

### IN THIS ISSUE

Reasonable ways exist for utilities who receive bills and/or shutoff notices returned Undeliverable as Addressed.

### NOTE TO READERS

#### ON-LINE DELIVERY

This document presents the bi-monthly electronic newsletter of Fisher, Sheehan & Colton: *FSC's Law and Economics Insights*. Previous issues of the newsletter can be obtained at FSC's World Wide Web site:

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### “Undeliverable as Addressed” Utility Bills and/or Shutoff Notices Present a Lack of Notice to Residential Customers

Many public utilities today continue to rely on mailing written monthly bills, as well as mailing written notices of a pending nonpayment service disconnection (hereafter collectively referred to as “written notices”). Problems arise, however, when those written notices are not received by the customer but, for whatever reason, are instead returned to the utility “Undeliverable as Addressed”.

Undeliverable as Addressed (UAA) is a term-of-art used by the U.S. Postal Service to reference “all mail that cannot be delivered to the name and address specified on the mailpiece, and must be forwarded, returned to sender or properly treated as waste, as authorized for the class of mail and ancillary service endorsement on the mailpiece.”<sup>1</sup> Mail may be considered UAA because:

- The individual, family, or business to which it is addressed has moved;
- The address is incomplete, incorrect, or illegible;
- The addressee is unknown or deceased;
- The addressee refuses or fails to claim the mail; or

<sup>1</sup> U.S. Postal Service, Undeliverable as Addressed (UAA) Mail Statistics, available at

<https://postalpro.usps.com/address-quality-solutions/undeliverable-addressed-uaa-mail>

- The necessary postage has not been paid.

The U.S. Postal Service states that “While all UAA causes are considered and reported, the primary focus of the [USPS] UAA mail study is on the address-quality-related reasons; that is, UAA occurring because the addressee has moved, or because the address is incomplete, incorrect or illegible.”

Unfortunately, many utilities ignore the problems associated with written notices they mail that are returned UAA. In a recent New Jersey rate case, for example, the New Jersey Rate Counsel asked Atlantic City Electric Company (ACE) to provide, by month for the most recent 24 months:

1. The number of monthly bills that have been returned to the Company as undeliverable as addressed;
2. The number of accounts for which bills were returned to the Company as undeliverable as addressed who were subsequently sent a notice of disconnection for nonpayment; and
3. The number of mailed notices of disconnection for nonpayment that were returned to the Company as undeliverable as addressed.

ACE’s response was simply that: “The Company does not track metrics for undeliverable mail.” This response, of course, assigns no responsibility to the Company for ensuring that critical notices have actually been delivered to ACE customers.

A different utility, the Philadelphia Gas Works (PGW) went even further, asserting that it bore no responsibility for responding to mail returned

UAA. According to PGW: “PGW does not track the number of correspondences that were marked as undeliverable as addressed. *It is the customer’s responsibility to give PGW their correct address.*” This response assigns complete responsibility to the customer for having mail returned to PGW as being undeliverable.

While utilities such as ACE and PGW do not track mail returned to them as undeliverable, the U.S. Postal Service (USPS) keeps detailed statistics. Returned mail to the USPS is referred to by the technical term “Undeliverable As Addressed” (UAA). According to the USPS procedures manual, there are nearly 20 reasons why mail may be UAA. The USPS publishes monthly statistics on UAA mail. Having an “insufficient address” is a relatively small portion of UAA mail each month. Other reasons, having little or nothing to do with what information a customer provided to a utility such as PGW or ACE, make substantive contributions to UAA. Selected data on reasons for UAA shows some of the primary reasons for mail being UAA in the first three months (January, February, March) of 2025.

Class Volume (selected UAA Reasons) <sup>2</sup>			
UAA Reason Description	January 2025	February 2025	March 2025
Insufficient address	2.34%	8.38%	8.54%
Illegible	0.08%	0.06%	0.07%
No mail receptacle	2.59%	2.50%	2.79%
No such number	2.79%	2.92%	2.91%
No such street	1.11%	1.09%	1.13%

<sup>2</sup> <https://postalpro.usps.com/address-quality-solutions/undeliverable-addressed-uaa-mail> (data files: Monthly UAA Statistics by UAA Reason).

The reasons identified above may have nothing to do with factors within the control of a utility customer.

