

# Affordability and arrears: What the data says, and what to do about it

E Source

A data-driven look at the arrears crisis facing utilities today



# Who we are



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# We help utilities move forward with clarity and confidence

E Source combines research, data, and technology with industry expertise to help utilities **better serve customers, optimize the grid, and strengthen operations.**

Trusted by North American utilities for decades, across diverse markets and regions

Industry-leading research and benchmarking grounded in real-world utility performance

Providing the clarity utilities need to make confident decisions that stand up under scrutiny

## Our mission

To shape the future of the utility industry—helping clients perform, adapt, and lead the transition to a sustainable world.



# Today's webinar

- Affordability pressure isn't easing. Financial exposure is larger than it appears.
- Energy costs are rising, customer engagement is declining, the need-assistance gap is widening.
- Arrears are growing faster than legacy approaches can address them.
- This webinar will cover:
  - A data-backed view of the affordability pressures facing customers nationwide
  - The scale and trajectory of utility arrears, which may indicate deeper exposure
  - Benchmark data on arrears, bad debt ratios, assistance gaps, and recovery rates
  - Recommendations for building a coordinated affordability and arrears strategy

# The energy affordability landscape

# The energy affordability “crisis”

Over 60% of low-income households in the US face high energy burdens, paying more than 6% of household income on utility bills.<sup>1</sup>

27% of all US households face energy insecurity, choosing between paying utility bills and other necessities or unsafe energy practices.<sup>1</sup>

Over half of LMI utility customers we surveyed struggle to pay utility bills; one-third face service disconnection for nonpayment or utility debt.<sup>2</sup>

<sup>1</sup> American Council for an Energy-Efficient Economy (ACEEE)

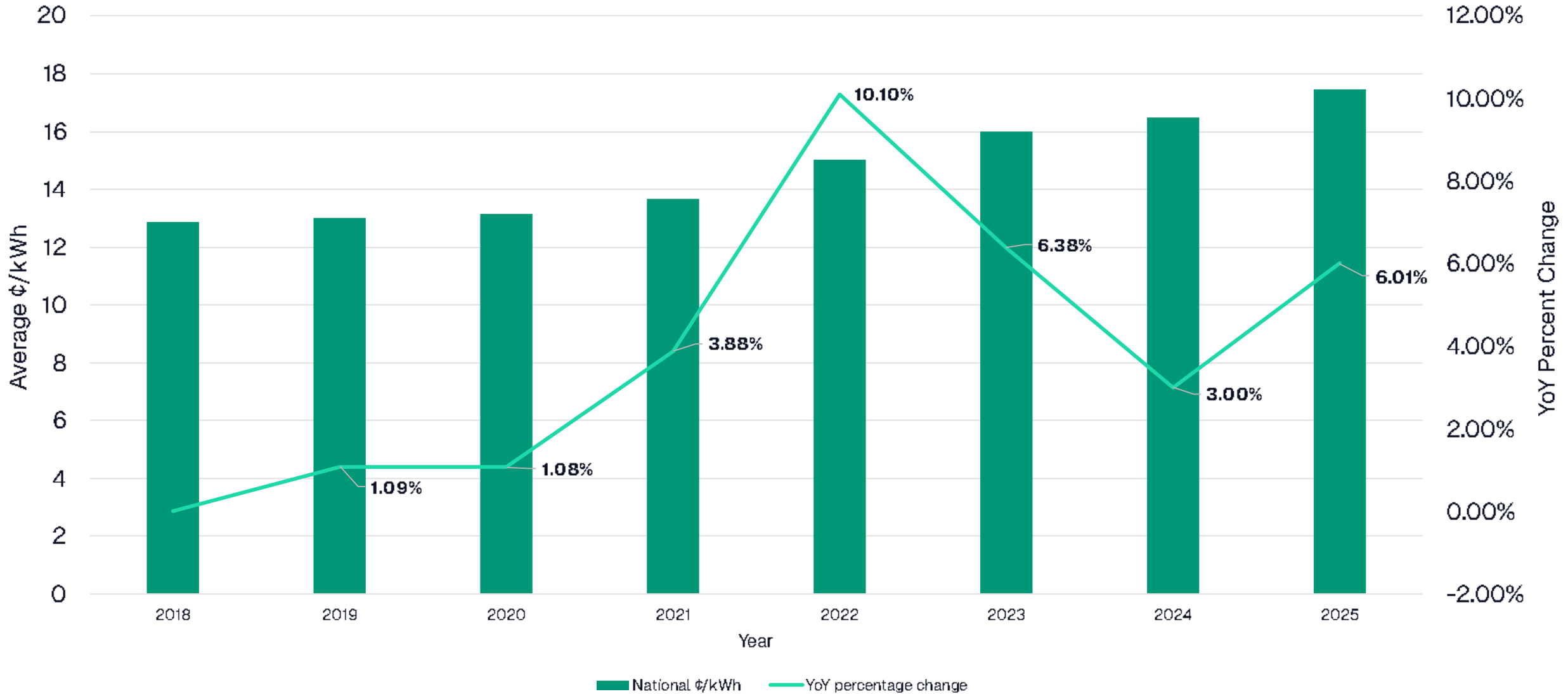
<sup>2</sup> E Source

# LMI customer pulse survey insights

- **Financial pressure is widespread:** 38% say their finances are worse than last year.
- **Utility bills are a key stressor:** 60% feel financial stress paying utility bills, most elevated among renters and ages 35–54.
- **Bills are rising:** 62% report higher utility bills year over year, particularly older adults, rural residents, and homeowners.
- **Seasonal risk is acute:** 22% say they're unlikely to keep up with bills during high-bill months, especially in winter.

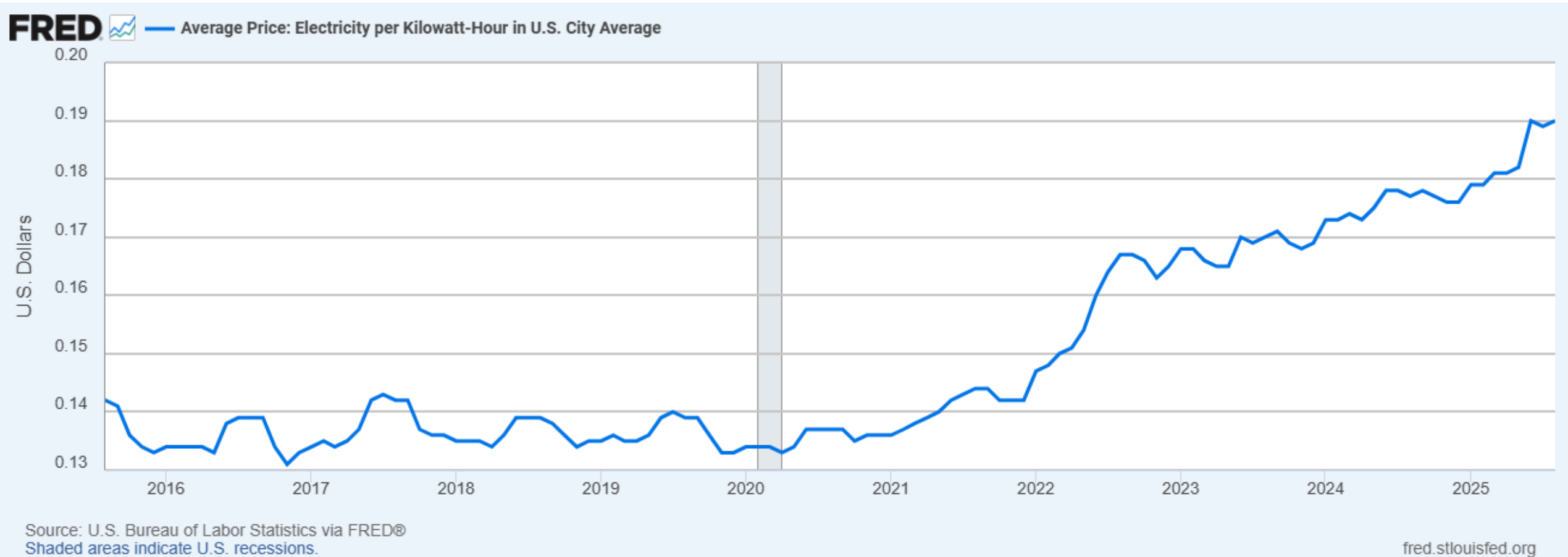
From E Source 2026 Q1 LMI Customer Pulse Survey. Base: Customers with household incomes of less than \$75,000 who pay utility bills. (n = 626)

