

Unitil Energy Systems, Inc.
Docket No. IR 20-089
NHPUC Information Requests – Set 1

Received: June 4, 2020
Request No. NHPUC 1-1

Date of Response: March 1, 2021
Witness: Mark Lambert

Request:

Provide information regarding changes in payment behavior or patterns and account receivables levels since the declaration of the State of Emergency on March 13 and the Governor's Emergency Order #3 issued on March 17. Such information should be provided for each utility rate class.

March 1 2021 Update:

Please see the spreadsheets, attached hereto as NHPUC 1-1 Attachment 1 and NHPUC 1-1 Attachment 2, which provides month end closing detail by rate class, as of January 31, 2020, showing: the number of customers; the number of customers with arrears and by vintage (30-60 days, 60-90, greater than 90); the dollar amount of the arrears; the billed sales; the total revenue; and related customer information for both UES and NUI.

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Received: June 4, 2020
Request No. NHPUC 1-2

Date of Response: March 1, 2021
Witness: Mark Lambert

Request:

Provide the following data for each utility rate class:

- The number, and percentage, of customers who made partial or no payment in March, April, and May of 2019 and 2020.
- The number, and percentage, of customers who made partial or no payment in March, April, and May of 2019 and 2020 and did not have an outstanding balance during the prior six months.

February 1 Update Response:

Please see NHPUC 1-2 Attachment 1 which include updates through January 2021 for both UES and NUI.

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Received: June 4, 2020
Request No. NHPUC 1-3

Date of Response: March 1, 2021
Witness: Mark Lambert

Request:

Describe any programs or initiatives undertaken to assist customers specifically as a result of the COVID-19 pandemic, the State of Emergency, Emergency Order #3, and the related stay-at-home restrictions.

Update Response as of March 1, 2021:

- Unitil continued with the standard collections process for past due residential (non-low income only) and commercial customers, but continues to support customers with the same following steps as previous months:
 - o Suspended all residential and commercial late fees
 - o Suspended all returned check fees
 - o Directed Customer Service Representatives to waive deposit if customer states they are not able to pay upfront due to COVID19 impact
 - o Directed Customer Service Representatives to waive the requirement to be current in order to have any emergency service work performed on miscellaneous products.
 - o Partner with customers to set up longer payment plans and waive an upfront payment if customer is not able to pay at time of plan enrollment
 - o Offer payment plans to commercial customers to meet their unique payment needs
 - o Continued offering UCARE grants for residential customers who are financially struggling but who are not enrolled in Fuel or another assistance program.

June 30 Response:

Unitil recognizes that this is an unprecedented time and that many of our customers are experiencing financial challenges as a result of, or related to, the COVID19 pandemic. UES and NUI have taken the following steps in support of our NH customer base:

- Suspended all disconnect notices
- Suspended all disconnections for non-payment
- Suspended all residential and commercial late fees
- Suspended all returned check fees
- Suspended all referrals of unpaid final accounts to a collection agency
- Directed Customer Service Representatives to waive deposit if customer states they are not able to pay upfront due to COVID19 impact
- Directed Customer Service Representatives to waive the requirement to be current in order to have any emergency service work performed on miscellaneous products.

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Date of Response: March 1, 2021
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- Instructed all collection agencies that we utilize to suspend customer referral to the credit bureaus
- Partner with customers to set up longer payment plans and waive an upfront payment if customer is not able to pay at time of plan enrollment
- Implementation of UCARE grant for customers who have been financially impacted by COVID19 but do not qualify for Fuel Assistance

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Received: June 4, 2020
Request No. NHPUC 1-4

Updated Response: March 1, 2021
Witness: Mark Lambert, Carol Valianti

Request:

Provide a detailed description of customer outreach undertaken to date.

Updated response March 1, 2021:

While disconnection notices have been generated for both residential (non-low income only) and commercial customers for UES and NUI, Unitil continues to advise customers of how we can assist them with paying their bill.

