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Difficulties present themselves in seeking uniform reporting of utility data.

NOTE TO READERS

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Reporting of utility collection data recognized as beneficial, but lack of uniformity in data definition impedes comparability.

Regulators and consumer advocates have for years sought reporting requirements that would allow the aggregation of data within a state and/or the ability to compare data between and amongst states. Data reporting is sought on items such as the number of service shutoffs for nonpayment, the number of deferred payment arrangements ("DPAs"), the aging of both the dollars of arrears and the number of accounts in arrears, and related factors.

Consider, for example, that in 2018 the National Association of State Utility Consumer Advocates ("NASUCA") adopted a resolution, updating a similar resolution adopted in 2011,[1] urging states "to gather uniform statistical data on billings, arrearages and disconnections of residential gas and electric services for nonpayment."[2]

"Gathering time series data concerning residential gas and electric service," the NASUCA resolution said, "including data concerning billings, collections, arrearages and disconnections for nonpayment, and making that data publicly available, will assist policymakers in evaluating the effectiveness of existing disconnection prac-

[1] NASUCA Resolution 2011-2, adopted June 28, 2011.
[2] NASUCA Resolution 2018-4, adopted November 11, 2018.

tices and policies and in identifying problems that may require new practices and policies."

According to NASUCA, "consistent, uniform reporting by utilities of time series billing and arrearage data enables policymakers to quantify the number of consumers who are experiencing problems in paying their utility bills, the financial impact of the arrearages, and any geographic disparities in this impact." It concluded that "a lack of consistent time series reporting of billing, collection and arrearage data impedes the identification and/or aggregation of credit and collection best practices and the adoption of credit and collection benchmark standards that can be used in the States."

The discussion below identifies some of the difficulties encountered with this quest for "uniform" reporting of data. Rather than allowing these difficulties to impede the search for uniform data reporting, the discussion asserts that the difficulties should be honestly acknowledged and addressed.

The regular, periodic collection and reporting of data is an important task to undertake for all the reasons identified in the NASUCA resolution. Even should such data collection begin to occur, however, care must be taken in making inter-utility comparisons, or in aggregating inter-utility data, to ensure that the data points are uniformly defined and that the comparisons are truly of comparables. While the notion that different utilities might define some terms differently than other is not profound, it seems often to be overlooked.

The discussion below is not intended to be a comprehensive review of how different data elements might be defined differently. The discussion, instead, is intended to heighten awareness of how even some of the most basic data elements might be defined in different ways. The discussion is illustrative rather than comprehensive.

Arrearages.

One of the most basic data elements to be reported is the amount of residential arrearages owed to any particular utility. Even the definition of "arrearage," however, can differ by utility. What is included in arrearages for one utility might be excluded by another. A higher or lower level of arrearages, in other words, might be indicative of how inclusive or exclusive the definition of what dollars are covered by the term rather than by whether ratepayers owe more or less money in unpaid bills.

Some utilities, for example, remove dollars of unpaid bills from the calculation of arrears as soon as an account is disconnected for nonpayment. Others do not tie the arrearage to the collection step of service disconnection, but rather to whether an account has received a "final bill" and service is no longer provided. Still others leave dollars of unpaid bills in their definition of "arrearages" so long as an account remains "active." An "active" account, however, is not necessarily synonymous with whether the account is taking service. Many utilities retain an account as an "active" account for prescribed time periods after the service has been disconnected (whether voluntarily due to customer mobility or involuntarily for nonpayment). Time periods subsequent to the termination of service before an account is deemed to be "inactive" can range anywhere from 30 days up to six months.

For other utilities, the question of whether a post-disconnection (either voluntary or involuntary) unpaid balance is an "arrearage" or not does not depend on whether the account is considered "active" or "inactive." In these circumstances, some utilities remove the unpaid balance from its reports of arrearages as soon as the utility stops providing service. Other utilities continue to carry the unpaid balance as an "arrearage" unless or until the balance is written-off as uncollectible. The decision-rule on when an account is deemed to be "uncollectible" varies widely amongst utilities. Little uniformity exists on the point at which a balance is written-off.

For purposes here, the significance lies simply in the incomparability of the average arrears for a utility who takes accounts with unpaid bills out of their calculation of arrears at the time of disconnection for nonpayment to the average arrears of a utility who continues to carry those unpaid bills for six months after a disconnection for nonpayment.