# Average price of kWh versus YoY percent change



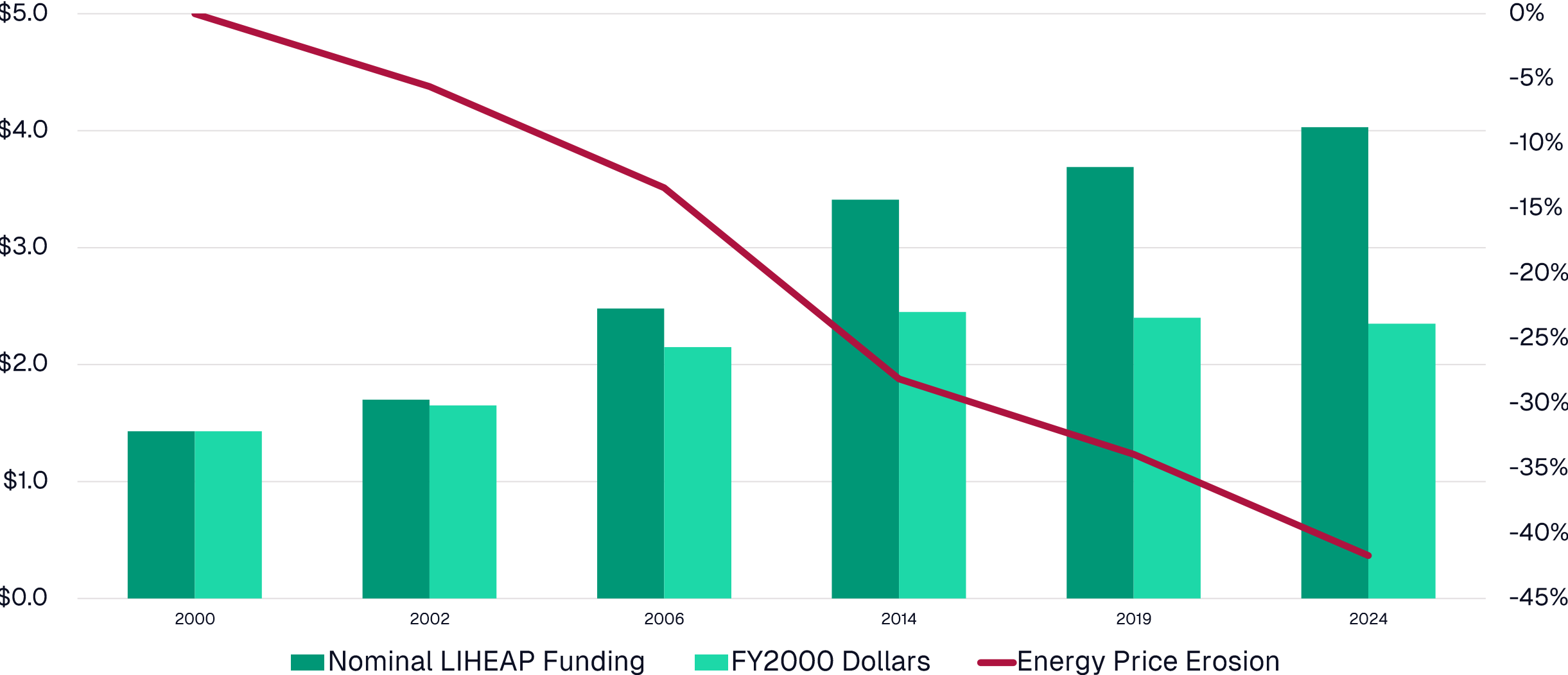
© E Source. **Source:** Energy Information Administration. **Note:** kWh = kilowatt-hour; YoY = year-over-year.

# Consumer reported price of electricity

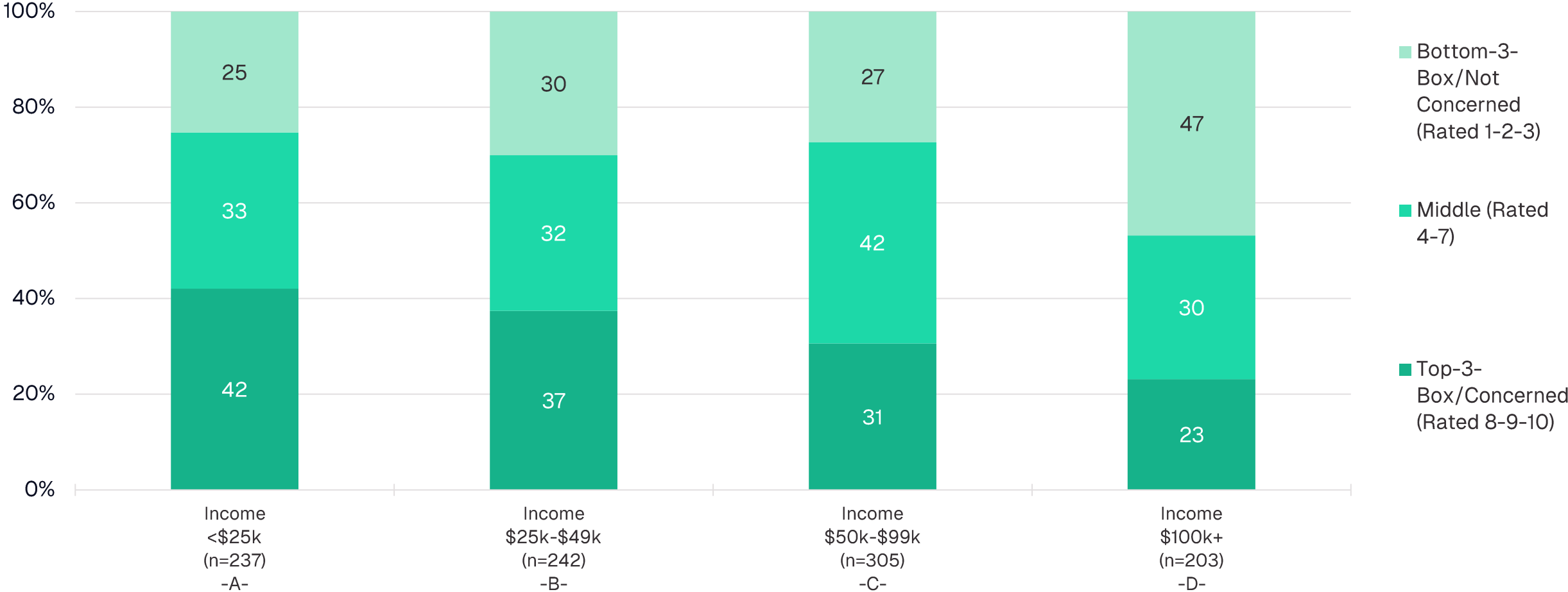


Source: [Average Price: Electricity per Kilowatt-Hour in U.S. City Average \(APU000072610\) | FRED | St. Louis Fed](#)

# LIHEAP funding: A tale of erosion



# Concern about household's ability to stay current on utility bills over next six months



© E Source (2025 State of the Utility Customer Survey). **Base:** Total respondents (n = 1,012). **Question B4e:** How concerned are you about your household's ability to stay current on utility bill payments over the next six months?  
**Notes:** Respondents used a scale of 1–10, where 1 means not at all concerned and 10 means extremely concerned. Percentages reflect weighted data; sample sizes (n) are based on unweighted data.