- Offer of a payment plan to spread out costs over time, to meet their needs
- No late fees will be assessed through 3/31/21
- Advising customers that once they are enrolled in and successfully maintain a payment plan, they will be continue to be exempt from disconnections for the length of the payment plan
- Mark their account as Financial Hardship when they advise they are experiencing financial challenges, giving them time to secure assistance
- Refer residential customers to their local CAP to see if they qualify for a discounted rate or other financial benefits
- Provide SBA contact information to commercial customers if needed
- Letter mailed to low income and financial hardship customers who are past due but are not eligible for a disconnection notice during this winter moratorium, to advise them that Unitil is here to help them by setting a payment plan or assisting them with other support as needed

Original Response (June 30, 2020):

Both UES and NUI have performed a variety of proactive customer outreach measures to ensure customers that we are available to assist them during this difficult time:

- Press Release in March announcing:
 - Suspension of all collections activities including disconnections and assessment of late fees
 - We are available to set payment plans to assist all customers with their unique needs
 - Local Community Action Program (CAP) agencies are available to help with programs such as LIHEAP Fuel Assistance.
 - Introduction of the UCARE fund to assist customers impacted by COVID19, with paying their Unitil bill
 - Unitil donation to local community agencies designed to help combat food insecurity, homelessness, mental health and substance abuse
- Bill Insert to all customers in their April bill advising:
 - Suspension of all collections activities including disconnections and assessment of late fees

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- We are available to set payment plans to assist all customers with their unique needs
- Local Community Action Program (CAP) agencies are available to help with programs such as LIHEAP Fuel Assistance.
- Introduction of the UCARE fund to assist customers impacted by COVID19, with paying their Unitil bill
- Unitil donation to local community agencies designed to help combat food insecurity, homelessness, mental health and substance abuse

- Email sent to all customers with an email communications preference to advise:
 - Suspension of all collections activities including disconnections and assessment of late fees
 - We are available to set payment plans to assist all customers with their unique needs
 - Local Community Action Program (CAP) agencies are available to help with programs such as LIHEAP Fuel Assistance.
 - Introduction of the UCARE fund to assist customers impacted by COVID19, with paying their Unitil bill
 - Unitil donation to local community agencies designed to help combat food insecurity, homelessness, mental health and substance abuse

- Automated outbound calls to all customers who had Fuel Assistance during last winter season to encourage them to enroll for this year's benefit and continued low income discount rate, if it is still needed. Gave the contact information for the customer's specific CAP agency.

- Additional automated outbound calls to all previous Fuel Assistance customers who had not yet reenrolled for this year's Fuel program, to advise them of the extension of the Fuel Assistance application deadline. Gave the contact information for the customer's specific CAP agency.

- Automated outbound calls to all past due residential customers, suggesting that they reach out to the local CAP for help with Fuel Assistance application before the deadline passes. Also, encouraged the customers to call us if they wanted to set a payment plan.

- Letter mailed to all residential customers in May who were 60 days past due to advise them that we are here to help:
 - Offer of a payment plan to spread out costs over time, to meet their needs
 - Suspension of collections activities
 - Reminder to reach out to local CAP for Fuel Assistance or UCARE fund

- Letter mailed to all commercial customers in May who were 30 days past due to advise them that we are here to help:
 - Offer of a payment plan to spread out costs over time, to meet their needs
 - Suspension of collections activities
 - Provided SBA phone number and website addresses for commercial assistance

- Personal phone call to past due commercial customers who are past due to:
 - Answer questions and offer assistance
 - Offer a payment plan, with a deferred start date if necessary, to spread out costs over time, to meet their needs
 - Provide SBA contact information if needed

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Updated Response: March 1, 2021
Witness: Mark Lambert, Carol Valianti

- Automated phone calls to all protected customers to remind them that we are here to provide them with assistance:
 - o Remind customer of UCARE grant opportunities and refer to CAP
 - o Make sure they are aware of local CAP contact information
 - o Offer to help customers enroll in a special protected payment plan

- Letters mailed to all residential customers in June who are 30 days past due, which will reach customers who are newly past due and possibly not aware of available assistance, to advise them that we are here to help:
 - o Offer of a payment plan to spread out costs over time, to meet their needs
 - o Suspension of collections activities
 - o Reminder to reach out to local CAPs for UCARE fund
 - o Advising customers that once they are enrolled in a payment plan, they will be exempt from late fees and disconnections, once collections activities resume in the future