Deferred Payment Arrangements

The offer of Deferred Payment Arrangements ("DPAs") is one area with the greatest diversity in definitions. For purposes here, a DPA is used as a cover term for any agreement through which a customer is allowed to retire an unpaid bill balance over time. Whether they are referred to as "payment arrangements," "payment plans," "payment agreements," or some other such terminology, unpaid balances are retired over a prescribed period of time.

The definition of what constitutes a "DPA" varies widely by utilities. In particular, for example, some utilities distinguish between a "payment extension" and a "payment agreement." For these utilities, a customer who seeks to delay their payment for only one or two months is deemed merely to seek an "extension." Those agreements are not considered to be "DPAs" and the number of, or success/failure of those extensions is not incorporated into DPA statistics. In addition, given that these "extensions" tend generally to address lower unpaid balances, the average balance of a DPA may seem inflated for a utility granting extensions when compared to the average balance of a utility that includes ***any*** deferred payment in its definition of a DPA.

In addition, the question of whether a customer enters into a DPA often depends on how a utility defines the "start" of a DPA. On the one hand, some utility procedures provide that a customer must make their downpayment ***before*** entering into the DPA. Other utilities provide a limited number of days for a customer to make the DPA downpayment as the "first" payment on the DPA.

The difference can be important in assessing the comparability of data. In the first instance, if a customer fails to make the downpayment, the utility considers that no DPA ever existed. The agreement is not "counted" in any reporting of DPAs. Even though the payment was not made, since no DPA existed, there was no "default" on the DPA. In contrast, for those utilities for whom the downpayment is deemed to be the first payment, a failure to make that downpayment is thus counted as a DPA "default."

Even if an agreed upon downpayment ***is*** made, differences arise. For the first set of utilities (i.e., for whom a downpayment is a prerequisite to entering into the DPA), the arrearage subject to the DPA is generally considered to be that balance owed ***after*** the downpayment is sub-

tracted (i.e., the balance subject to deferred payments). For the others, however, the arrearage subject to the DPA includes the downpayment. Comparing the average arrearages of those two different utilities does not involve an apples-to-apples comparison.

DPA "Defaults."

The question of when a missed payment on a deferred payment arrangement ("DPA") is a "default" differs between utilities. The most fundamental difference, of course, lies simply with how the utility defines "default." While some utility procedures provide that a customer defaults on a DPA as soon as one payment is made late, other utilities require that a payment be missed in its entirety for a default to occur (e.g., a payment received on Day 30 after a Due Date of Day 20 is not a "default"). Yet other utilities require more than one missed payment before the DPA is considered to be in "default."

A bigger issue involves the question of how "cures" are handled in data reporting. Some utilities count defaults as occurring once a nonpayment has occurred. If the DPA is later "cured," the data report still indicates that a default existed. Other utilities determine that should a DPA be cured, it is as though no default had occurred in the first instance. Comparing the number of DPAs against the number of DPA defaults between these two utilities would be comparing non-comparable data.

The issue of defaults was also identified above with regards to downpayments. Some utilities define the "start" of a DPA as being when a customer makes his or her downpayment. For these utilities, if a customer fails to make the downpayment, no DPA ever existed. Other utilities define the downpayment as the first payment on a DPA. For these companies, a failure to make the downpayment would be a "default" on the DPA. Comparing the "default" data from these differing companies would be to compare data that is not reporting the same actions.

Monthly Bills and Payments.

As with arrearages, it would seem that defining a concept as fundamental as when a utility issues a "bill," and when a utility receives a "payment," would be reasonably uniform. However, important differences are evident.

Consider a customer who receives a federal fuel assistance (Low-Income Home Energy Assistance Program, "LIHEAP") grant. Assume that customer receives a $450 grant in October. The grant is posted to the account with an October bill of $100, a November bill of $150, and a December bill of $200 (total bill of $450). The LIHEAP grant results in a bill credit after the October bill ($450 - $100 bill = $350 bill credit), and continues to have a bill credit after the November bill ($350 bill credit - $150 bill = $200 bill credit). The LIHEAP grant results in a bill credit of $200 credit which completely pays the December bill of $200. In reporting how many "payments" have been made, has the customer made one payment or three?

For those utilities who do not define the bill credits as a "payment," the customer will be reported as having received three bills and made only one payment, a customer who might appear to pose a payment problem. A utility might respond to this mismatch simply by reporting that the customer had not received a "bill" in November or December (given that there was no

money owed), but that report would be misleading also.