- Having no mail receptacle, for example, often occurs at rental units where the property owner, not the occupant, has failed to maintain a usable mailbox.
- An “insufficient address” often occurs when an apartment or unit number is placed in the “primary” address line (along with the street address) rather than in the “secondary” address line of the mailing address.
- Particularly in urban areas, cities rename streets and/or renumber housing units resulting in UAA errors of “no such number” or “no such street.”
- The UAA error “attempted not known” often occurs when numbers in the address get inadvertently transposed, a circumstance also often yielding an “insufficient address” UAA error.

Indeed, a 2015 “Management Advisory Report” by the Office of the Inspector General for the USPS reported that “the Postal Service itself is responsible for about 23 percent due to sorting errors or failed deliveries.”<sup>3</sup>

In addition to the monthly reporting of total UAA volume (by reason for the UAA mail), the USPS also publishes quarterly statistical reports

of UAA volume by industry type. Since the utility industry is a major mass mailer, utilities are one of the industries for which data is separately reported.

Undeliverable As Addressed (UAA) Class Volume (selected UAA Reasons) (by Industry) (Utilities) <sup>4</sup>			
UAA Reason Description	Utilities		
	FY24 QTR4	FY25 QTR1	FY25 QTR2
Attempted not known	15.33%	16.70%	17.27%
Insufficient address	10.00%	9.32%	9.22%
Illegible	0.08%	0.08%	0.08%
No mail receptacle	4.10%	3.59%	3.61%
No such number	3.88%	3.50%	3.37%
No such street	1.06%	0.96%	1.01%

Under utility policies such as those of ACE and PGW with respect to UAA mail (i.e., not to track UAA bills or disconnection notices), a customer would have no indication that a community renumbered some housing units, or that ACE may have transposed some digits in the customer’s address or zip code, or that placing their unit number in the same address line as their street address might result in undeliverable mail, until their service is disconnected for nonpayment.

When a customer goes without receiving a bill, they would have no reason to wonder why they did not receive a disconnection notice. The party to the transaction who would be in the best position to know that something was awry

<sup>3</sup> Office of Inspector General, United States Postal Service, Strategies for Reducing Undeliverable As Addressed Mail, Management Advisory Report, at 1, Report Number MS-MA-15-006 (May 1, 2015), <https://www.uspsoig.gov/reports/audit-reports/management-advisory-strategies-reducing-undeliverable-addressed-mail>.

<sup>4</sup> <https://postalpro.usps.com/address-quality-solutions/undeliverable-addressed-uaa-mail> (data files: Quarterly UAA Statistics by Mailing Industry).

would be the utility, who received the mail returned to them as undeliverable as addressed (UAA).

### **Utilities which Respond to Mail Returned UAA.**

Not all utilities take the hands-off approach reported by ACE and PGW. For example, in the natural gas industry, Columbia Gas of Pennsylvania reported in 2022 that:

Returned bills are sent to an outside service provider who specializes in Returned Mail processing, Redsson. If Redsson finds a correct or alternative address for the customer, the updated information is passed to our system in an electronic transmission file. If an update is not available, that will also be passed to us in the transmission file and trigger an exception on the account for manual review and follow-up with the customer.

Returned disconnection notices are sent to our internal Revenue Recovery department. The Revenue Recovery department will contact the customer to validate or obtain appropriate mailing address. If the address is unable to be validated with the customer, Columbia will contact the property owner if applicable. If Columbia receives three returned termination notices on the account, Columbia will pursue termination of the premise following regulatory guidelines.<sup>5</sup>

Similarly, in the water industry, Pennsylvania American Water Company stated in 2022 that:

the Company is working on system enhancements that would do one or more of

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<sup>5</sup> 2022 Columbia Gas rate case proceeding, Docket No. R-2022-3031211, Columbia Gas response to OCA discovery request OCA-03-026.

the following: create a Business Performance Exception Management (BPEM) if multiple pieces of mail are returned as undeliverable within a certain time period for a customer service representative to follow up with the customer to update their contact information; enable reports on undeliverable mail; generate an email (if an email address is attached to the account), phone call or text to advise of undelivered mail and encourage the customer to log in online to verify and update their information or if they do not have an online account, ask that they contact the Customer Service Center.<sup>6</sup>

As can be seen, in each of these instances, the utility has (or is creating) processes to respond to UAA mail that is returned to the company.