- Letters mailed to all commercial customers in June who were 30 days past due, which will reach customers who are newly past due and possibly not aware of assistance, to advise them that we are here to help:
 - o Offer of a payment plan to spread out costs over time, to meet their needs
 - o Suspension of collections activities
 - o Provided SBA phone number and website addresses for commercial assistance
 - o Advising customers that once they are enrolled in a payment plan, they will be exempt from late fees and disconnections, once collections activities resume in the future

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Received: June 4, 2020
Request No. NHPUC 1-5

Date of Response: March 1, 2021
Witness: Mark Lambert

Request:

Describe the Utility's review and evaluation of best practices and successful initiatives undertaken in other states.

Update Response March 1, 2021:

In addition to continuing the practices outlined below, Unitil continues to enroll MA small commercial customers who are struggling to pay their energy bill due to the pandemic, in a one-time Arrears Forgiveness Program. The details of this program, which will be offered through 3/31/21 are:

- Unitil enrolls struggling small commercial customers in a payment plan for up to 12 months, based upon the customer's specific needs
- When the customer pays their first installment, Unitil forgives the electric and/or gas charges from the customer's April bill
- When the customer completes the payment plan, Unitil will forgive the electric and/or gas charges from the customer's May bill
- If a customer defaults on this forgiveness payment plan, they can make up their missed payments and resume the plan for the balance of the remaining months from the original plan, up to 12 months
- Customers have expressed appreciation to Unitil for this additional support during this difficult time

June 30 Response:

Unitil's distribution company affiliates participate in the following practices and initiatives in MA, ME and NH:

- Suspension of collections activities, such as disconnections, late fees, returned check fees due the COVID19 pandemic
- Referral to the local CAPs for assistance such as LIHEAP or the Unitil UCARE fund
- Offer of payment plans for all customers, with a deferred start date, if needed due to COVID19 financial impact
- Bill inserts, letters and phone call campaigns to both residential and commercial customers to remind them of initiatives and assistance available
- Updated Unitil website to advise customers of initiatives available for those impacted by COVID19

The one program that is available to both electric and gas MA residential low income customers that is not offered in NH, but provides significant assistance, is the Arrearage Forgiveness Program:

- Unitil enrolls the low income customer in a levelized payment plan for a minimum of 12 months, based upon the customers average monthly usage, minus any Fuel Assistance pledge
- Every month that the customer pays the payment plan amount, Unitil credits a portion of their past due balance, up to \$400 per EL/GA service, reducing the customer's total bill balance

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Date of Response: March 1, 2021
Witness: Mark Lambert

Additionally, the MA utilities are proposing a one-time Arrears Forgiveness Program for small C&I customers who are facing unprecedented financial impact due to COVID19. The specific details are currently being discussed between the companies. An example of how the program could work includes the following, but specific terms could change by utility:

- Unitil will enroll the customer in a payment plan for up to 12 months, based upon the customer's specific needs
- When the customer pays their first installment, the utility will forgive the amount of the April bill
- When the customer completes the payment plan, the utility will forgive the amount of the May bill

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Received: June 4, 2020
Request No. NHPUC 1-6

Date of Response: March 1, 2021
Witness: Christopher Goulding

Request:

Describe whether the Utility has updated its sales forecasts in light of the pandemic and its effects on the economy.

March 1 Update:

The sales forecast for Northern Utilities, Inc. and Unitil Energy Systems, Inc. have been updated in light of the pandemic and its effects on the economy. Historically, for the residential, regular general, and large rate classes, the sales forecast is developed by independently forecasting meter growth, base usage per meter, and a weather-driven usage per meter assuming 'normal' weather (average degree days during over the last 20 years) for the forecast period. Also forecasted is the Company's meter read cycle. In addition, Business Development personnel are consulted for comments on significant usage changes for the Company's large customers. The forecast seeks to limit subjectivity and typically relies on historical trends. However, average usage per customer has declined as a result of the deterioration of the economic environment caused by the unprecedented COVID-19 crisis. Consequently, historical usage per customer levels are unlikely to be illustrative of future sales over the short to medium terms. The sales forecast assumes that usage per customer will return to pre-pandemic levels at the beginning of 2023. This timing decision reflects an apparent consensus among macroeconomic forecasts reviewed by the Company. The forecast assumes a recovery for usage per customer back to pre-pandemic levels at a linear rate through the beginning of 2023.