# Energy affordability is not just about energy

## Essential needs customers gave up to pay utility bill

Over a third of respondents with incomes less than \$75,000 have given up food in the last 12 months in order pay their utility bill.



© E Source (2026 Q1 LMI Customer Pulse Survey). **Base:** Customers with household incomes of less than \$75,000 who pay utility bills (n = 626). **Question L4:** In the past 12 months, which essential household needs—if any—have you had to forgo to pay your utility bills?

# Arrearage survey findings

# How affordability pressure becomes financial exposure

- Financial risk starts before arrears: rising bills shift how and when customers pay
- Missed payments become persistent arrears; aging balances grow costlier to collect
- Unrecovered debt drives up collection costs and future rate pressure
- Higher rates push more customers into nonpayment, compounding the cycle
- Familiar arrears patterns can mask rising risk until intervention options narrow

# Why arrears still feel routine inside many utilities

- Nonpayment feels normal—when totals stay in expected ranges, leaders see little reason to revisit collections processes
- Arrears can appear contained even as payment behavior shifts—early warning signs surface in how customers pay and whether arrangements resolve balances
- Arrears compete with other priorities, delaying deeper review of accumulating affordability pressure
- Assuming rate recovery will cover uncollectible expense carries regulatory risk—regulators may question whether utilities acted proactively before passing costs to ratepayers

# Utility arrearage benchmark survey

- E Source ran our first [arrears benchmark survey](#) in late 2025 with 35 participating utilities.
- The survey gives utilities access to key arrears metrics so they can compare their performance with peers.
- Utilities don't always understand the full scale of their arrears or at-risk customer population: reviewing arrears counts, dollar amounts, and recovery rates helps utilities understand their financial exposure and plan strategies to reduce risks from customer debt.

# How we evaluated the data



## Large vs. small utilities

Compared large and small utilities using one million customers as the dividing line



## Investor-owned utility vs. public

Compared investor-owned utilities to publicly-owned ones (Munis, PUDs, cooperatives, etc.)



## Electric vs. dual-fuel

Compared utilities that offer just electric service and those that also offer natural gas

(We received enough data from nonelectric utilities to meaningfully compare)



## US vs. Canada

Comparing utility responses from Canada and the four US Census regions

# Topline findings



Utilities are facing rising customer debt levels, widening assistance gaps, and worsening bad debt ratios

## Debt levels and assistance gaps

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- Customer debt continues to climb, accumulating for years before repayment.
- Utilities reported more than \$5.5 billion in outstanding debt.
- The share of customers receiving financial assistance (e.g., LIHEAP) lags the share of customers with arrears.
- Assistance is expected to decline, while rates may increase 5% or more.

## Bad debt ratios and future risk

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- The historic bad debt ratio is about 0.20% for electric utilities and slightly higher for gas.
- Many utilities now report bad debt ratios 2 to 3 times higher than historical levels.
- 2026 is projected to be worse.
- A key driver is utilities' shift in strategy around deferrals and repayment terms.

# Utility snapshot

Utility industry	
Customers	844,939
Annual revenue	\$1,972,000,000
Customers in arrears	11.00%
Amount owed	\$33,400,000
Customers receiving financial assistance	7.00%
3-year net write-off	0.44%
Projected 2026 write-off	0.40%
Estimated 2025 write-off	\$7,000,000

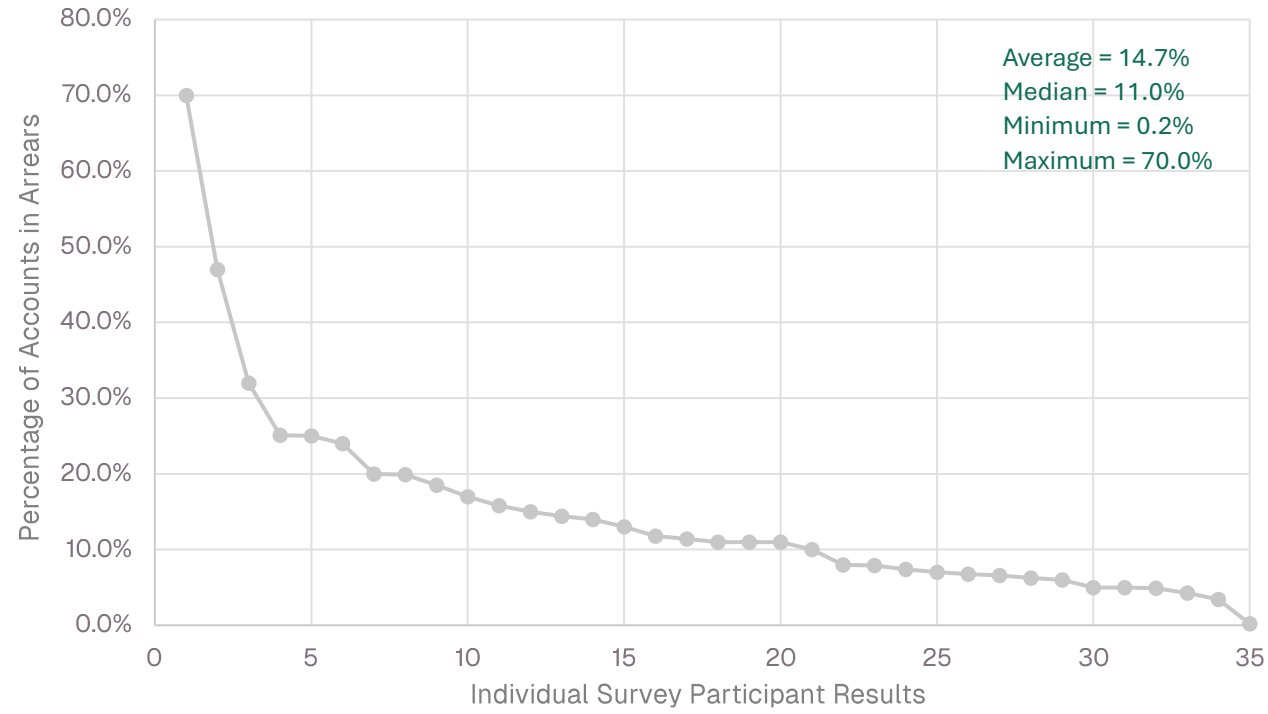
© E Source (2025 Utility Arrearage Benchmark Survey). **Base:** Utility participants (n = 35). **Note:** Data is the median value of all survey responses.