### **Written Notices Returned UAA Do Not Satisfy “Notice” Requirements.**

There is precedent for requiring the adoption of specific responses to mail returned as UAA. For example, under federal law, states must take all reasonable measures to ensure that individuals who are eligible for both Medicaid and the federal Children’s Health Insurance Program (“CHIP”) remain enrolled as long as they meet eligibility criteria. This includes both (1) maintaining regular communication with beneficiaries, and (2) attempting to locate beneficiaries when mail is returned. The COVID-19 public health emergency has disrupted state eligibility and enrollment operations and beneficiary communications, and the resulting economic recession amplified housing instability.

Accordingly, there was an increased risk that

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<sup>6</sup> Pennsylvania-American Water Company rate case proceeding, Docket Nos. R-2022-3031672 (Water), R-2022-3031673 (Wastewater), PAWC response to OCA discovery request OCA-05-021.

states would inappropriately terminate eligible beneficiaries as states restored routine operations when the health emergency ended. On December 29, 2022, the Consolidated Appropriations Act, 2023 (P.L. 117-328) (CAA, 2023) was enacted.<sup>7</sup> Pursuant to the new law, Section 5131 added a new subsection (f) to section 6008 of the Families First Coronavirus Response Act (FFCRA). States seeking additional federal Medicaid funding must, among other things, meet certain new conditions under section 6008(f) of the FFCRA. Those “new conditions” include “undertak[ing] a good-faith effort to contact an individual using more than one modality prior to terminating their enrollment on the basis of returned mail.” (emphasis added)<sup>8</sup>

Finally, no less than the U.S. Supreme Court, in the 2006 case *Jones v. Flowers*, held that when notice is required,<sup>9</sup> due process requires the government to take “additional reasonable steps to notify a property owner when notice of a tax sale is returned undelivered.” Given the importance of utility service in today’s world, when a utility faces circumstances where its attempt at notice is known to have failed, the Company cannot be said to have delivered reasonably adequate service by ignoring that fact and taking no further action.

The Court noted that it had never previously “addressed whether due process entails further responsibility when the government becomes aware prior to the taking that its attempt at notice has failed. That is a new wrinkle.”<sup>10</sup> (em-

phasis added). The Court reasoned:

We do not think that a person who actually desired to inform a real property owner of an impending tax sale of a house he owns would do nothing when a certified letter sent to the owner is returned unclaimed. If the Commissioner prepared a stack of letters to mail to delinquent taxpayers, handed them to the postman, and then watched as the departing postman accidentally dropped the letters down a storm drain, one would certainly expect the Commissioner’s office to prepare a new stack of letters and send them again. No one “desirous of actually informing” the owners would simply shrug his shoulders as the letters disappeared and say “I tried.” Failure to follow up would be unreasonable, despite the fact that the letters were reasonably calculated to reach their intended recipients when delivered to the postman.”<sup>11</sup>

### **A Reasonable Utility Response.**

Utilities should adopt policies and procedures that largely reflect the policies and procedures of Columbia Gas as cited above. These would involve policies and procedures under which returned bills are sent to an outside service provider who specializes in Returned Mail processing. If this service provider finds a correct or alternative address for the customer, the updated information should be passed to the utility system in an electronic transmission file. If an update is not available, that will also be passed to the utility in the transmission file and trigger an exception on the account for manual review and follow-up with the customer.

Returned disconnection notices should be sent to

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<sup>7</sup> <https://www.congress.gov/117/bills/hr2617/BILLS-117hr2617enr.pdf>

<sup>8</sup> Id., at section 6008(f)(2)(C).

<sup>9</sup> In this case, in a tax sale.

<sup>10</sup> *Jones v. Flowers*, *supra*, 547 U.S. 220 (2006).

<sup>11</sup> Id.

the utility's internal revenue recovery department. The revenue recovery department should contact the customer to validate or obtain an appropriate mailing address. If the address is unable to be validated with the customer, the utility should contact the property owner if applicable. If the utility receives three returned termination notices on the account, it may pursue termination of the premise following regulatory guidelines.

### **Summary**

Persons interested in obtaining more information about assessing the issues associated with bills and/or shutoff notices returned to a utility as Undeliverable as Addressed (UAA) can write:

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Fisher, Sheehan and Colton, Public Finance and General Economics (FSC) provides economic, financial and regulatory consulting. The areas in which *FSC* has worked include energy law and economics, fair housing, local planning and zoning, energy efficiency planning, community economic development, poverty, regulatory economics, and public welfare policy.