Original June 30 Response:

We are in the process of updating its sales forecast for Northern Utilities, Inc. and Unitil Energy Systems, Inc. The Companies are closely monitoring the current situation and analyzing data to determine what effects the COVID-19 pandemic is having on customers. The initial data that has been analyzed indicates an overall decline in usage, in particular for commercial customers with a minor offset to residential usage on the electric side, but the duration of these trends is uncertain at this time.

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Received: June 4, 2020
Request No. NHPUC 1-7

Date of Response: March 1, 2021
Witness: John Closson

Request:

Describe any operational changes the Utility is making or planning to make in response to the effects of the pandemic, including changes in budgets or personnel.

March 1 Update:

There is no change from the original response, below. Neither company has made changes to its 2021 Operating Budget, and both continue to actively track costs associated with the pandemic.

Original June 30 Response:

The Companies have instituted a number of measures to protect its employees, customers and municipal partners during the COVID-19 pandemic. These measures include:

- maintaining a mandatory social distancing minimum of 6 feet, in conjunction with frequent workstation cleanings;
- staggering shift start times to minimize exposure of field personnel;
- providing additional vehicles and requiring certain field positions to be home based in order to preclude them from starting their day at the operating center to minimize interaction with other employees
- where possible, requiring contractors to job site report and having materials and supplies delivered to minimize interaction with Company employees
- wearing face coverings in common areas of Company facilities and/or whenever 6 feet of social distancing cannot be maintained in public;
- working remotely whenever possible, including home base/job site reporting;
- establishing a customer home entry protocol, instructing employees on proper hygiene, communication, personal protective equipment (PPE), and social distancing;
- establishing a cleaning/disinfecting protocol for Company facilities and vehicles occupied recently by an employee who is suspect or confirmed positive for the virus;
- requiring daily health attestations for employees and contractors, entering Company facilities and/or conducting work activities in customer homes or the public; and
- testing frequently employees and contractors, who conduct customer home entry protocols, for the virus to protect customer health and streamline contact tracing, if needed.

Neither UES nor NUI have made any changes to current staffing as a result of the pandemic. Although neither company have made changes to its 2020 Operating Budget, both companies are actively tracking costs associated with the pandemic.

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NHPUC Information Requests – Set 1

Received: June 4, 2020
Request No. NHPUC 1-8

Date of Response: March 1, 2021
Witness: Kevin Sprague

Request:

Describe any changes to capital projects and related planning budgets the Utility has made or is planning to make in response to the effects of the pandemic.

March 1 Update:

There is no change from the original response.

Original June 30 Response:

Neither company has made any changes to capital and related planning budgets as a result of the pandemic. Both companies will continue to evaluate whether changes will be required.

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Received: June 4, 2020
Request No. NHPUC 1-9

Date of Response: March 1, 2021
Witness: John Closson

Request:

Describe any supply chain disruptions the Utility is experiencing or expects may occur and the effects of such supply chain disruptions.

March 1 Update:

There is no change from the original response, below.

Original June 30 Response:

Neither company is facing any significant supply chain disruptions as a result of COVID-19. Both companies have seen an increase in product lead times as a result of the pandemic and have adjusted its ordering and inventory behavior to account for prolonged lead times.

The companies started reaching out to suppliers and alliance partners in early February 2020 to address impacts of COVID-19 on its supply chain. This communication has been ongoing and will continue throughout the duration of this pandemic.

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Received: June 4, 2020
Request No. NHPUC 1-10

Date of Response: March 1, 2021
Witness: Todd Diggins

Request:

Describe whether the Utility and/or its parent company has adequate access to capital or has been negatively affected in accessing the capital markets or has been downgraded by any credit rating services.

