

December 9, 2020

VIA E-FILING

The Honorable Chair and Members of the
Hawai'i Public Utilities Commission
465 South King Street
Kekuanao'a Building, Room 103
Honolulu, HI 96813

Re: Commission's Request Dated November 25, 2020 for Feedback from
Utilities on the Suspension of Termination or Disconnection of
Regulated Utility Services Due to Non-Payment

Dear Commissioners:

Hawaii Water Service Company, Inc., Waikoloa Resort Utilities, Inc., dba West Hawaii Utility Company, Waikoloa Sanitary Sewer Co., Inc., dba West Hawaii Sewer Company, Waikoloa Water Co., Inc., dba West Hawaii Water Company, and Kona Water Service Company, Inc. (collectively, "Hawaii Water") hereby submit their feedback on the suspension of termination or disconnection of regulated utility services due to non-payment, pursuant to that certain request from the Commission dated November 25, 2020.

If you have any questions, please feel free to contact the undersigned.

Very truly yours,

WATANABE ING LLP

By: /s/ David Y. Nakashima
DAVID Y. NAKASHIMA

Enclosure

cc: Division of Consumer Advocacy (*via email*)

**Hawaii Water Service Company (Hawaii Water) Response to Hawaii Public Utilities Commission
(HPUC) Request for Feedback**

1) Lifting the Suspension of Disconnection for Non-Payment

- a) Do you think the Commission should extend the disconnection suspension for all of your customers beyond December 31, 2020? If so, when do you think the suspension should subsequently be lifted (e.g., by a specific date, at the end of Pandemic, etc.)?
 - i) Alternatively, do you think the suspension should end for certain customer classes before others, and if so, which customer classes, and when?
- b) If the suspension is not extended beyond December 31, 2020, would your Utility request authority to voluntarily suspend disconnections?

Response

- a) **Hawaii Water believes the Commission should extend the disconnection suspension for all of its customers if certain conditions are met. Until it is clear economic conditions are improving in the State (i.e., less restrictions on business opening, decreasing unemployment rate, increase travel into State, etc.), customers are likely to continue to struggle to pay their bills. Extended unemployment benefits have probably helped unemployed customers continue to pay their bills, but this could change if the extended unemployment benefits are not continued beyond the end of 2020. While the 2020 past due balances are higher than normal when compared to previous years,¹ past due balances would likely be much higher if not for extended unemployment benefits. There will likely not be a clear “end” to the Pandemic and conditions continue to change. Therefore, lifting the suspension should be determined based on specific metrics rather than a specific date. The widespread availability of a**

¹ See Hawaii Water’s quarterly reports filed on July 30, 2020 and October 30, 2020 (non-docketed).

vaccine is expected to come late in the second quarter of 2021. Assuming bettering conditions and a vaccine being distributed on time, the moratorium should be lifted no later than June 30, 2021.

- i) If the delinquent account rate for certain customer classes shows improvement over other customer classes, it is reasonable to lift the suspensions for these customer classes sooner. The customer make-up of each of Hawaii Water's divisions varies and a one-size fits all approach is not recommended. Similarly, the customer make-up of other water, wastewater, and energy utilities differs among the state. Therefore, if the Commission decides to lift the suspension for certain customer classes, Hawaii Water believes it should be up to the Utility to decide when and for which customer classes to lift the suspension.
- b) At the beginning of the Pandemic, Hawaii Water voluntarily suspended disconnection for non-payment before the Commission's order. At that time, the company believed that this action was in the best interest of its customers. The decision to voluntarily suspend disconnections beyond December 31, 2020 would largely depend upon the delinquency rate Hawaii Water's divisions are seeing as well as other factors explained in (1)(a) above. Management will do what is best for Hawaii Water customers.

2) Financial Impacts on Utilities

- a) How many of your Utility customers (of each customer class) have past due balances for utility service, and what is the total cumulative past due balance for all customers?

Please break out past due balances by timeframe (e.g., past due by less than 30 days, by greater than 30 days, by greater than 60 days, by greater than 90 days, etc.), if available.

- b) How would an extension of the disconnection suspension for 1 month, 3 months, or 6 months, respectively, affect the financial condition of your Utility?
- c) What data and/or financial information does your Utility think would be helpful to provide to the Commission on a going-forward basis to help the Commission continue to make decisions around disconnection suspension and related issues?

