customers leaving SVCE mid-year
  - ▶ SVCE's NEM program would remain more competitive than PG&E for customers generating a surplus; no change for ~87% of NEM customers without excess generation
  - ▶ Generous cashout terms retained for CARE/FERA customers

# Questions