# Arrears trends: utility type comparisons

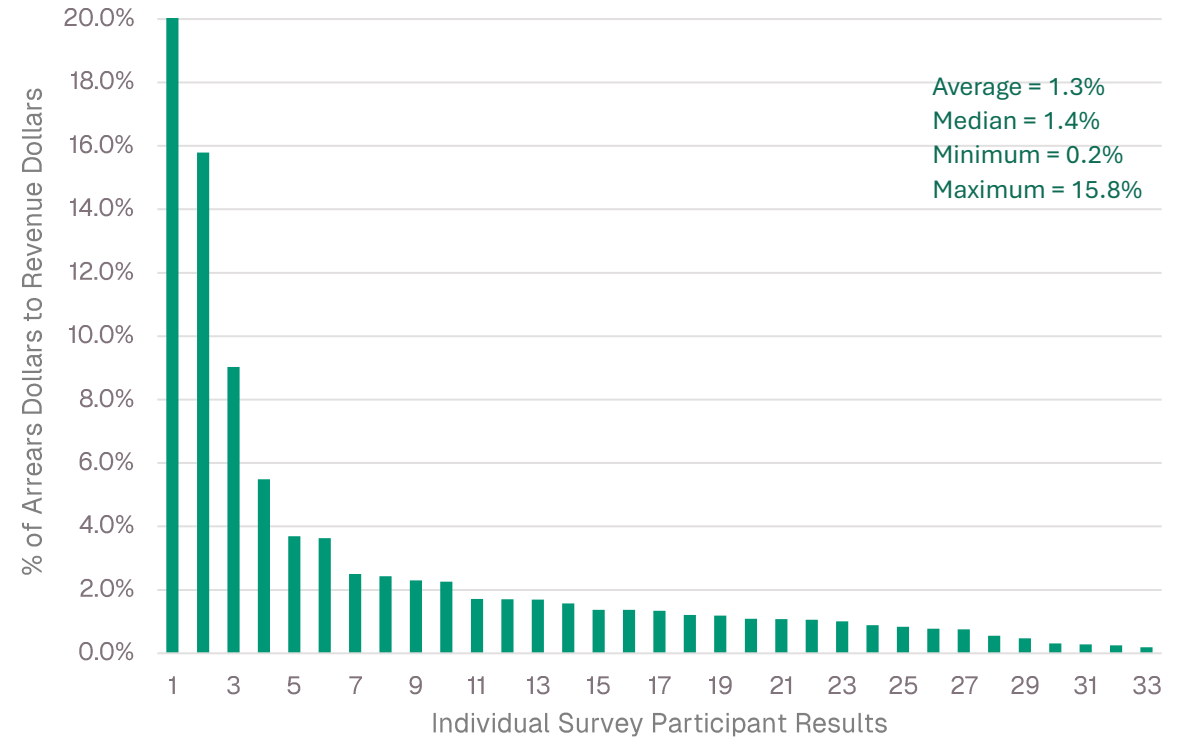
Lower arrears	Higher arrears	Why?
Smaller, cooperative, public, and municipal utilities	Larger and investor-owned utilities (IOUs)	IOU regulations
Electric-only utilities	Gas/dual-fuel utilities	Gas service is harder to shut off than electric service
Utilities in the Midwest, Mountain West, South, and Canada regions	Utilities in the Coasts and Northeast regions	Regulatory environments, access issues, and HCOL in those regions

