



Governor Lamont issued Executive Order 7S on April 1, 2020 which mandated towns to choose one or both of two options to temporarily modify the terms for collecting taxes and report back to the Office of Policy & Management (“OPM”) by April 25, 2020. Executive Order 7S was clarified by Executive Order 7W. The two options are called the “Deferment Program” and the “Low-Interest Rate Program.”

### **The Deferment Program**

The Deferment Program offers an extension of ninety days for customers to pay their utility bills through July. Unlike taxes, customers receive utility statements monthly, not annually or semi-annually. Because of the way utilities are billed, the only way for NPU to implement the Deferment Program would be to defer all payments to October 1<sup>st</sup> with no penalties.

### **The Low Interest Program**

The Low Interest Program reduces the interest rate from 18% annually (1.5% per month) to 3% annually (0.25% per month) for customers that have delinquent account balances. If a customer is unable to pay their bill, they will be penalized at a much lower rate, and not at all during the first month.

### **Evaluation:**

If the City chooses the Deferment Program, NPU would be required to allow customers to defer all monthly payments from July 1<sup>st</sup> through September 30<sup>th</sup>. If implemented, there would be no incentive for any NPU customer to pay their monthly utility bill on time. This could lead to our most vulnerable customers having huge unpaid utility bill balances that will be subject to the current 18% annual interest penalties starting in October.

A large number of customers delaying or not paying their bills would potentially reduce NPU’s cash reserves to very dangerous levels. Based on our projections, NPU’s cash reserves could be reduced by up to \$22 million (more than 47%) and accounts receivable balances could increase by up to \$21 million (200%) by October 2020.

This level of financial strain would dramatically impact NPU’s ability to perform essential infrastructure maintenance and critical capital improvements which are required to keep our utility systems operating safely and reliably. It would also negatively impact NPU’s cash flow and would increase costs, ultimately resulting in significantly higher rates for all four utilities as a result of the ongoing increases in bad debt.

NPU believes the Low Interest Program provides the right balance for our financial stability and our customers long term benefit. The Low Interest Program provides the City and NPU with the most balanced approach. It:

- Reduces the cost of penalties for those unable to make their utility payments;
- Provides an incentive for customers to pay their bill on time.
- Allows NPU to remain in a stable financial position, and reduces future rate increases caused by the economic downturn.

**Recommendation:**

NPU strongly encourages the approval of the Low-Interest Rate Program.