Response

a) The following table summarizes the number of customers with past due balances by customer class for each of Hawaii Water’s divisions as of November 30, 2020.

| <u>District</u> | <u>Revenue Class</u> | <u>Current Premise Count</u> | <u>31- 60 Premise Count</u> | <u>61- 90 Premise Count</u> | <u>91 & Over Premise Count</u> | <u>Delinquent Premise Count</u> | <u>Delinquent Premise %</u> | <u>Total Premises (Curr + Delinq)</u> |
|-----------------|------------------------------|------------------------------|-----------------------------|-----------------------------|------------------------------------|---------------------------------|-----------------------------|---------------------------------------|
| Kaanapali Water | Business Metered | 70 | 3 | 0 | 3 | 6 | 8% | 76 |
| Kaanapali Water | Multiple Residential Metered | 38 | 0 | 0 | 0 | 0 | 0% | 38 |
| Kaanapali Water | Public Authority Metered | 1 | 0 | 0 | 0 | 0 | 0% | 1 |
| Kaanapali Water | Residential Metered | 567 | 18 | 7 | 24 | 49 | 8% | 616 |
| Total: | | 676 | 22 | 7 | 30 | 58 | 7.90% | 734 |
| Pukalani Sewer | Business Metered | 15 | 2 | 0 | 0 | 2 | 12% | 17 |
| Pukalani Sewer | Multiple Residential Metered | 5 | 0 | 0 | 0 | 0 | 0% | 5 |
| Pukalani Sewer | Public Authority Metered | 0 | 1 | 0 | 0 | 1 | 100% | 1 |
| Pukalani Sewer | Residential Metered | 619 | 47 | 8 | 113 | 168 | 21% | 787 |
| Total: | | 639 | 50 | 8 | 113 | 171 | 21.11% | 810 |
| Kona Water | Agricultural Irrigation | 7 | 0 | 0 | 0 | 0 | 0% | 7 |
| Kona Water | Business Metered | 24 | 0 | 0 | 0 | 0 | 0% | 24 |

| | | Current | 31- 60 | 61- 90 | 91 & Over | Past Due | Past Due | Total Premises |
|---------------------------|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------------|-----------------------|
| Kona Water | Residential Metered | 211 | 17 | 2 | 0 | 19 | 8% | 230 |
| Total: | | 242 | 17 | 2 | 0 | 19 | 7.28% | 261 |
| District | Revenue Class | Premise Count | Premise Count | Premise Count | Premise Count | Premise Count | Premise % | (Curr + Past) |
| Kona Sewer | Business Metered | 12 | 0 | 0 | 0 | 0 | 0% | 12 |
| Kona Sewer | Residential Metered | 192 | 21 | 3 | 0 | 24 | 11% | 216 |
| Total: | | 204 | 21 | 3 | 0 | 24 | 10.53% | 228 |
| West Hawaii Sewer | Multiple Residential Metered | 28 | 2 | 1 | 2 | 5 | 15% | 33 |
| West Hawaii Sewer | Public Authority Metered | 4 | 1 | 0 | 0 | 1 | 20% | 5 |
| West Hawaii Sewer | Residential Metered | 273 | 16 | 8 | 18 | 41 | 13% | 314 |
| Total: | | 311 | 20 | 9 | 20 | 49 | 13.61% | 360 |
| West Hawaii Utility Water | Business Metered | 44 | 2 | 0 | 0 | 2 | 4% | 46 |
| West Hawaii Utility Water | Multiple Residential Metered | 23 | 0 | 0 | 0 | 0 | 0% | 23 |
| West Hawaii Utility Water | Other Sales & Svc | 0 | 0 | 0 | 2 | 2 | 100% | 2 |
| West Hawaii Utility Water | Private Fire Service | 14 | 0 | 0 | 1 | 1 | 7% | 15 |
| West Hawaii Utility Water | Residential Metered | 62 | 5 | 3 | 2 | 10 | 14% | 72 |
| Total: | | 143 | 7 | 3 | 5 | 15 | 9.49% | 158 |
| West Hawaii Utility Sewer | Business Metered | 11 | 1 | 0 | 1 | 2 | 15% | 13 |
| West Hawaii Utility Sewer | Multiple Residential Metered | 22 | 0 | 0 | 1 | 1 | 4% | 23 |
| West Hawaii Utility Sewer | Residential Metered | 51 | 4 | 2 | 3 | 8 | 14% | 59 |
| Total: | | 84 | 4 | 2 | 4 | 11 | 11.58% | 95 |

