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COMMONWEALTH of VIRGINIA

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DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Memorandum

To: Municipal Utility Directors; and City, County, and Town Chief Administrative Officers
From: Erik Johnston, Director, Virginia Department of Housing and Community Development (DHCD)
Date: September 27, 2021
Re: COVID-19 ARPA SLFRF Municipal Utility Relief Program: **SCC Application Deadline is October 22, 2021**

This memo is to inform you that provisions within the Appropriation Act make residential municipal utility system customers eligible for relief due to ongoing matters related to the COVID-19 pandemic. A municipal utility is "a utility providing electric, gas, water, or wastewater service that is owned or operated by a city, county, town, authority, or other political subdivision of the Commonwealth."

The Virginia State Corporation Commission (SCC) has developed an online application system whereby interested municipal utilities may submit an application based on their arrearages over 60 days as of August 31, 2021. **Municipal utility systems are required to submit a notice of their intent to apply to the SCC by COB October 15, 2021, with a final application deadline of COB October 22, 2021, to be considered for this allocation of funds.**

After the application deadline, the SCC will determine the amount that each municipal utility that applied for funds is eligible to receive as a proportion of all statewide arrearages for both regulated and non-regulated utilities. It is important to note that funding is not guaranteed to cover all arrearages that have accumulated over this time period and utilities are likely to be allocated a pro-rata share.

DHCD will follow up with a separate memorandum that provides more details on the next steps that will need to be taken by those municipal utilities that apply for funds and are awarded allocations by the SCC. This process will occur after the October 22, 2021, application deadline and will entail a required certification and required arrearage analysis before funds can be dispersed.

Each municipal utility system awarded funds will need to partner with a county or city to act as the subrecipient fiscal agent to receive funds through the Department of Accounts (DOA) and then forward to the partner municipal utility (serving as contractor) to implement the program for the utility's customers. Therefore, it will be important for each municipal utility system to identify and seek the approval from the Chief Administrative Officer of their partner city or county. For example, towns should seek the assistance of one of the counties in which they are located. For regional municipal utility systems, the same concept would apply, but any of their member counties or cities can serve as the fiscal agent for the utility.

This program is funded through the State and Local Fiscal Recovery Funds (SLFRF) of the American Rescue Plan Act (ARPA). One of the most important elements of ARPA federal guidance as it relates to this new Utility Assistance program is the ability to pre-qualify certain populations for eligibility rather than requiring individual customer applications/attestations. It is a best practice to pre-qualify groups and populations with relief programs as the customers with the lowest incomes and largest impacts from COVID-19 are least likely to provide customer attestations to any utility with which they have debt. This policy decision that is authorized in the federal guidelines is critical to ensure quick and equitable access to relief for residential customers negatively impacted by the pandemic.

This guidance supports the Commonwealth's determination as a recipient that for this SLFRF utility relief program that the population group of residential customers with arrearages over 60 days as of August 31, 2021, are households that experienced a negative economic impact due to COVID-19, which is determined by these households having an unpaid arrearage greater than 60 days during the pandemic. Unpaid utility arrearages demonstrate housing insecurity for this population group which [Treasury's 7-19-2021 FAQ](#) demonstrates negative economic impacts from the pandemic (see question 2.17, Pages 9 through 11). **Accordingly, the Commonwealth has determined that individual customer attestations are not required for this program if the municipal utility can demonstrate that 60+ day arrearages of the residential customer population as of August 31, 2021, have been negatively impacted as compared to the program population's status prior to the pandemic.**

DHCD will follow-up with this post award certification application to collect a joint certification from the (1) Chief Administrative Officer of the partner city or county (serving as the subrecipient) and (2) the executive director for the corresponding utility system (serving as the contractor) before directing DOA to disburse such allocation (see attached DRAFT Program Guidelines, which includes the Certification forms). Additionally, this process will require the municipal utility to produce an arrearage comparison demonstrating the municipal utility's eligibility to pre-qualify the eligible program population (included as DRAFT Appendix A to the Certification). Finally, DHCD will provide additional guidance regarding the use of such funding which will follow requirements outlined in the Appropriations Act and in accordance with eligibility requirements pursuant to the United States Department of the Treasury guidance.

Overall, upon receipt of such funds, utilities shall create separate COVID-19 Utility Assistance Funds and record direct assistance payments to customers on their books in accordance with applicable accounting standards. Utilities may not direct any funds provided through this program to new deposits, down payments, fees, late fees, interest charges, or penalties. Utilities shall reflect the direct assistance payment on an eligible customer's monthly bill, after the funds are applied to the customer's account.

For questions contact: utility@dhcd.virginia.gov

Information from SCC and SCC Application Links

The SCC has developed an application for municipal utilities to apply for ARPA SLFRF. In order to receive a portion of ARPA SLFRF, municipal utilities are required to submit a notice of their intent to apply to the SCC by COB October 15, 2021, at the following link:

[Intention to Apply for ARPA Funds \(office.com\)](#)

Here is a link to the application that should be completed by October 22, 2021 in order to apply for ARPA Funds:

[Arrearage Information for ARPA Distribution \(Municipal Utilities\) \(office.com\)](#)

Once applications have been received, the SCC will determine the amount of ARPA Funds to be distributed to regulated and municipal utilities in the following manner:

- SCC will first combine all participating residential utility arrearages over 60 Days as of August 31, 2021
- SCC will next determine allocation amounts for individual utilities if ARPA Funds are insufficient to offset such residential arrearages over 60 Days as of 8/31/21.
- SCC will use the following allocation methodology: (i) establishing each participating utility's percentage of residential arrearages over 60 Days as of 8/31/21 to total participating utility residential arrearages over 60 Days, and (ii) applying that percentage to total ARPA fund dollars available for allocation. As shown below, this formula will yield each utility's ARPA Fund allocation:

$$\frac{\text{"Utility A" Residential Arrearages over 60 Days}}{\text{Total Residential Arrearages over 60 Days of all participating utilities}} \times \text{ARPA Funds} = \text{Individual ARPA Fund Amount}$$

Municipal utilities will use their individual ARPA Fund amount to reduce all Virginia customer account balances using the following procedure as described below.

The municipal utilities will allocate ARPA Funds to residential customers with arrearage balances over 60 Days as of August 31, 2021, as follows:

- Individual municipal utility will determine allocation amounts for individual residential customer reduction of arrearages over 60 Days if the municipal utility's ARPA Fund allocation is insufficient to offset such municipal utility's residential customer arrearage balances over 60 Days.
- Individual municipal utility will use the following allocation methodology: (i) establishing each residential customer's percentage of arrearages over 60 Days to total municipal utility residential arrearages over 60 Days, and (ii) applying that percentage to total ARPA Fund dollars received by the municipal utility. As shown below, this formula will yield each customer's allotment of ARPA Funds:

$$\frac{\text{Residential "Customer A" Arrearage Balance over 60 Days} \times \text{ARPA Funds Received}}{\text{All Residential Arrearages Over 60 Days}} = \text{Individual Customer Arrearage Reduction}$$

DHCD will require that each municipal utility submit a completed Certification Document to DHCD prior to distribution of ARPA Funds to individual municipal utilities. Such Certification Document will be provided after the overall allocation of ARPA Funds between SCC-Regulated Utilities and Municipal Utilities is determined. Municipal utilities may pre-qualify their respective residential customer populations impacted by the COVID-19 pandemic (i.e., residential customers with 60+ day arrearages as of August 31, 2021). Such pre-qualification process will be detailed in the Certification Document. Please

note: such pre-qualification of municipal utility customers may not be used by municipal utilities in connection with any amounts of remaining CRF funds.

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