

Washington Joint Utilities COVID-19 Non-Binding Term Sheet

This Term Sheet describes the basic terms and conditions to be included in a stipulation that would address the disconnection of utility services and the imposition of late fees due to the COVID-19 pandemic. The intent of the stipulation would be to:

- A) Memorialize the customer protections that electric and natural gas utilities (“Utilities”) subject to the jurisdiction of the Washington Utilities and Transportation Commission (“Commission”) have voluntarily put in place during the COVID-19 pandemic;
- B) Obtain an order from the Commission approving the stipulation and memorializing the public process that led to the stipulation.
- C) Establish additional customer protections to mitigate the resumption of utility service disconnections and late fees; and
- D) Establish regulatory certainty for incremental net costs that Utilities have incurred and will incur as a result of the COVID-19 pandemic, including but not limited to all costs associated with the topics of this settlement.

Suspension of Utility Disconnections and the Imposition of Late Fees

1. Prior to March 18, 2020, the Utilities had voluntarily suspended disconnecting customers for non-payment and the imposition of late fees on past due bills due to the COVID-19 pandemic. On March 18, 2020, Governor Inslee issued Proclamation 20-23, which requires Utilities to suspend disconnections and late fees. Proclamation 20-23 has been extended and currently expires on October 15, 2020.
2. Each Utility will continue to suspend disconnections of utility service for residential and small commercial customers due to nonpayment and the imposition of new late fees as required under Proclamation 20-23. After Proclamation 20-23 expires, a Utility may not begin issuing disconnection notices for non-payment and imposing late fees in accordance with its tariff before April 30, 2021 (“Resumption Date”). By March 15, 2021 each utility will submit a report demonstrating it has satisfied the customer protections and communications outlined in the term sheet.
3. All Utilities have engaged in proactive customer outreach throughout the COVID-19 pandemic. In addition to this outreach, the Utility must notify in writing, or preferred method of receiving communications, to all of its residential and small commercial customers with past due balances of: 1) the resumption of utility service disconnections and late fees, and 2) all flexible payment options that are available to avoid disconnection. The notice must be sent prior to the Resumption Date and include the time payment arrangements (“TPA”) described below, as well as how to enroll in each flexible payment option. For residential customers, the notice must also outline other programs that may provide financial assistance, such as the Low-Income Home Energy Assistance Program (“LIHEAP”) and the COVID-

19 bill payment assistance program described in paragraph 10. This information will also be available on each Utility's website.

4. Utility service disconnections would not occur until:
 - a. The residential or small commercial customer subject to disconnection had received the notice provided in paragraph 3.
 - b. The customer has received disconnection notice(s) specified in WAC 480-90-128 and/or WAC 480-100-128 and the Utility's tariff;
 - c. The Utility has made a good faith effort to contact the residential or small commercial customer to inform the customer of flexible payment options, financial assistance programs, and any other means to avoid disconnection; and
 - d. The requisite period of time specified in the Utility's tariff for the customer to enter into an arrangement to avoid disconnection has passed.

Additional Customer Programs and Initiatives

5. Each Utility currently offers TPAs of various durations. Due to the COVID-19 pandemic, each Utility will offer TPAs for up to 18 months for residential customers and 6 months for small commercial customers. For natural gas Utilities, TPAs under this paragraph are not available to transportation customers. Each Utility will offer these extended TPAs until at least 6 months after the Resumption Date. A residential or small commercial customer whose financial condition changes during the term of a TPA, or a customer who defaults the first time on a TPA and who seeks to reestablish payment arrangements, may do so one time under the same terms specified above.
6. Each Utility shall waive late fees and deposit requirements for new or existing residential customers until 180 days after the Resumption Date.
7. Each Utility will attempt to contact residential customers who were disconnected for nonpayment between January 1, 2020 and April 17, 2020, and offer reconnection ("Previously Disconnected Customers"), except for when reconnection could compromise safe operations, the Utility has proof that the customer benefitted from theft or tampering, or the premises are vacant or unoccupied. Reconnections will only be offered for the same service address that was previously disconnected for nonpayment, and each Utility shall waive any fees for reconnections provided under this paragraph. Prior obligation protections under WAC 480-90-123 or WAC 480-100-123 are not waived for these customers. Previously Disconnected Customers will be encouraged to enter into TPAs and will be provide information on assistance programs.

8. Utilities will continue their current practices of not reporting late payments and nonpayment for active customers to credit bureaus and reporting agencies.
9. On a quarterly basis, Utilities will report monthly credit and collections data specified in Exhibit 1 below to the Commission through 2022.
10. Each Utility shall establish a COVID-19 bill payment assistance program to provide eligible residential customers with relief from high arrearages incurred as a result of financial hardship caused by the COVID-19 pandemic. Each Utility will fund its bill payment assistance program up to **1% of Washington retail revenues**, not to be increased without prior commission approval, subject to the terms set forth in Section 11 below. Eligibility and funding amounts for each Utility will be specified in addendums to the stipulation. Each Utility will work with its Low-Income or Energy Assistance Advisory Group to implement its bill assistance program given the unique conditions of their service territory, which may include direct utility assistance.

