

Utilities Coping with COVID-19, But Say More Help Is Needed

By Kevin Adler, April 16, 2020



One of the unsung achievements of industry coping with the COVID-19 pandemic is that, as the cliché goes, “We’re keeping the lights on.”

Across the nation, utilities of all sizes and corporate structures have, to date, weathered the crisis without outages of power. Whether co-ops, publicly-owned or investor-owned, utilities have even been able to quickly restore power when weather incidents, such as tornados in the South earlier this week, have left tens of thousands of people in the dark for a few hours.

Speaking in a panel discussion at the Energy Bar Association’s spring conference (held virtually) on April 15, four utility trade group leaders discussed how the industry is coping, as well as what it needs to return to full financial health as part of the nation’s eventual economic recovery.

Utilities might have been better prepared for the crisis than other industries because emergency planning “is part of our DNA,” said Emily Fischer, panel moderator, who is general counsel at the Edison Electric Institute.

Her co-panelists agreed. Preparing for “high-impact, low-frequency events” is a core mission of utilities, said Joy Ditto, CEO of American Public Power Association (APPA). “But we’ve still had to learn some things as we have gone along in response to COVID-19,” she said. She credited industry-wide cooperation through the Electric Sector Coordinating Council (ESCC) for helping to quickly share best practices since the first flares of virus were a concern in early February.

ESCC’s resource guide “started as a couple of pages, and it’s now close to 100,” said Thomas Kuhn, CEO,

Edison Electric Institute. When tornados hit in the South this week and an ice storm landed in Maine last weekend, utilities had to send out crews to repair outages. “A lot of people had to go out. But we had to figure out new way to do business because of social distancing...assemble crews, keep crews with one person per truck, house people,” he said. “I think we did a fantastic job. This sector is used to dealing with disasters...and adapting. One of our strengths is resilience.”

To respond to localized emergencies, such as tornados, utilities have been able to continue to rely on mutual assistance plans with other utilities, said Ditto. “We are applying the new best practices,” she said.

On the other hand, said James Matheson, CEO, National Rural Electric Cooperative Association, “To quote [boxer] Mike Tyson, ‘Strategy is great until you get punched in the face.’ We’re now faced with putting a plan into action.... The planning has served us quite well, but it’s not quite a playbook.... We have had to reassess under the circumstances.”

All the executives credited FERC, NERC and EPA for providing regulatory flexibility that has enabled them to focus on maintaining operations.

Essential workers

One issue that’s had mixed results so far is the designation of utility workers—those in control rooms and those in field operations. Utility workers have been designated as “essential,” which has allowed them to go to work for the task of keeping the lights on. But the executives said that they need more support from the government, particularly at the federal level, for personal protective equipment (PPEs) and COVID-19 testing.

“That was one of our biggest frustrations early in the crisis,” said Matheson. “We weren’t able to break through to the administration for a few weeks.”

During the Obama administration, utility workers were designated as “first responders” for some disasters, which is a higher priority than an “essential worker,” he said. In this situation, he said it’s appropriate that healthcare workers go to the front of the line, but utility workers shouldn’t be far behind. “We are not getting the PPEs or testing. We got on a call last week with Assistant Secretary of Health Admiral [Brett] Giroir last week, and we and brought on our DOE partners, and he listened to how important electricity is for keeping hospitals working, Matheson said. “It’s especially important for [staff in] control rooms and generation stations.”

“As a nation we’re behind on test kits,” Kuhn said, “so it’s hurting certain critical employees.”

One problem that utilities have experienced—and which has been difficult to explain to outsiders—is that workers are not interchangeable, even if their job descriptions seem identical. “You can’t take someone from one power plant and stick them in another if someone gets sick. Each plant, each control room, is different,” he said. “This has been a point of frustration, quite candidly. We think we’re a pretty important sector...and we think things are moving in the right direction...but it’s still a big concern for my membership.”

Given the lack of PPEs, Ditto said that companies are creating their own protocols for sequestration of employees at sites, particularly when testing and protective gear aren’t available. “But that is not ideal,” Ditto said. “Once we get past this situation and look at what we can do better as a country, having more interaction on the part of DHS, CDC and other agencies on critical workers...is appropriate.”

One large utility owned by New York State has been sequestering staff on a 30-day basis, with a 14-day review of the plan, said Ditto. The plan includes recreational vehicles for staff to live in, laundry facilities, food, and more. “Several others are contemplating it,” she said. “Workers have been very willing to do their job for the good of the public, even when they have family they might be leaving behind.”

But Matheson warned that the problem of worker safety in the utility industry isn’t going away, even when the nation returns to a more normal routine. For example, he said that utilities now need to start sending out crews to prepare transmission lines for summer’s higher demand, but that will require social distancing protocols.