# Arrears as percentage of accounts and revenues

**% Accounts in Arrears**



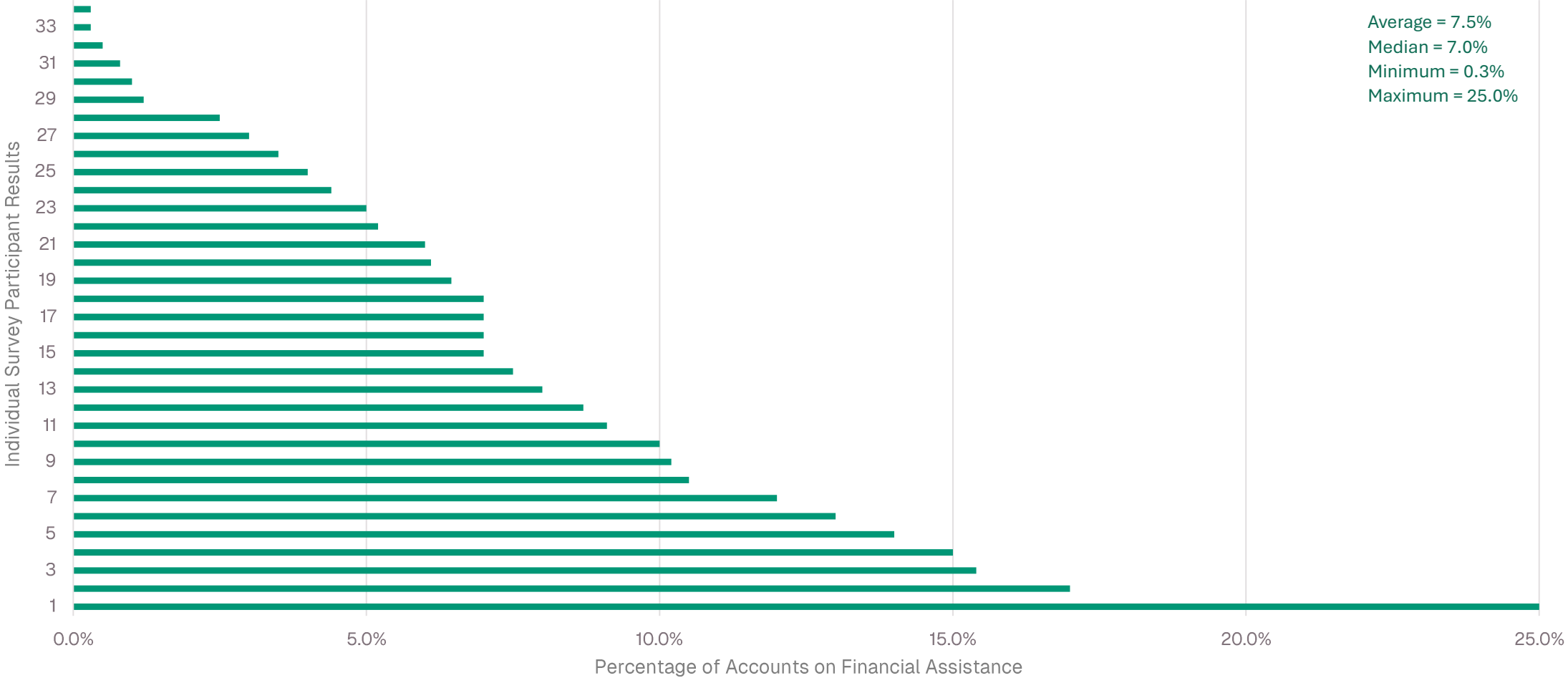
**% Arrears to Revenue Dollars**



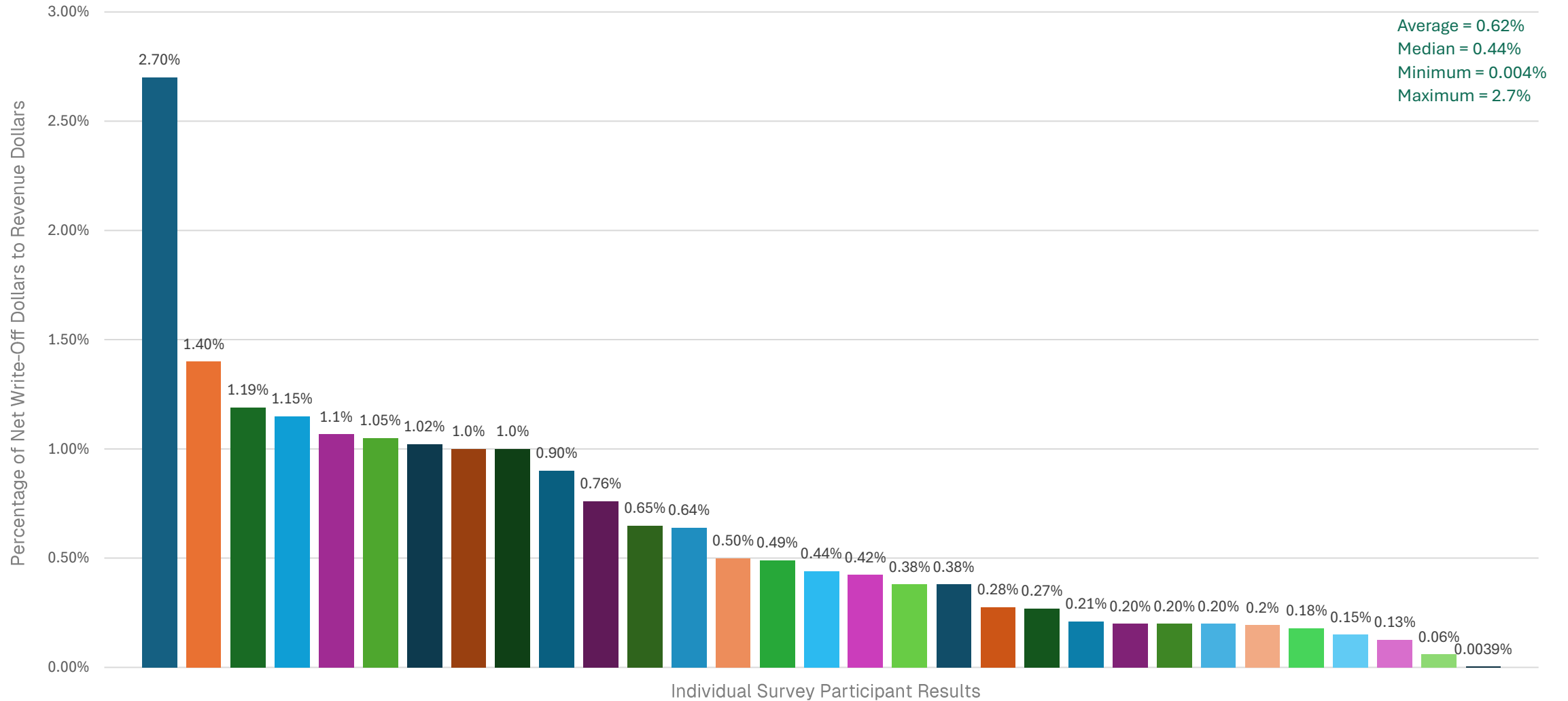
Highest % - Gas, Dual Commodity, Northeast, Coastal Areas, IOUs  
 Lowest % - Electric Only, Coops, Munis

# Percentage of accounts on customer assistance

Accounts on Customer Assistance



# 2025 percent net write-off to revenue distribution amongst responders

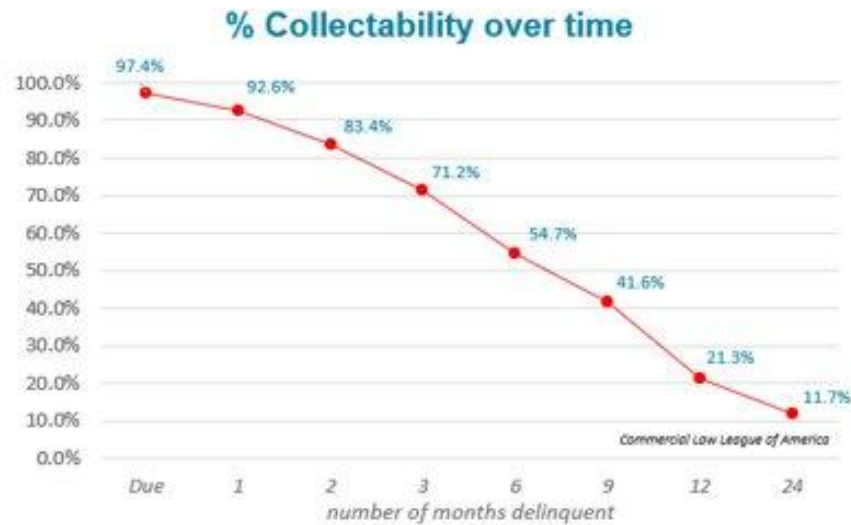


# Modeling considerations for future debt projections

# Collectability references

- Collection probability is estimated across three differing reference points to assess collectability based on age and risk of debt
  - The consequence of severance increases collectability

## Collectability Across All Industries



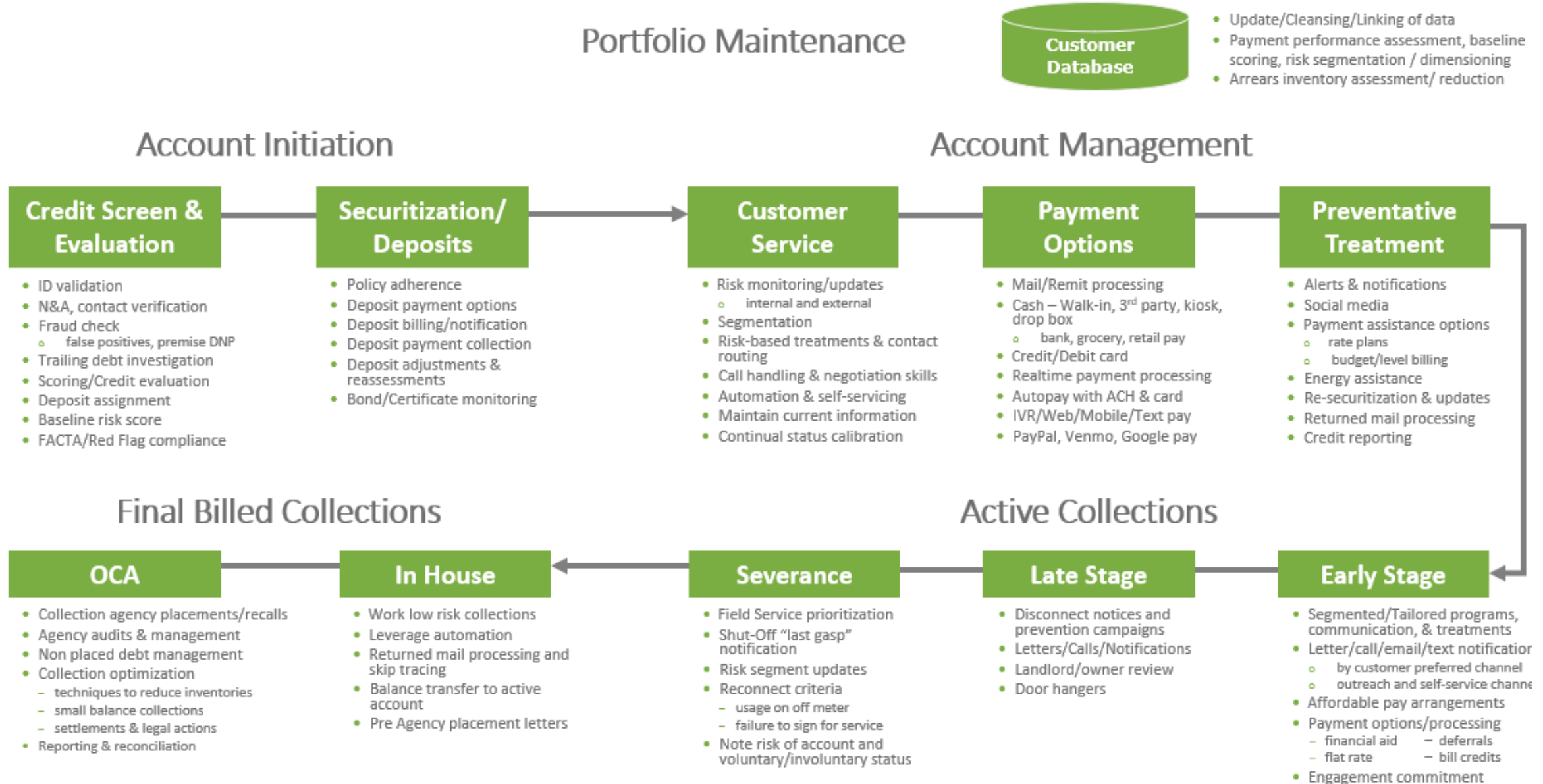
## Utility Collection Study

Arrears Bucket	Roll Rate	Cure Rate
30 to 60 Days	31.25%	68.75%
60 to 90 Days	58.26%	41.74%
90 to 120 Days	66.83%	33.17%
120 to 150 Days	64.86%	35.14%
150 to 180 Days	74.55%	25.45%
180 to 210 Days	78.11%	21.89%
210 to 240 Days	76.94%	23.06%
240 to 270 Days	80.48%	19.52%
270 to 300 Days	82.16%	17.84%
300 to 330 Days	81.88%	18.12%
330 to 360 Days	77.79%	22.21%
361+ Days	84.40%	15.60%