| <u>District</u> | <u>Revenue Class</u> | <u>Current</u> | <u>31- 60</u> | <u>61- 90</u> | <u>91 & Over</u> | <u>Past Due</u> | <u>Past Due</u> | <u>Total Premises (Curr + Past)</u> |
|-------------------|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------------|-------------------------------------|
| | | <u>Premise Count</u> | <u>Premise Count</u> | <u>Premise Count</u> | <u>Premise Count</u> | <u>Premise Count</u> | <u>Premise %</u> | |
| West Hawaii Water | Business Metered | 26 | 1 | 1 | 0 | 2 | 7% | 28 |
| West Hawaii Water | Multiple Residential Metered | 32 | 0 | 0 | 0 | 0 | 0% | 32 |
| West Hawaii Water | Other Sales & Svc | 5 | 2 | 1 | 0 | 3 | 38% | 8 |
| West Hawaii Water | Private Fire Service | 13 | 1 | 1 | 2 | 4 | 24% | 17 |
| West Hawaii Water | Public Authority Metered | 7 | 1 | 0 | 0 | 1 | 13% | 8 |
| West Hawaii Water | Residential Flat | 74 | 0 | 0 | 20 | 20 | 21% | 94 |
| West Hawaii Water | Residential Metered | 1,889 | 75 | 32 | 94 | 201 | 10% | 2,090 |
| Total: | | 2,046 | 82 | 34 | 116 | 232 | 10.18% | 2,278 |

The following table summarizes the total past due balance for each of Hawaii Water's divisions as of November 30, 2020.

| <u>Distict</u> | <u>Current</u> | <u>31- 60</u> | <u>61- 90</u> | <u>91- 120</u> | <u>121- 150</u> | <u>151 & Over</u> | <u>Past Due</u> | <u>Past Due</u> | <u>Total Dollars</u> |
|---------------------------|------------------|------------------|------------------|------------------|------------------|-----------------------|------------------|-----------------|----------------------|
| <u>Amount \$</u> | <u>Amount \$</u> | <u>Amount \$</u> | <u>Amount \$</u> | <u>Amount \$</u> | <u>Amount \$</u> | <u>Amount \$</u> | <u>Amount \$</u> | <u>Amount %</u> | <u>(Curr + Past)</u> |
| Kaanapali Water | 410,862 | 9,686 | 2,965 | 2,085 | 2,964 | 27,448 | 45,148 | 10% | 456,010 |
| Pukalani Sewer | 21,050 | 19,836 | 3,568 | 2,765 | - | 45,121 | 71,290 | 77% | 92,339 |
| Kona Water | 278,934 | 26,661 | 3,523 | - | - | - | 30,184 | 10% | 309,118 |
| Kona Sewer | 148,964 | 13,154 | 2,114 | - | - | - | 15,267 | 9% | 164,231 |
| West Hawaii Sewer | 120,398 | 30,968 | 25,807 | 23,199 | 13,263 | 2,418 | 95,656 | 44% | 216,053 |
| West Hawaii Utility Water | 40,708 | 6,836 | 1,076 | 869 | 376 | 1,390 | 10,547 | 21% | 51,256 |
| West Hawaii Utility Sewer | 90,200 | 11,348 | 4,924 | 5,359 | 4,326 | 15,260 | 41,217 | 31% | 131,417 |
| West Hawaii Water | 85,304 | 14,613 | 6,298 | 4,903 | 3,365 | 10,080 | 39,258 | 32% | 124,562 |
| Total | 1,196,420 | 133,101 | 50,275 | 39,180 | 24,294 | 101,718 | 348,567 | 23% | 1,544,987 |

