



# DOCUMENTING REVENUE IMPACTS DUE TO COVID-19

A GUIDE FOR WATER UTILITIES

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JUNE 2020

## PREFACE

Massachusetts Water Works Association (MWWA) understands that our members are concerned about revenue impacts due to the COVID-19 pandemic. In a May 2020 survey of our membership who work for water utilities, 51% of the respondents were already experiencing impacts, including declines in water demand, increased operational costs, and customers not paying their bills. For some it was still too soon to tell.

There has been talk in Washington D.C. about a potential stimulus package for utilities, but it is unclear if that will come to fruition. The components of such a stimulus package could be rate assistance to low-income customers, direct aid to utilities, and/or increased funding for “shovel-ready” projects. For Massachusetts utilities to best position themselves for potential stimulus, it is going to be important to document impacts. MWWA is providing the following guide for utilities which details the data we believe you should be tracking to document impacts. The components for analysis are derived, in part, from the recent study released by the American Water Works Association, the Association of Metropolitan Water Agencies, and Raftelis, as well as, information being collected by the MA Department of Public Utilities of the regulated gas/electric utilities in Massachusetts.

MWWA recommends that as you track this data, you keep your local elected officials, as well as, your state and federal legislators regularly informed of the impacts that you are facing. If elected officials are not aware of the financial impacts to utilities, it will be difficult for them to consider solutions that might mitigate the impact. **Regular communication with your state representative, state senator, congressperson and Senators Warren and Markey should be a key component of your strategy.**

We fully recognize that the information we are suggesting below is a lot, and we also understand that some utilities simply will not have some of the data. However, we do think it is important to be as comprehensive as you can be with the data at your disposal. Feel free to add additional

metrics that you feel are important for your system. MWWA suggests this data should be tracked monthly. If you do not have the resources to track information as comprehensively as we are suggesting, you should (at a minimum) closely track your demand and your revenues and compare them to prior years to get a sense of how the pandemic is impacting your system.

There is always the possibility that even by tracking this information, solutions to mitigate the impact might not be proposed by state/federal entities (grants, government financial subsidy, etc.). However, if you do not document the impact it will be tough to make a proper case for financial support. It is important to be prepared to best position your utility if financial assistance is made available.

We hope you find this guide helpful.

**COMPONENTS FOR ANALYSIS:**

1. Financial Losses Due to Changes in Customer Delinquency
2. Revenue Losses Due to Declines in Consumption
3. Financial Impact of Water Utility Operational Changes
4. Financial Loss Due to Customer Loss, Prolonged Economic Recovery, Declining Growth
5. Economic Impact of Reduced Capital Expenditures
6. Other Impacts/Considerations

**FINANCIAL LOSSES DUE TO CHANGES IN CUSTOMER DELINQUENCY POLICIES**

Under this category, MWWA recommends that utilities benchmark last year’s arrearages against this year’s arrearages, begin in March of 2019, break it out monthly, and continue past May 2020. You can either use the individual billing classes that you have within your billing system, or if easier, simplify to the categories recommended below (i.e. maybe you have residential, commercial, industrial, municipal, agricultural and you want to maintain them individually).

	March 2019	March 2020	Deviation	April 2019	April 2020	Deviation	May 2019	May 2020	Deviation
# of Customers									
• Residential									
• Commercial/Industrial									
• Other									
• Total									
# of Customers w/ Arrears									
• Residential									
• Commercial/Industrial									
• Other									
• Total									
# Arrears 30-60 days									
• Residential									
• Commercial/Industrial									

• Other									
• Total									
# Arrears 60-90 days									
• Residential									
• Commercial/Industrial									
• Other									
• Total									
# Arrears >90 days									
• Residential									
• Commercial/Industrial									
• Other									
• Total									
# Customers on Payment Plans									
• Residential									
• Commercial/Industrial									
• Other									
• Total									
# Customers on Arrearage Mgmt/Forgiveness Plans									
• Residential									
• Commercial/Industrial									
• Other									
• Total									
# Customers Disconnected for Non-Payment									
• Residential									
• Commercial/Industrial									
• Other									
• Total									
# Customers with Liens									
• Residential									
• Commercial/Industrial									
• Other									
• Total									
% Customers with Liens									
• Residential									
• Commercial/Industrial									
• Other									
• Total									

**REVENUE LOSSES DUE TO DECLINES IN CONSUMPTION**

In this category you should track any changes in water demand/consumption. For some utilities this will mean a decline in consumption; however, for others there may be an increase in consumption or a shift between certain categories (maybe your residential use is up, but your commercial use has declined).

