



A look at two utilities' debt-forgiveness programs

How National Grid Massachusetts and SoCalGas are helping customers during COVID-19

By Liza Minor

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Key takeaways

Our contacts at SoCalGas and National Grid shared their advice on designing an arrears management program (AMP):

- Figure out your qualification threshold for past-due balances. Choose a threshold that doesn't exclude customers or put them in too much debt before they can qualify.
- Work with regulators up front to set an appropriate threshold—explain your reasoning for wanting to set your threshold at a specific amount.
- Make it easy for customers to enroll and participate in your AMP by including information on your website and using targeted messaging.
- Support AMP participants with energy efficiency programs and Low Income Home Energy Assistance Program (LIHEAP) funding to help them stay enrolled and keep up with current bills.

In the early months of the COVID-19 pandemic, utilities across the US and Canada issued moratoriums on disconnections for nonpayment. Without the worry of losing service, some customers didn't pay their past-due balances during that period. And now they're seeing sizable debt.

Arrears management programs (AMPs) are also known as debt-forgiveness programs. They're part of a

utility's bill-relief strategy and are aimed at helping residential utility customers with past-due balances avoid disconnections and manage their debt effectively.

We spoke with National Grid Massachusetts and SoCalGas to learn more about how they designed and implemented their debt-forgiveness programs. We also discussed how the pandemic and shutoff moratoriums have affected program design and participation. For more on the strategy behind AMPs, check out our report [Include debt forgiveness as part of your bill-relief strategy](#), which is available to members of the E Source [Contact Center Optimization Service](#).

National Grid's debt-forgiveness program

Program history

National Grid Massachusetts first offered its AMP to residential customers in the late 1990s. To develop the program, National Grid worked closely with low-income advocacy groups such as:

- Low-Income Energy Affordability Network
- Massachusetts Association for Community Action
- National Consumer Law Center
- National Energy Assistance Directors' Association
- Office of Massachusetts Attorney General

State regulators were also in favor of offering an AMP to support low-income customers.

National Grid continues to work with low-income advocacy groups and other Massachusetts utilities to make sure they're offering similar programs. That way, customers can participate in roughly the same type of AMP even if they have different electric and natural gas providers.

Qualification requirements

To qualify for National Grid's [Forgiveness Program](#), customers need to be enrolled in the utility's [Low Income Discount Rate](#). And to be considered for the discount rate, customers either need to be eligible for LIHEAP or receiving benefits from other programs, such as:

- Medicaid
- National School Lunch Program
- Public housing
- Supplemental Nutrition Assistance Program

Before COVID-19, customers who completed or withdrew from National Grid's AMP couldn't participate again for at least two years. But the utility removed this requirement during the pandemic to provide debt relief to

more customers.

Qualifying customers must also have an account balance of \$300 or more that's at least 60 days overdue. Before COVID-19, customers who completed or withdrew from National Grid's AMP couldn't participate again for at least two years. But the utility removed this requirement during the pandemic to provide debt relief to more customers.

Enrollment steps

Before COVID-19, customers had to call National Grid to request enrollment in the AMP, or agents would offer enrollment to customers who called asking for bill assistance. In 2020 National Grid started autoenrolling eligible electric customers to provide more support during the pandemic. As a result, participation grew from about 10,000 to almost 30,000 participants. The utility plans to continue using autoenrollment as a permanent feature of the program.

Outreach strategy

National Grid used internal data after the first few months of the pandemic to identify and target two customer groups with messaging about its AMP:

- Customers who used to pay on time but had stopped paying their bills
- Customers whose past-due balances were continuing to increase

The utility sent letters to autoenrolled customers explaining the program, the benefits, why the customer was autoenrolled, how to stay enrolled, and how to opt out.

National Grid has also promoted LIHEAP funding more in the past year, and the utility specifically trained its contact center employees to explain the AMP to customers over the phone. During COVID-19, the utility has used direct mail, phone calls, webinars, posters in laundromats, radio spots, TV interviews, and social media to promote its debt-forgiveness program.

Program duration and rules

Customers are enrolled in the program for at least 12 months. During that time, National Grid gives customers a monthly budget based on their average energy usage (like budget billing) and expects the customer to make that budget payment on time each month. For each on-time payment, [the utility forgives one-twelfth of the customer's debt up to \\$12,000 per year](#)—max forgiveness of \$1,000 per month. For example:

Say your past due balance is \$1,200 and we set a budget amount of \$150 per month. For every month that a required \$150 budget payment is made towards the current bill, National Grid will reduce your past-due balance by \$100 (calculated as

$$\$1,200 \div 12 = \$100).$$

Before the pandemic, National Grid would forgive up to \$4,000 a year per customer. If a customer has more than \$12,000 in debt, they can continue the program for as long as they need, so long as they make their budget payments on time.

If a customer can't keep up with their budget payments and must leave the program, they still receive debt forgiveness for the time they were enrolled. For example, going off the above scenario, say that customer had to leave the program after six months. Then they would still receive \$600 in debt forgiveness, despite leaving the program early.

National Grid's [Amy Vavak](#), income-eligible customer strategy principal for New England, and [Damaris Dominguez](#), lead customer advocate for New England, hope the program can give customers the opportunity to get back on track after the pandemic. They think customers can benefit from the utility forgiving at least some debt, even if a customer isn't able to complete the full program.