## Average Utility Portfolio

Credit Risk	% of Accts	% Accts to WO	% Dollars to WO
Low	65%	<2%	5%
Medium	24%	18%	30%
High	11%	48%	65%

# The credit risk lifecycle

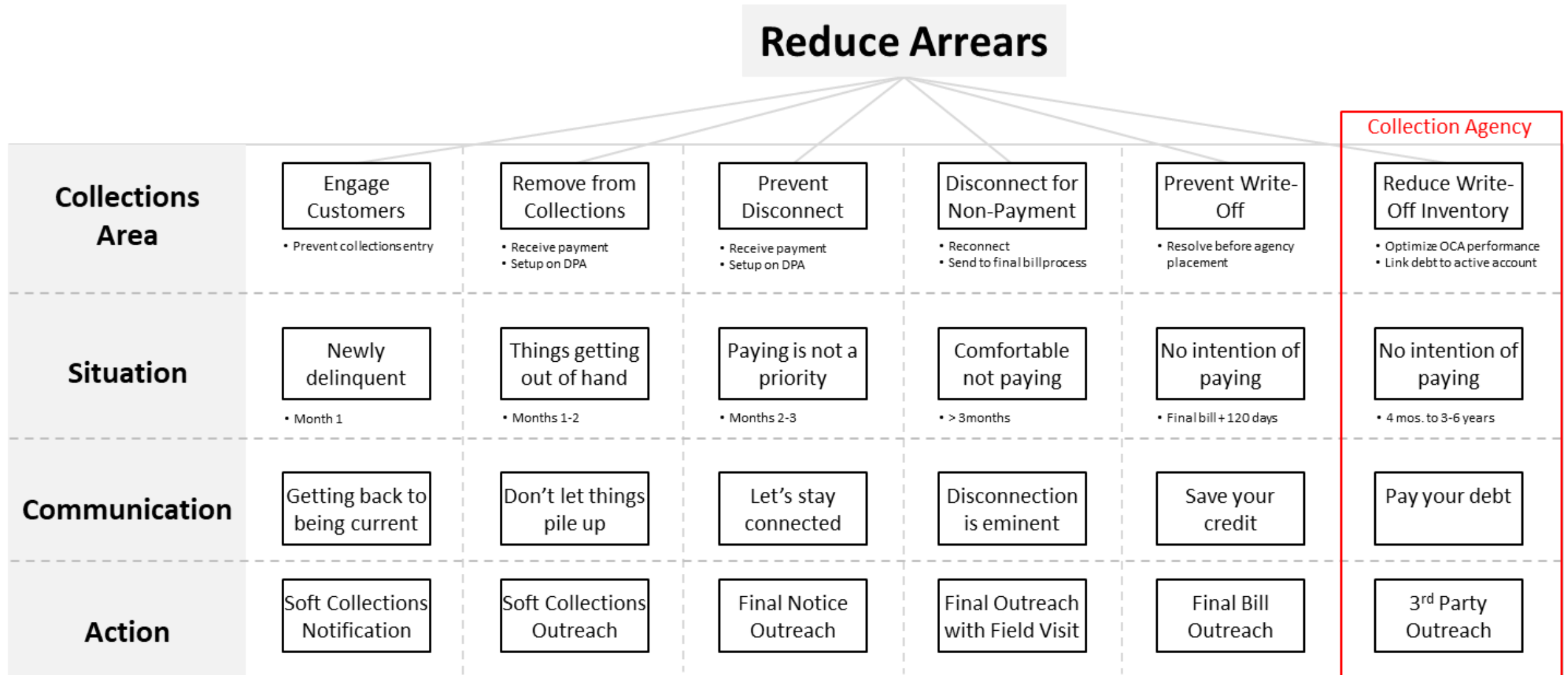


# Arrears stratification

		Arrears	Accounts	% Tot\$	
<ul style="list-style-type: none"> <li>Active account arrears only—exclusive of accounts in write-off</li> </ul>	<b>Total arrears</b>	\$XXX.Xm	xxx,xxx	xxx%	
<ul style="list-style-type: none"> <li>Current arrears being paid down through negotiated pay agreements</li> </ul>	<b>Active deferred payment agreements</b>	\$XX.Xm	xx,xxx	xx%	
<ul style="list-style-type: none"> <li>Industrial and municipalities deferred due to complex billing and account management</li> </ul>	<b>Industrial (Cycle 21) and municipalities</b>	\$X.Xm	x,xxx	x%	
<ul style="list-style-type: none"> <li>Income-qualified, special needs, collectives, net metering, ID theft, legal/claims, issues/disputes, etc.</li> </ul>	<b>Special handling</b>	\$XX.Xm	xx,xxx	xx%	
<ul style="list-style-type: none"> <li>Deferred to system dunning process. Normal business actions for first missed payment.</li> </ul>	<b>&lt; 1 month past due</b>	\$X.Xm	xx,xxx	x%	
<b>Total arrears targeted for collections actions</b>	<ul style="list-style-type: none"> <li>Recent delinquencies addressed through the soft collections notification process to get the customer current</li> </ul>	<b>1 to 4 months past due</b>	\$X.Xm	xx,xxx	x%
	<ul style="list-style-type: none"> <li>Outreach to help customer get back on track before arrears becomes too difficult to pay back</li> </ul>	<b>5 to 6 months past due</b>	\$X.Xm	x,xxx	x%
	<ul style="list-style-type: none"> <li>High touch urgent outreach for negotiated payments to stave off eminent disconnection</li> </ul>	<b>7 to 12 MPD</b>	\$XX.Xm	x,xxx	x%
	<ul style="list-style-type: none"> <li>Severe delinquency requiring consequential actions. Final effort prior to disconnection</li> </ul>	<b>&gt; 1 YPD</b>	\$XX.Xm	xx,xxx	xx%
	<ul style="list-style-type: none"> <li>Resolution of arrears after final billing and before collection agency placements</li> </ul>	<b>Final billed</b>	\$X.Xm	x,xxx	x%

**Note:** MPD = month(s) past due; YPD = year(s) past due.

# Arrears segmented approach



Current responses  
aren't reaching  
enough customers

# Energy affordability solutions are lagging

80% of LMI customers want to learn how to reduce their utility bills but have little/no familiarity with bill assistance programs. Just 24% participate.<sup>1</sup>

Income-qualified home energy efficiency programs are reaching just 5% of US households that need assistance.<sup>2</sup>

33% of customers who applied for energy assistance programs through their electric provider rated the experience as difficult.<sup>1</sup>

<sup>1</sup> E Source

<sup>2</sup> American Council for an Energy-Efficient Economy (ACEEE)

