

Austin American-Statesman

Sunday, February 8, 2015

Breaking news at statesman.com

**STATESMAN
IN-DEPTH
AUSTIN ENERGY**

Unpaid electric bills are piling up

The amount customers owe Austin Energy has skyrocketed since 2011.

By **Lilly Rockwell**
lrockwell@statesman.com

Austin Energy has a debt problem.

During the past four years, the amount of money customers owe Austin Energy in unpaid or overdue electric bills has skyrocketed from \$15.8 million in 2011 to \$76.4 million for the fiscal year that ended Sept. 30. The portion branded as "bad debt" — money unpaid for so long that Austin Energy doesn't expect to ever see it — has grown from \$3.5 million in 2011 to \$20.8 million last year.

The unpaid electric bills make up the biggest portion of the \$116.7 million debt that customers owed the city last year for all utility services, including water, wastewater and trash collection.

Utility executives have started lobbying for a stricter collections policy, calling it one of Austin Energy's top

Energy continued on A8

THE GROWING TAB

Below is a snapshot of the unpaid or overdue electric customer debt during different time periods at Austin Energy:

September 2014
\$76.4 million

December 2013
\$66.9 million

May 2013
\$56.2 million

September 2012
\$52.1 million

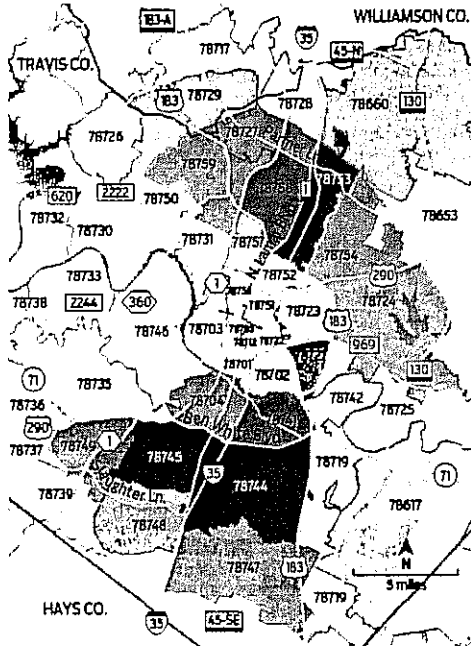
October 2011
\$15.8 million

SOURCE: AUSTIN ENERGY

Payment arrangements with city utilities

The map below shows the total amount of money owed by Austin utility customers who have made arrangements to repay it, broken down by ZIP code. This information is current as of Feb. 5.

- \$2,000 to \$375,000
- \$375,001 to \$750,000
- \$750,001 to \$1,125,000
- \$1,125,001 to \$1,500,000
- \$1,500,001 to \$1,875,000
- \$1,875,001 to \$2,250,000
- \$2,250,001 to \$2,625,000
- \$2,625,001 to \$3,000,000



Source: Austin Energy
ROBERT CALZADA / STAFF

WHAT HAPPENS IF YOU CAN'T PAY YOUR UTILITY BILL?

Austin Energy's policies on handling delinquent accounts have changed over the years:

Policy before October 2011
Customers could make two payment arrangements that had to be paid off within 12 months, or 24 months for low-income customers in the Customer Assistance Program. A down payment of one-third to half was required.

Policy after January 2013
Customers could set up a 36-month payment arrangement, up to three separate times. A down payment of one-third to half was required.

Policy since December 2013
Customers can set up a 36-month payment arrangement, up to three times, with a fourth chance given for a "bona fide" reason. No down payment required. People in the Customer Assistance Program can receive an unlimited number of payment arrangements, and their monthly debt payment is capped at \$48.

Energy

continued from A1

priorities to take to the new City Council because the growth of that debt poses a threat to other priorities, such as putting cash into reserves or keeping rate increases down.

"Each year in our rates we expect a certain amount of bad debt expense," Austin Energy spokesman Robert Cullick said. "So that's built into the rates — and the rest of the ratepayers pick it up."

But not everyone agrees changing the collections policy is the answer. Advocates for poor residents say the existing policy, which allows for multiple long-term payment arrangements, is the best way to help people struggling to pay their utility bills.

"The policies put in place are not very old," said Carol Biedrzycki, who is the director of Texas ROSE, an organization that advocates for affordable utilities. She said the current collections policy was approved by the City Council only a little over a year ago. She wants the utility to give it a chance to work before changing it, saying "consumers are better off."

It began with billing errors

Austin Energy says the problems began back in 2011, when it switched to a new, problematic IBM billing system. The utility handles billing for the city's water, electric and trash customers.

After the switch, some customers were over-billed or received no bill at all.

Between October 2011 and January 2013 the city stopped trying to collect unpaid bills, and residential customers racked up about \$9 million in overdue payments.