- b) It is difficult to predict the effect on the financial health of Hawaii Water if the PUC extends the disconnection suspension for 1 month, 3 months, or 6 months. As explained there are a number of factors that would impact the financial health of Hawaii Water. Resuming shut off for non-payment could incentivize more customers to pay their bills. However, if economic conditions do not improve for customers, shut off for non-payment could result in customers going without water service until they are able to resume service. To be clear, Hawaii Water would do everything it could to ensure customers continue receiving service. Another complicating factor of the impact to the financial health of Hawaii Water is the lifting of the moratorium on evictions. It will be a challenge to pursue past due account balances if a tenant is evicted but still has an unpaid balance. If the moratorium on shut off for non-payment continues, it is possible Hawaii Water could face cash flow problems which would result in deferral of capital projects, regular maintenance, or other unforeseen issues.
- c) In the various orders the Commission has issued regarding the Pandemic, the Commission has requested that utilities report on the “financial health” of the utility. Specific parameters from the Commission around financial health would be helpful. For example, the information requested in this survey (e.g., number of past due accounts by customer class by time and past due balances) is specific and will help inform the Commission of the condition of utilities under its jurisdiction. Another helpful data point would be a comparison of actual to authorized revenues and actual to authorized expenses.

3) Protections for Customers (Including Those Experiencing Financial Hardship)

- a) What mechanisms exist, or are you considering implementing, for customers to alert your Utility that they are experiencing financial hardship or otherwise need special customer protections related to their utility bill or service?
- b) What types of payment plans is your Utility currently offering, or contemplating offering, to customers? Please include information regarding the proposed minimum and maximum lengths of these payment plans, including those that may be established specifically for vulnerable customers (e.g., customers experiencing financial hardship, low-income customers, customers with special medical needs, etc.).
- c) What, if any, specific customer protections is your Utility offering or contemplating offering to vulnerable customers (e.g., customers experiencing financial hardship, low-income customers, customers with special medical needs, etc.)?
- d) Are there other specific customer protections that you think should be extended or newly implemented?

Response

- a) **Hawaii Water has communicated with customers that their shut off for non-payment would be suspended as a result of the Pandemic. This was decided and communicated with customers prior to the Commission's moratorium on disconnections. Additionally, Hawaii Water informed customers that payment plans are available to them if they are having trouble paying their bill. Customers are encouraged to call if they are having trouble related to bill payments or utility service.**
- b) **Hawaii Water offers a six-month payment plan to customers who are struggling to pay their bill. The customer is asked how much they can afford per month and if the amount can be paid in the six-month period, the payment plan is set. If the balance**

cannot be paid in six months or less, manager approval is needed to extend the payment plan beyond six months. Payment plan extensions are offered as well if a customer needs to adjust a payment plan that is in place. Payment plan extensions are reviewed on a case by case basis. Hawaii Water's parent company is working on developing enhanced payment plans that would go beyond the standard payment plan. Details are still being developed. When completed, the enhanced payment plan would be shared with Hawaii Water.

c) See response to (3)(b).

d) A customer assistance program would help the most vulnerable customers. Other states such as California have a model for regulated utilities to assist customers with bill payments if they meet a certain income threshold and a similar program could be implemented in Hawaii.

4) Customer Engagement

- a) What communications regarding the disconnection suspension and other customer protections (including those provided by outside sources, such as COVID-19 relief funds) have you provided to your customers during the Pandemic?
- b) When and how is your Utility planning to notify customers, if you have not already, that they are at risk for disconnection or termination of regulated utility services upon the lifting of the suspension?
- c) How is your Utility communicating payment plans (or, planning to communicate payment plans) and other options to customers who are at risk for disconnection? Are you currently conducting, or planning to conduct, this outreach prior to any lifting of the suspension?

Response

- a) **As previously explained, Hawaii Water reached out to customers at the beginning of the Pandemic informing them of the moratorium on shut off for non-payment. Currently, customer service representatives of Hawaii Water reach out to customers who have unpaid account balances greater than 30 days to see how the company can help them. This usually results in the setup of a payment plan or payment plan extension. Additionally, customer service representatives will refer customers to outside resources to assist with bill payment. For example, the Hawai'i County Economic Opportunity Council offers utility payment assistance for those who qualify.**
- b) **Hawaii Water has not communicated with customers that they are at risk for disconnection or termination of water service upon the lifting of the suspension. During the non-Pandemic time, Hawaii Water would normally contact the customer by phone, email, or door hanger informing the customer that they are at risk of disconnection for non-payment.**
- c) **See the responses to (3)(b) and (4)(b).**

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