Supply chains

Despite the challenges, the executives said that utilities are operating without major disruptions so far. They said that specific issues have arisen, such as the lack of PPEs or a lack of specialized cleaning supplies for control rooms. “There are products you can use to do a rapid cleaning of a control room in 20-30 minutes,” said

Matheson. “If you have a situation where you are rotating crews and one member tested positive for the virus, this is important.... Those products are not readily available.”

“Traditionally, we think of our supply chain as big equipment, like transformers,” added Ditto. “But now it’s about things like PPE and testing and disinfectants.”

Some utilities have reported an increase in cyberattacks during this period, said Kuhn.

On the positive side, Ditto said the manufacturing and distribution disruptions to US industry during the pandemic might actually have a silver lining in the area of equipment and technology. “There may be a longer-term conversation and retrenchment about domestic manufacturing in general, and that could be a benefit to our sector if more communications components are sourced domestically,” she said, given the concerns that have been raised about Chinese-made components.

Customers

The executives also spoke about the hardships being faced by their customers, many of whom can’t pay their bills because their income has been cut. Across the nation, utilities and state utility regulators have issued moratoriums on power cutoffs, which the executives said is appropriate.

“The economic pain is real,” said Kuhn, whose trade group (EEI) represents investor-owned utilities. “Our board passed a resolution not to disconnect people during this crisis. And it’s incredibly important for our members to reach out to our small business customers in their region. And when we get into economic recovery, it will be incredibly important to work with those customers as well.”

The size of a utility’s customer base can make a big difference on its ability to absorb the cost of service without payment from some customers, said Ditto, whose trade group represents public utilities. Members of APPA who have a mix of fuels that are falling in price—that is, natural gas—are reducing rates, she said. “Understandably, nobody wants to talk about financial impacts during the immediate and sad circumstances,” she said. “But longer-term, you want to make sure electric service remains reliable, affordable and safe.”

One issue for public utilities is that their governing rules typically do not allow them to retain earnings or to maintain large reserves. Because they are publicly owned, they are required to return that money to the public. Thus, they might have smaller financial cushions than other utilities. “Maybe some bridge loans could be made available for companies to get past this crisis,” she said.

For Matheson’s members, which are coops, the situation is a little different. “We are owned by the consumers we serve. It’s their money, which is returned to them on a regular basis,” he said. “Some members have accelerated the return of revenue back to their members.”

Also, he said that some coops which collect utility deposits when a new customer starts service have returned those deposits “to get money back in the community.”

Stimulus package

The \$2 trillion recovery package didn’t provide a great deal of support for the utility industry, and the trade group executives said they are seeking more assistance in the next round of federal programs. “Our industry has a fixed-cost structure that is significant, but our revenues are declining, so if and when the next stimulus package moves through Congress, our sector merits some attention,” said Matheson.

“We will have an issue of uncollectible money, and we will have to figure out how to recoup that money,” said Kuhn.

For investor-owned utilities there’s an additional matter of commercial debt. While the recovery package included programs to keep debt markets liquid, Kuhn said more needs to be done. “The Federal Reserve has been looking at it.... We want the Fed to be active in buying that debt,” he said. “We are incredibly stable [financially]. We’ve had support from labor unions, FERC and others on this – hopefully, that will break open in the next week, as it’s incredibly important to keep our debt down and our rates low.”

The executives said that they pushed for additional funding for the LIHEAP program in the \$2 trillion package, but didn’t get it. This is funding that pays for utility bills for low-income people and they said they hope more LIHEAP

dollars will emerge later this spring. But Ditto said there's also a procedural problem that the government could fix now related to LIHEAP, and which she's explained to federal officials. "You [a customer of a utility] can't get a LIHEAP grant unless you get a service shutoff notice," but, of course, those notices have been suspended.

Finally, Matheson said that the industry would benefit if the federal government would simply meet its prior financial obligations. In the context of coops, they spent hundreds of millions of dollars in 2018 to return systems to service after storms and other natural disasters. FEMA has calculated the reimbursements that are due, but it hasn't paid the utilities.

What will be different?

As a final question, the panelists were asked if the focus of the industry will be affected by the virus and the response measures. For the most part, they said no because they said their long-term objectives remain the driving forces for their actions.

"In terms of capital projects, we are potentially looking at a bit of a squeeze," said Ditto, "and that may dampen our ability to engage in new clean energy projects in the short term. But I don't think it dampens our enthusiasm to get into more clean energy in the future."

"Our commitment to clean energy will continue," Kuhn agreed. "When you see cleaner air in cities such as Los Angeles [because vehicle traffic fallen], and I think you will see more movement to electrification in vehicles and buildings."

For the rural markets that Matheson's members serve, the crisis did highlight one issue: that about 21 million rural customers still lack broadband. Matheson also said that if more people work at home more often even after the crisis has abated, the shape of peak power demand through the day might shift.