The question is exacerbated when a customer receives a lump sum benefit (e.g., LIHEAP) to be applied on an account balance that has been made subject to a DPA. Different utilities apply LIHEAP benefits differently to DPA balances. Some utilities apply the LIHEAP benefit to the most recent asked-to-pay amount (bill for current service plus current DPA installment). Any excess funds from that benefit are then applied to the *next* month's asked-to-pay amount (next month's bill for current service plus next month's DPA installment).

Other utilities, however, apply the LIHEAP benefit to the current month's asked-to-pay amount. Any excess funds are then applied to the most remote installments. If a customer has entered into a 12 month DPA, in other words, the LIHEAP benefit is applied to the current asked-to-pay amount, and then applied to Installment 12, then to Installment 11, and so forth, until the LIHEAP benefit is exhausted. The next month's bill for current service is then due when rendered, along with that month's current installment. Under this approach, a LIHEAP payment can never be applied to more than one bill for current service so long as an outstanding balance exists on a DPA. Whether or not the first procedure complies with the federal LIHEAP statute, the difference in procedures makes the payment patterns on DPAs between the two companies non-comparable.

Aggregating receivables in these circumstances also poses problems. Simply summing the account balances would not provide an accurate picture of the outstanding arrearages, unless the unpaid balances were clearly distinguished from the account credits.

For purposes here, the issue is not whether one method of record-keeping is "better than" or "worse than" another method. The issue for our purposes here is simply to acknowledge the lack of uniformity in defining when a "payment" has been made on an account.

Aging of Arrears

One fundamental aspect of reviewing the payment (and nonpayment) patterns of public utilities is to review the aging of arrears. The aging of arrears considers both the age of the accounts in arrears and the age of the dollars in arrears. "Aging" buckets generally incorporate 30-day periods up to a top-coded aging bucket. Arrears, for example, can fall into 30-day arrears, 60-day arrears, 90-day arrears and 180+-day arrears. The top-code varies widely.

The first care that must be taken involves whether a utility is reporting "arrearages" or whether it is reporting "collectibles." For example, a dollar that falls into an arrearage bucket of "1-30 days" would be a dollar for which the payment due date has come and gone. A 15-day arrearage involves a balance that is unpaid 15-days after the due date.

In contrast, a dollar that falls into a collectibles bucket of "1-30 days" may well be a dollar that has been billed (i.e., is "collectible") but for which the due date has not yet arrived. A 15-day collectible involves a balance that is unpaid 15-days after the billing date, but may or may not be unpaid after the due date (e.g., depending on whether the due date is Day 10 or Day 20).

Even setting aside this basic difference, comparing the aging buckets for different utilities requires that the analyst know what day is Day 1 for purposes of the aging buckets. Some utilities define Day 1 (for calculating "30-day arrears") as being the day on which the bill was first rendered. Still other utilities define Day 1 as being the first day after the Due Date of the bill. Yet other utilities define Day 1 as being the day on which the next subsequent monthly bill is tendered.

For the top-code aging buckets, the question of whether the age of arrears (e.g., 240 days) "includes" that first 20-days (Billing Date to Due Date) or not may not make much substantive policy difference. For the younger arrears (e.g., 30-day, 60-day, 90-day arrears), however, whether the data includes the time between the Billing Date and the Due Date may be significant when comparing the performance of one utility to another.

Summary

There is a significant move today toward promoting the reporting of uniform data elements to help policymakers, industry analysts, and other stakeholders assess the credit and collections performance of different utilities. Such uniform data reporting not only allows data to be compared between service jurisdictions, but allows data to be aggregated within a state or other geographic region. It allows benchmarks to be established so as to undertake analysis of which utilities are performing better and which are not.

For such data reporting to be meaningful, however, the data reporting must truly be "uniform." As demonstrated above, even the most basic concepts (e.g., "arrearage", "payment", "aging") have multiple ways in which the definitions of the data being collected differ between utilities. To compare that data, let alone to aggregate such data, would result in erroneous (or, at the least, misleading) results.

This conclusion does not counsel that efforts to promote uniform data reporting should be abandoned. It does counsel, however, that care must be taken to define ***precisely*** what must be reported and how.

For more information regarding how to assess utility collections data, please write:

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Fisher, Sheehan and Colton, Public Finance and General Economics (FSC) provides economic, financial and regulatory consulting. The areas in which *FSC* has worked include energy law and economics, fair housing, affordable housing development, local planning and zoning, energy efficiency planning, community economic development, poverty and telecommunications policy, regulatory economics, and public welfare policy.