ONGOING IMPACTS OF COVID-19 ON NORTH CAROLINA WATER AND WASTEWATER UTILITIES

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BACKGROUND

Clean water availability and wastewater services are crucial in fighting outbreaks and preventing disease spread, both functions which are especially vital during the COVID-19 pandemic. While the water and wastewater sectors are committed to providing service to all households, the pandemic has reinforced the disparities between utilities that are financially stable and those that are not. Some emergency federal funding has been made available for utilities since the onset of the pandemic, but there is currently no existing regular federal financial assistance for water services, further exacerbating the difficult financial situation of many utilities.

In order to provide important protections for North Carolinians, Governor Cooper issued Executive Orders 124 and 142 in the initial months of the pandemic. These directives prohibited utilities from disconnecting residential customers for non-payment, as well as required the institution of payment plans. However, shutoffs are often used as a tool by utilities to encourage payment, and prohibiting shutoffs led to significant consequences for utility revenue streams.

Map of utilities that provided information via survey response, interview, or email correspondence.
In order to assess the ongoing impacts of the COVID-19 pandemic on water and wastewater utilities, in addition to looking specifically at the impacts of Executive Orders 124 and 142, the Environmental Finance Center (EFC) conducted interviews with staff at 16 utilities across the state. These interviews were supplemented with water and wastewater rates from each utility, as well as other financial data that the EFC has been collecting for over a decade.

RESEARCH FINDINGS
The EFC’s study found that impacts of COVID-19 on North Carolina utilities included:

1) Lost or delayed revenue for a variety of reasons;
2) Staff needed extra time and effort to serve customers and create payment plans; and
3) Challenges associated with distributing assistance funds to both customers and utilities.

Revenue was lost from the prohibition of late fees as well as from changes in consumption patterns (i.e. increased residential consumption and decreased commercial and institutional consumption). Additionally, revenue was delayed due to the institution of at minimum 6-month payment plans for past due bills accumulated between March and July 2020. This revenue decrease had further ramifications, such as delaying much needed infrastructure investments, reducing staff, and raising rates at a time when many households are already struggling to pay bills that are past due.

Although some utilities received funds from the CARES Act, many reported having difficulty with interpreting the guidance about whether or not funds could be used to help customers with past due bills. This financial assistance was also not sufficient to cover aforementioned shortfalls in revenue.

Overall, the scope of these impacts depends on several factors that vary by utility provider, such as utility size, customer base composition, and urban versus rural location. For example, small utilities that rely heavily on revenue from commercial or institutional operations may have been more vulnerable to financial strain, as many of these businesses were not operational for long periods of time due to the pandemic. However, as the pandemic remains ongoing, many consequences remain to be seen. The delay in infrastructure investments due to loss in revenue is particularly problematic; much of NC’s water infrastructure has exceeded its useful life, and systems require significant repairs and upgrades to improve resiliency against climate change and extreme weather events. This pressure is felt most heavily by rural, economically distressed communities.
Graph showing relationship between customer delinquencies and utility service connections.

POLICY OPTIONS

Planning Ahead
A main takeaway from the COVID-19 pandemic is that in order to be effective, a system for providing financial relief to local governments and utility customers needs to be in place prior to an emergency occurring. Distributing funds to customers in need is a large undertaking and takes significant preparation and continual funding in order to be done efficiently and effectively. Better guidelines and clarity about how to utilize and distribute funding programs would also be beneficial.

Importance of Prior Knowledge
Additionally, flexibility and an understanding that utilities vary widely is necessary to create mandates that help both customers and utilities in emergencies. Prior knowledge about factors such as a utility’s customer base, financial position, billing software, staff number, and customer delinquencies are important to create policies that will divide aid between utilities equitably.

Enhancing Resiliency
Finally, support for the long-term viability of utilities to enhance their resiliency against future crises could provide lasting benefits and improve their ability to address local challenges. This would entail methods such as diverting funds to focus solely on infrastructure improvement.

The full Ongoing Impacts Report can be found at https://efc.sog.unc.edu/sites/default/files/2021/COVID_OngoingImpactsDec2020_NCUtilitys_EFC_0.pdf.