Cross-promotion of other assistance programs

National Grid uses its discount rate as a gateway to other assistance programs. Once customers are on the discount rate, which they need to qualify for the AMP, they're eligible to receive no-cost energy efficiency services, such as a home assessment, weatherization, and appliance and heating system upgrades.

Shutoff moratoriums and AMPs

Massachusetts issued a moratorium on utility disconnections for natural gas, electric, and water services in March 2020. The moratorium ended on July 1, 2021. Being an East Coast utility, National Grid issues a moratorium on disconnections each winter and typically sees an increased interest in its AMP when that moratorium ends. The utility expects to see a similar spike in interest after July 1. After that date, customers who have their service shut off for nonpayment will have to make a down payment on their past-due balance to participate in the AMP.

To help ease the transition for customers, National Grid plans to keep all the program changes it made to the AMP during COVID-19 until at least February 2022.

In the months leading up to the July 1 moratorium end date, National Grid was sending letters to customers, updating them on their overdue balance, the date the moratorium would end, and their options for managing debt and future bills. To help ease the transition for customers, National Grid plans to keep all the program

changes it made to the AMP during COVID-19 until at least February 2022. At that time, the utility will reassess which changes to keep.

SoCalGas's debt-forgiveness program

Program history

In June 2020 the California Public Utilities Commission (CPUC) ordered the state investor-owned utilities to offer an AMP to residential low-income customers. This decision came after two years of proceedings before the pandemic to identify new opportunities to help low-income customers avoid disconnections. The CPUC and stakeholders had heard of successful debt-forgiveness programs from utilities on the East Coast. They wanted to see if AMPs would work in California, with the objective of helping customers who are experiencing temporary financial hardship, like an unexpected medical bill or loss of income.

SoCalGas conducted focus group testing and found that the term "arrear management" didn't resonate with customers but "debt forgiveness" did. The utility decided to call the program the [Arrearage Management Plan](#) but describe it to customers as debt forgiveness. SoCalGas started offering its AMP in February 2021.

Ashok Lad, customer operations manager at SoCalGas, said the program wasn't specifically intended for an event like COVID-19. But it has provided important relief to some customers this year on top of the moratorium on disconnections.

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Qualification requirements

To participate in the AMP, customers must already be enrolled in SoCalGas's [California Alternate Rates for Energy \(CARE\) program](#), which provides a bill discount for qualified low-income customers. Qualifying customers must also have an account balance of \$250 or more that's at least 90 days overdue.

The CPUC originally set the balance threshold at \$500, but SoCalGas thought this amount was too high for gas bills compared to electric bills. The utility also thought this would prevent customers who would benefit from the program from enrolling in the plan. The CPUC approved SoCalGas's request to lower the threshold to \$250 for gas customers. This will allow more customers to qualify for the plan before they go into too much debt. SoCalGas plans to continually assess this threshold amount and adjust it if necessary.

Enrollment steps

Residential SoCalGas customers can enroll in the AMP by calling the utility and speaking to an agent or self-serving through the interactive voice response system. Customers can also enroll online through the SoCalGas website or their “MyAccount” portal.

Outreach strategy

Before launching its AMP, SoCalGas used internal data to identify qualifying customers who were on the low-income rate and met the past-due balance requirements. The utility then sent letters to those customers letting them know about the program and how to enroll.

SoCalGas offers the program to customers that call in asking for payment assistance. And the CPUC requires utilities to offer the program to customers who have received a disconnection notice. SoCalGas plans to add information about the AMP to bills and notices once the COVID-19 moratorium ends. The utility will also start doing more outreach on social media and through direct mail.

Program duration and rules

Customers are enrolled in the program for 12 months. Once enrolled, they’re expected to pay current bills in full and on time. For each on-time payment, the utility forgives one-twelfth of the customer’s debt up to \$8,000 per enrollment period. If a customer has a balance of over \$8,000, they can sign up again after a 12-month waiting period; this also applies to customers who voluntarily leave the program early, which they can do at any time, or are removed from the program due to missed payments. Customers will still receive debt forgiveness for the time they were enrolled in the AMP.

Customers can miss two nonconsecutive payments without being removed from the AMP, but they must pay that missed payment in full with the next month’s bill. If a customer misses two payments in a row, they’ll be removed from the program.

SoCalGas plans to evaluate why customers drop out of the program and make changes to the program that would help customers stay in the AMP.

Cross-promotion of other assistance programs

SoCalGas’s AMP encourages customers to use other assistance programs available to them to stay current on their bills, such as energy-savings assistance, no-cost audits, and free insulation. The utility also encourages its AMP customers to enroll in a budget-billing plan.

Shutoff moratoriums and AMPs

In response to COVID-19, the CPUC issued a moratorium on disconnections for residential and small business customers in April 2020. The moratorium is set to end on September 30, 2021.

SoCalGas plans to provide a two-month transition period for customers and won't resume any disconnections until December 1, 2021. Customers are usually more motivated to act on bills when there's a threat of disconnection, but SoCalGas has been promoting its AMP proactively and customers have been signing up.

According to Lad, SoCalGas expects to see more interest in its AMP as disconnections resume. In addition to its AMP, SoCalGas is considering offering longer repayment plans, more-frequent communications, and help connecting customers with government relief funds.

Read the article that cites this research

In March 2024, researchers from Indiana University Bloomington and the University of Pennsylvania published [Utility assistance and pricing structures for energy impoverished households: A review of the literature](#). The article uses research from this report to identify design strategies for programs that can supplement LIHEAP.