	March 2019	March 2020	Deviation	April 2019	April 2020	Deviation	May 2019	May 2020	Deviation
1. Billed Sales (million gallons per day)									
• Residential									

• Commercial/Industrial									
• Other									
• Total									
2. Retail Billed Total Revenue \$									
• Residential									
• Commercial/Industrial									
• Other									
• Total									
3. Wholesale Billed Revenue \$ (if applicable)									
• Residential									
• Commercial/Industrial									
• Other									
• Total									
4. Total Revenue Billed \$ (Retail and Wholesale)									
• Residential									
• Commercial/Industrial									
• Other									
• Total									
5. \$ Revenue (Payments) Received									
• Residential									
• Commercial/Industrial									
• Other									
• Total									
6. # Revenue (Payments) Received									
• Residential									
• Commercial/Industrial									
• Other									
• Total									
7. Difference Between Billed and Received Revenue (# 4 and 5 above)									
• Residential									
• Commercial/Industrial									
• Other									
• Total									

## FINANCIAL IMPACT OF WATER UTILITY OPERATIONAL CHANGES

In this section you should quantify any increased costs for operational changes because of COVID-19. You should track these costs by month, continuing beyond May 2020.

	March 2020	April 2020	May 2020
Overtime Costs			
Hazard Pay Costs			
Additional Standby Pay Costs			
Furloughs			

More training			
PPE Costs			
Professional/Contract Services			
Chemicals			
Other Materials/Supplies			
Fuel			
Utilities			
Other??			

**FINANCIAL LOSS DUE TO CUSTOMER LOSS, PROLONGED ECONOMIC RECOVERY, DECLINING GROWTH**

In this section you should document revenue that you had anticipated, but that might not be realized due to COVID-19, and you should begin thinking about revenue that you might lose due to businesses that won't be able to return after the pandemic (restaurants, other retail establishments)

Projections of # business that will not return	
Projections on revenue lost from those businesses	
Number of new customers you had anticipated in 2020	
Loss of Revenue from new customers (construction halted, decline in connection fees)	

**ECONOMIC IMPACT OF REDUCED CAPITAL EXPENDITURES**

In this section you should document any costs associated with capital projects that were put on hold or halted due to COVID-19.

Value of Capital Projects that you have decided to delay	
Damages from projects that were cancelled by PWS (perhaps legal costs or money owed to the contractor)	
Additional construction costs due to contractors who were delayed or are charging more to recoup their COVID-19 expenses	
Increased main breaks, increased need for certain types of maintenance, increased service calls, increased shutdowns, etc.	
Other not mentioned above	

**OTHER IMPACTS/CONSIDERATIONS**

With past stimulus packages, additional funds were directed to the State Revolving Loan Fund program and were designated for “shovel-ready” projects that would quickly get people back to work. This is obviously most advantageous for people who have already applied for SRF loans. You should think about what projects you have that are ready to go. Elected officials should hear what the impact is on future rates (some might not have the political will to raise rates right now, but they should at least be made aware of what your revenue losses mean to future rates. Finally, to get a better picture of the economic realities in your city/town, it might be helpful to reach out to your community’s Treasurer/Collector to see where tax receipts are headed.

Anticipated costs of projects ready to be constructed (shovel-ready)	
If you were to institute a rate increase in the next fiscal year to cover the costs related to COVID-19, what percentage increase would you need?	
According to your community's Treasurer/Collector - How much deviation is there in tax receipts in the 1st quarter in 2019 versus the 1st quarter in 2020	

**MWWA'S AD-HOC REVENUE WORKGROUP MEMBERS:**

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