"We didn't want to disconnect the customer



DEBORAH CANNON / AMERICAN-STATESMAN 2014

BEHIND THE NUMBERS

Ofelia Zapata is a well-known activist in her Dove Springs neighborhood and a board member with Austin Interfaith. And she's one of the thousands of Austinites who is on a payment arrangement with Austin Energy. Zapata said she owes \$900 to the utility and is on her third payment arrangement.

"This is my last chance," Zapata said. Her typical utility bill ranges between \$200 and \$300 for a two-bedroom apartment, Zapata said, but now has an added payment arrangement of \$20 on top of that.

She said it's challenging to find room in her budget to pay all her expenses: "You have got to make choices — do you buy food or do you pay some rent or electricity?"

Zapata, who works seasonally on the appraisal review board, said she is visually impaired and receives Social Security benefits but isn't able to get on the utility's Customer Assistance Program because she earns too much, she said.

on a system that we haven't proven was accurately billing," said Jawana "J.J." Gutierrez, vice president of customer care services at Austin Energy. "And so we created a period of time where we said, 'We are not going to disconnect a customer until we can verify our system is stable and accurate.'"

But by continuing to give electricity to customers who weren't paying their bills, the utility allowed those customers to build up a lot of debt, Gutierrez said.

"We saw customers with an average of \$5,000 in debt," he said.

By state law, Austin Energy cannot write off or forgive bad debt, said Mark Dombroski, chief financial officer for Austin Energy.

After the billing errors were sorted out, Aus-

tin Energy restarted debt collections in January 2013. The utility decided to relax its payment arrangement policy for residential customers only, allowing three payments of 36-month terms, and requiring an initial down payment. These payments are made on top of the customer's usual bill with no additional interest or penalties.

'The debt is just growing'

Still, some residential customers continued to have problems.

"It's pretty difficult" for a customer paying a couple hundred dollars a month to also come up with the thousands of dollars that might be owed in back payments, Gutierrez said.

Austin Energy studied which customers were having a hard time pay-

ing off the debt. The utility looked at \$8.4 million in unpaid bills from the noncollection period and found only \$500,000 belonged to low-income households already receiving discounted bills through its Customer Assistance Program.

Some advocates for the poor interpreted that as a sign that the program isn't reaching all of the customers it should.

"We have had people agreeing to payment arrangements that are unable to meet the obligations — just out of a sense of desperation," Biedrzycki said.

Advocates for the poor, from such organizations as Texas ROSE, Austin Interfaith and the Texas Legal Services Center, pleaded for leniency,

Continued on next page

Continued from previous page

saying the right thing to do was not to disconnect quickly but to give people time to pay off debt.

"It has been told to me by many a fine social worker ... that they are very grateful for deferred payment arrangements because it keeps people away from payday lenders," Biedrzycki said.

A new policy, approved by the City Council in December 2013 through a resolution sponsored by Council Member Kathie Tovo, eliminated the down payment, extended the payment agreements up to 36 months, and allowed for up to four arrangements. Customer Assistance Program customers could get unlimited payment arrangements.

Gutierrez argues the policy of allowing up to four long-term payment arrangements makes it too easy for customers to stop paying their bills, which allows them to accrue more debt.

"At least with those down payments you are chipping away at that outstanding debt, even if you aren't successful with the full payment arrangement," Gutierrez said. "In this scenario where we are today the debt is just growing."

Time for a new policy?

After the latest payment policy was put in place, Austin Energy says customer debt only continued to grow. That has hurt the utility's efforts to build its cash reserves, undermining what had been a key goal when the City Council approved a major, controversial rate increase in 2012. The utility had hoped that with fuller reserves, it could pay cash for more of its projects instead of borrowing money and paying interest.

"When we raised rates two years ago, we promised to increase reserves in order to make this a healthier utility for the

mySTATESMAN.COM

Read previous coverage of Austin Energy's customer assistance program with this story at mystatesman.com.

city of Austin," Cullick said. "We've been hindered in that so far because of this unexpected increase in bad debt."

A working group came together last year to study what should be done about the payment policy. The group, composed of Austin Energy staff as well as representatives from such groups as Texas ROSE and Meals on Wheels, recommended only minor changes. But it also suggested a new plan for dealing with customers who have long-term debt over \$1,750: have the city spend \$5.8 million paying a portion of their unpaid debt.

At a meeting with the previous City Council last

November, Austin Energy staff said they weren't enthusiastic about that idea, urging the council instead to consider fewer payment arrangements and reinstating down payments.

"Some folks who argue that the way you get compliance is to offer many opportunities and no threat," Cullick said. "It seems to us that that has simply been counterproductive, that the result of that has been a great increase in personal debt owed to the city."

But momentum toward any solution stalled when the old council left office at the end of 2014.

"We're going to have to queue this back up for the new council, and that comes with an education process and questions and answers, and then they will have to decide whether or not to change the policy," Gutierrez said.

Contact Lily Rockwell at 512-445-3632.