# Inexperienced LMI assistance journey



- Brenda
- Age: 36
- Busy, considerate, practical, straightforward

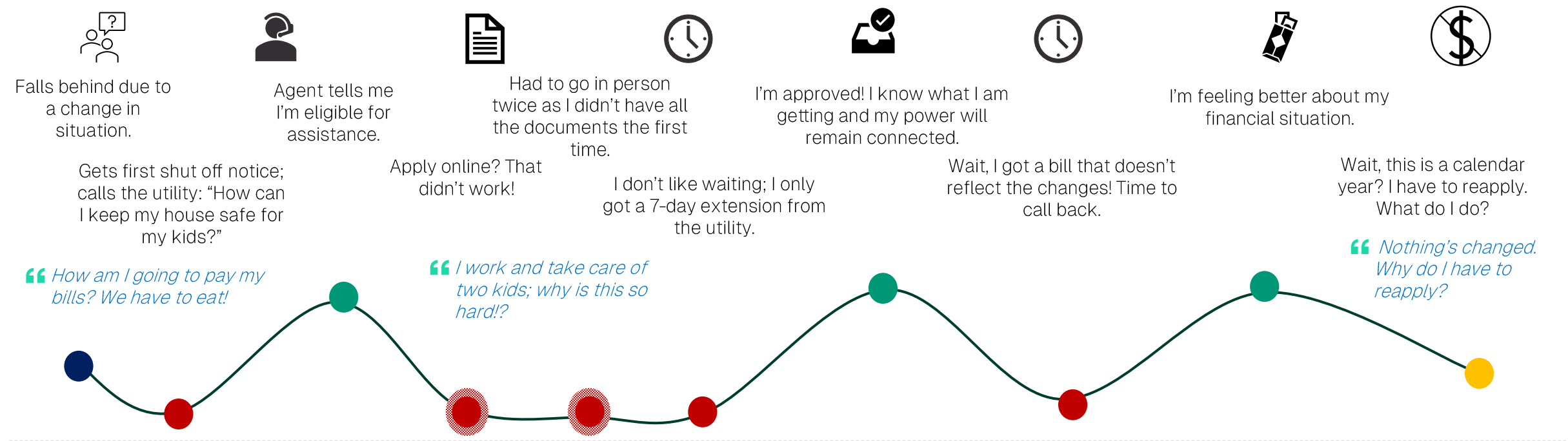
My biggest frustration was that I just didn't know what my next step was going to be.

Brenda has never applied for assistance before; her shutoff triggers her trying to navigate a complex set of assistance programs.

Finding Help		Going through the process		Gaining access		Program is active	
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Need	Becoming aware	Application	Waiting for approval	Approval	Waiting for benefits to start	Receiving benefits	Current year's benefits end
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Inexperienced LMI assistance journey



CX insights

<p><b>FEELING ANXIOUS AND STRESSED</b></p> <p>Inexperienced customers are often triggered by sudden changes (medical, repair, job change, etc.).</p>	<p><b>FEELING ANXIOUS AND FRUSTRATED</b></p> <p>Verification for assistance takes time and potentially money as customers have to take time away from work to provide all their information.</p>	<p><b>FEELING RELIEF AND CONFUSION</b></p> <p>Receiving the approval notice sometimes conflicts with billing dates; when a customer doesn't know their status, they call back to the utility!</p>	<p><b>FEELING GRATEFUL YET CONCERNED</b></p> <p>Depending on when the customer applies for assistance, they may need to reapply immediately; Brenda didn't know what she was supposed to do.</p>
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# Current approaches aren't reaching enough customers

- Customers who fall behind need support matched to ability to pay, yet many are unaware options exist
- Payment arrangements remain the primary tool, but unfulfilled plans may just delay debt rather than resolve it
- Customers in arrears often avoid contact out of fear of collections or disconnection. Under sustained stress, many customers believe reaching out won't help.
- Once engagement drops, lower-cost interventions lose effectiveness. When communication stops, recovery becomes slower and costlier.
- Support outreach is often disconnected from financial risk: high-risk customers can fall further behind

# The consequences of getting it wrong

- Consequences of mismanaging affordability now surface faster in rate cases, credit ratings, and political opposition: utilities that can't show how they manage arrears risk face greater resistance
- Affordability is now the second-largest driver of customer satisfaction; prioritizing collections over support erodes trust
- Unpaid balances create a negative feedback loop: higher rates, lower engagement, eroding trust

# Coordinating affordability and arrears strategy

# Utilities need a coordinated affordability and arrears strategy

- Understand where arrears are forming and whether assistance reaches customers early enough
- E Source benchmark surveys provide an initial snapshot of portfolio exposure vs. peers
- Deeper credit risk assessment connects payment behavior to outcomes and pinpoints where arrangements fail
- A broader affordability and arrears strategy aligns customer support with financial and regulatory risk management
- Programs work best as part of a coordinated strategy that tracks exposure and measures which interventions change outcomes
- Leading utilities treat affordability as a design parameter and risk portfolio, not a collections problem: shaping investments, programs, and communications

# Credit and collections benchmark survey

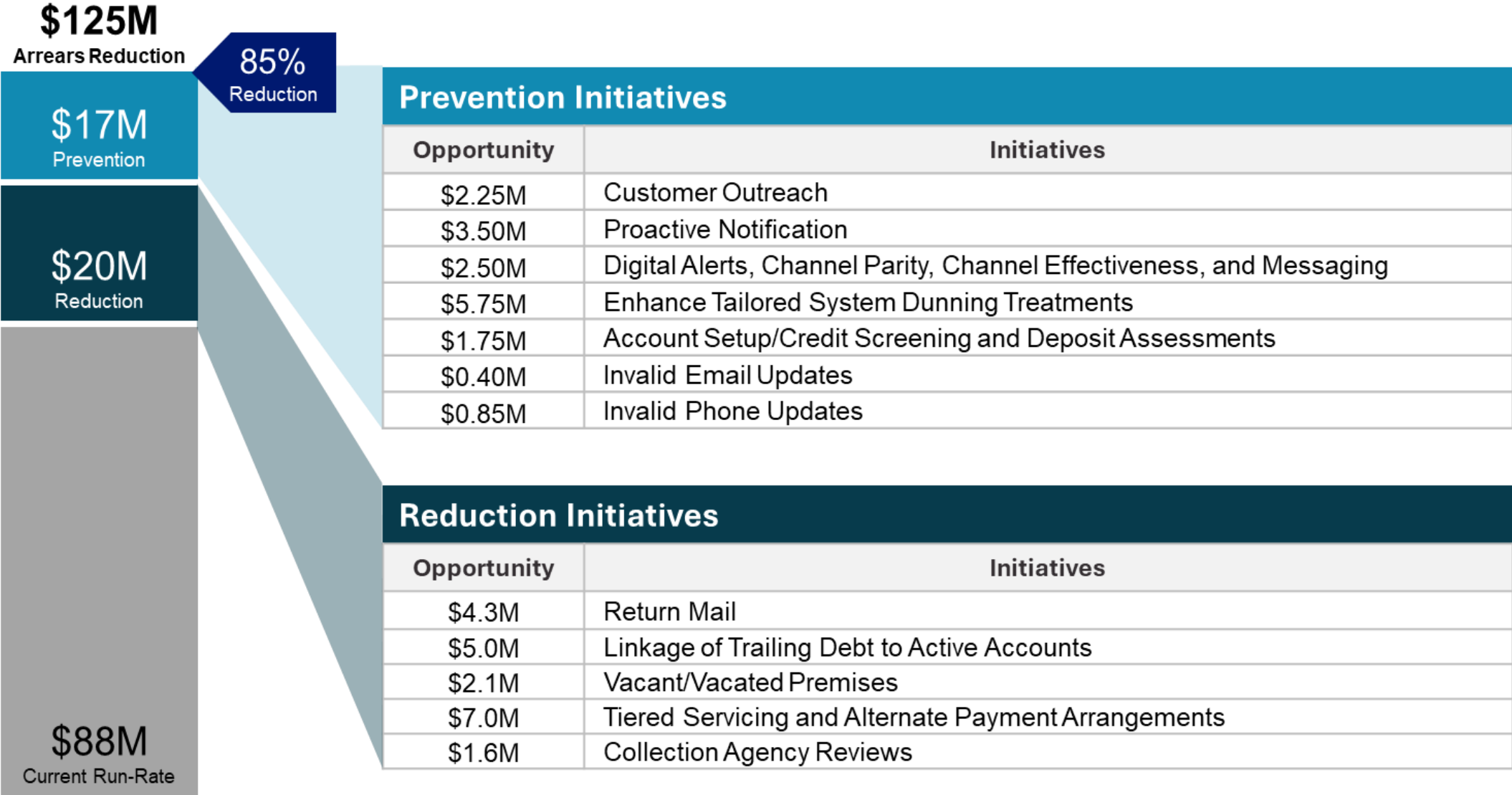
- A follow-up to our first [arrears benchmark survey](#).
- This survey collects comparable benchmarking data on utility credit and collections practices, with emphasis on third-party collections placements, segmentation, performance (recovery), and vendor commercial terms.
- Results will be used to support utility collection vendor RFPs and to understand peer practices.
- Responses will be aggregated and anonymized unless you grant permission to attribute your utility by name.