Utility Costs Resulting from COVID-19

11. The signatory parties agree that the Utilities' applications for deferred accounting of COVID-19 related costs and benefits should be approved by the Commission and recovery of those amounts deferred will be subject to a future Commission prudence review proceeding. These COVID-19 related deferrals shall consist of the following:
 - a. Direct costs for reasonable measures taken by the Utility in response to the COVID-19 pandemic, including, but not limited to: incremental personal protective equipment, cleaning supplies and services, contact tracing, medical testing, financing costs to secure liquidity, information technology updates and administration needed to enact the stipulation, equipment needed for remote work options. Direct costs are net of credits, payments, or other benefits received by the Utility from a federal, state, or local government that are directly related to a COVID-19 direct cost, including federal, state, or local tax credits or benefits. Due to the unprecedented nature of the COVID-19 pandemic, not all costs may be known at this time. Utilities are not limited to deferring costs that are expressly enumerated above; provided, however, that all such costs are subject to a future Commission prudence review proceeding.
 - b. The amount of late payment fees not assessed to customers between March 1, 2020 and 180 days after the Resumption Date per paragraph 6. These foregone late fees shall not exceed the difference between the actual late payment fees collected by the Utility in 2020 and the authorized annual level of late payment fees authorized in the Utility's last rate case.
 - c. For bad debt expense, the amount that is currently being collected from customers for bad debt, as determined in their last general rate proceeding, would be the

baseline. Any amount of bad debt expense accrued above this baseline in 2020, 2021, and 2022 would be deferred for later recovery. While the Utilities will defer the accrual of bad debt expense that is accrued above the baseline being collected from customers today, it will not collect any amount above the actual amount that is written-off.

- d. Foregone reconnection charges, field visits that do not result in disconnection, and field connection charges not assessed to customers between March 1, 2020 and the Resumption Date. These foregone charges shall not exceed the difference between the actual charges collected by the utility in 2020 and the authorized annual level of reconnection charges and field connection charges authorized in the Utility's last rate case.
 - e. Foregone reconnection charges incurred between the Resumption Date and 3 months after the Resumption Date related to customers that may have been disconnected prior to the suspension of disconnects due to COVID-19. Foregone reconnection fees shall not exceed the amount equal to one reconnection fee per customer who was reconnected to service without charge, pursuant to paragraph 7. The reconnection fee shall be calculated using the applicable reconnection fee available in the Utility's tariff for reconnection during regular working hours for the reconnected customer.
 - f. Costs to fund a COVID-19 bill payment assistance program, as described in paragraph 10.
12. Each Utility shall provide the Commission with reports that itemize the utility costs resulting from COVID-19 described in paragraph 11. The first report will be for the period between March 1, 2020 and September 30, 2020 and shall be filed by November 1, 2020. Thereafter, reports will be due 30 days after the close of each quarter and shall include information from previous quarter. Reports will be filed for every quarter until the quarter ending December 31, 2021, unless extended by the Commission.
13. As it relates to long-term solutions to address customers' energy burden, each Utility agrees to explore the development of an Arrearage Management Program (AMP), Percent of Income Payment Plan (PIPP), or other potential programs, as well as barriers to access, with their Low-Income or Energy Assistance Advisory Group, including the cost of development and implementation, with such discussions starting within 60 days of Commission action in this proceeding.
14. Following the Resumption Date plus 180 days, Customers applying, receiving, and/or participating in a TPA, bill assistance, or medical certification protection will not be disconnected from service.

Exhibit 1

1. The number of customers, by customer class;
2. The number of customers, by customer class, disconnected each month during the period;
3. The number of customers, by customer class, receiving disconnection notices each month during the period;
4. The number of customers, by customer class, assessed late payment fees or charges each month during the period;
5. The number of customers, by customer class, taking service at the beginning of each month during the period under existing TPAs;
6. The number of customers by customer class, completing TPAs each month during the period;
7. The number of customers, by customer class, enrolling in new TPAs each month during the period;
8. The number of customers, by customer class, renegotiating TPAs each month during the period;
9. The number of customers taking service at the beginning of each month during the period under existing medical payment arrangements;
10. The number of customers completing medical payment arrangements each month during the period;
11. The number of customers enrolling in new medical payment arrangements each month during the period;
12. The number of customers renegotiating medical payment arrangements plans each month during the period;
13. The number of by customers, by customer class, with required deposits with the company at the beginning of each month during the period;
14. The number of customers, by customer class, required to submit new deposits or increased deposits each month during the period;
15. The number of customers, by customer class, whose required deposits were reduced in part or foregone each month during the period; and
16. The number of customers, by customer class, whose deposits were returned in full each month during the period.