# Debt playbook

# Reduction and prevention objectives

1	<ul style="list-style-type: none"><li>• <b>Increase customer engagement</b><ul style="list-style-type: none"><li>◊ Outreach, preferred channel, personalized messaging, rewards</li></ul></li></ul>
2	<ul style="list-style-type: none"><li>• <b>Tailor customer treatments</b><ul style="list-style-type: none"><li>◊ Based on customer type, status, situation, channel, communication preference</li></ul></li></ul>
3	<ul style="list-style-type: none"><li>• <b>Validate/update account information</b><ul style="list-style-type: none"><li>◊ Based on customer type, status, situation, channel, social security number, driver's license number, date of birth, address, phone number, phone type, email</li></ul></li></ul>
4	<ul style="list-style-type: none"><li>• <b>Provide affordable sustainable payment arrangements</b><ul style="list-style-type: none"><li>◊ Based on average bill, arrear amount, arrear age, customer type</li></ul></li></ul>
5	<ul style="list-style-type: none"><li>• <b>Enforce nonpayment consequences</b><ul style="list-style-type: none"><li>◊ Take action before three bills past due, disconnect accounts that have been noticed without payment</li></ul></li></ul>
6	<ul style="list-style-type: none"><li>• <b>Leverage automation and self-servicing</b><ul style="list-style-type: none"><li>◊ Robotic process automation, system applications and products dunning, interactive voice response system, web/mobile, texts</li></ul></li></ul>
7	<ul style="list-style-type: none"><li>• <b>Optimize agent, field, and disconnect performance</b><ul style="list-style-type: none"><li>◊ Forecasts, volumes, staffing, transaction actions, inventories</li></ul></li></ul>
8	<ul style="list-style-type: none"><li>• <b>Measure/monitor performance</b><ul style="list-style-type: none"><li>◊ Daily dashboards with drill downs, alerts, arrear status, payments, cure rates</li></ul></li></ul>

# Reduction and prevention initiatives



# How E Source helped Central Hudson improve collections performance and customer engagement



A \$155 million increase in arrears left Central Hudson needing a collection strategy to recover overdue balances, rebuild customer trust, and implement sustainable payment solutions.



E Source helped implement a multi-phase strategy to improve collections and customer engagement, including:

- Arrears collection strategy
- Remediation and optimization
- SAP improvements
- Credit risk transformation



Central Hudson doubled the number of customers current on their bills, reduced arrears by 30%, and saw 85% of new bills paid within 90 days.

# Next steps

# Next steps

- Receive a copy of today's slides and webinar recording
- Take our **free arrears benchmark survey** at [go.esource.com/arrears/](https://go.esource.com/arrears/) and an E Source expert will walk you through your results and help you identify where your utility may be most exposed.
- Take our **free, follow-up benchmark survey** focused on credit and collections: **coming soon**
- Engage with E Source on a credit risk assessment

# Contact

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# Appendix: Arrearage survey detailed findings

# Large versus small utility snapshot

	Large utility (n = 15)	Small utility (n = 19)
Customers	2,827,000	535,000
Annual revenue	\$7,633,702,868	\$1,139,518,500
Customers in arrears	12.70%	8.00%
Amount owed	\$147,000,000	\$13,300,000
Customers receiving financial assistance	8.10%	5.60%
Three-year net write-off	0.90%	0.38%
Projected 2026 write-off	0.80%	0.37%
Estimated 2025 write-off	\$44,400,000	\$3,700,000

© E Source (2025 Utility Arrearage Benchmark Survey). **Base:** Utility participants (n = 35). **Note:** Data is the median value of survey responses from large utilities (more than 1 million customers) and small utilities (under 1 million customers).

# IOU versus public utility snapshot

	Investor-owned utility (n = 22)	Public utility (n = 13)
Customers	1,699,127	520,000
Annual revenue	\$1,972,000,000	\$1,364,357,500
Customers in arrears	11.00%	11.0%
Amount owed	\$90,900,691	\$16,140,000
Customers receiving financial assistance	7.00%	6.20%
Three-year net write-off	0.58%	0.20%
Projected 2026 write-off	0.80%	0.20%
Estimated 2025 write-off	\$27,500,000	\$2,600,000

© E Source (2025 Utility Arrearage Benchmark Survey). **Base:** Utility participants (n = 35). **Note:** Data is the median value of survey responses from investor-owned utilities and publicly-owned ones.

# Electric versus dual-commodity utility snapshot

	Electric utility (n = 22)	Dual-commodity utility (n = 12)
Customers	671,273	1,344,495
Annual revenue	\$1,986,666,667	\$1,320,000,000
Customers in arrears	8.00%	16.4%
Amount owed	\$18,183,222	\$123,450,620
Customers receiving financial assistance	6.50%	9.1%
Three-year net write-off	0.28%	1.0%
Projected 2026 write-off	0.35%	1.0%
Estimated 2025 write-off	\$6,000,000	\$8,134,004

© E Source (2025 Utility Arrearage Benchmark Survey). **Base:** Utility participants (n = 35). **Note:** Data is the median value of survey responses from electric-only utilities and electric and gas utilities.

# Regional utility snapshot

	Canadian (n = 3)	Midwest (n = 6)	Northeast (n = 4)	South (n = 7)	West (n = 14)
Customers	278,777	3,946,375	3,248,259	724,924	650,000
Annual revenue	\$524,880,000	\$7,630,000,000	\$1,080,000,000	\$1,550,000	\$1,318,000,000
Customers in arrears	7.0%	11.4%	22.0%	15.0	10.0%
Amount owed	\$5,540,000	\$129,820,000	\$372,850,000	\$18,370,000	\$16,140,000
Customers receiving financial assistance	1.2%	7.0%	10.4%	5.7%	7.0%
Three-year net write-off	0.15%	0.83%	1.23%	0.40%	0.29%
Projected 2026 write-off	0.15%	0.80%	2.70%	0.32%	0.42%
Estimated 2025 write-off	\$1,440,000	43,300,000	\$32,400,000	\$7,000,000	\$5,500,000

© E Source (2025 Utility Arrearage Benchmark Survey). **Base:** Utility participants (n = 35). **Notes:** Data is the median value of survey responses broken out by Canada and Census region. All currency values have been converted to USD.