March 1 Update:

No update.

January 1 Update:

On September 15, 2020, the Company closed on and received long term funding for UES (\$27.5mm) and NUI (\$40.0mm), reducing each company's short term borrowings, and providing sufficient liquidity over the near term.

On November 5, 2020 S&P Global ("S&P") issued a research update revising its outlook on Unitil Corporation and its subsidiaries (including UES and NUI) from "stable" to "negative." S&P Global cited weaker economic conditions related to the pandemic, lower gas and electric sales margins due to warmer winter weather in 2020, and the Company's capital spending plan as weighing in its revised outlook.¹ S&P affirmed its current BBB+ issuer credit ratings for each of Unitil Corp, UES, NUI, and FG&E.

The negative outlook reflects the potential for lower ratings over the next 24 months if S&P believes the Company's financial metrics will not improve. If the Company's financial metrics do improve, S&P could revise its outlook from "negative" to "stable." A negative outlook, as well lower ratings, could affect the Company's access to capital markets at the favorable terms the Company has realized in recent issuances.

Lastly, notwithstanding its revised outlook, S&P assessed the Company's liquidity as adequate, because its "sources are likely to cover its uses by more than 1.1x over the next 12 months, even if EBITDA declines by 10%."²

Original June 30 Response:

The Company, on behalf of both UES and NUI, has met with its primary lenders to discuss possible liquidity options. Due to its current financial strength and investment grade credit ratings, the lenders have expressed comfort with the financial strength of the Company at this time

The Company has met with all of its primary investment bankers and believes it will have adequate access to capital at this time. When issuing long term debt, the Company historically has used the Private Placement market. Although conditions are changing rapidly and the reported total Private Placement

¹ S&P Global Ratings, *Research Update: Unitil Corp. and Subsidiaries Outlooks Revised To Negative on Weaker Consolidated Financial Measures; Ratings Affirmed*, November 5, 2020, at 1. A copy is attached as NHPUC 1-10 Update Attachment 1.

² S&P Global Ratings, *Research Update: Unitil Corp. and Subsidiaries Outlooks Revised To Negative on Weaker Consolidated Financial Measures; Ratings Affirmed*, November 5, 2020, at 2.

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Received: June 4, 2020
Request No. NHPUC 1-10

Date of Response: March 1, 2021
Witness: Todd Diggins

2020Q1 volumes have decreased year over year, Private Placement 2020Q1 utility volumes have increased as issuers have expressed interest in the historically stable utility industry, given continued uncertainty around the COV-19 pandemic. The equity markets continue to be volatile and may not be a preferable source of capital at this time.

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Received: June 4, 2020
Request No. NHPUC 1-11

Date of Response: March 1, 2021
Witness: Daniel Hurstak & Christopher Goulding

Request:

Describe incremental costs associated with the COVID-19 pandemic since the State of Emergency order, how the cost is calculated, cost to date, accounting treatment, impact on earnings, and proposed or planned rate treatment.

March 1, 2021 Updated Response:

Pandemic related costs

The following table highlights the approximate expense amounts recorded through February 28, 2021:

<u>Company</u>	<u>Expenses to date</u>
UES	\$54,500
Northern	\$119,000

Bad debt expense

The following table highlights the approximate incremental bad debt expense amounts recorded through January 31, 2021 (amounts for February are not yet available):

<u>Company</u>	<u>Expenses to date</u>
UES	\$109,000
Northern	\$55,000

The uncertainty related to the duration and effect of the pandemic as well as any changes in federal stimulus or other economic conditions in 2021 could significantly affect the amount of uncollectible accounts for UES and Northern. The Companies will continue to review bad debt expense and uncollectible accounts as part of the monthly and quarterly closing procedures. These reviews may affect the amounts reported for incremental bad debt expense.

Waived Fee Revenue

The following table highlights the approximate waived fee revenue amounts through February 28, 2021:

<u>Company</u>	<u>Expenses to date</u>
UES	\$530,000
Northern	\$161,000

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Date of Response: March 1, 2021
Witness: Daniel Hurstak & Christopher Goulding

Employment Tax Credits

The CARES Act enacted the Employment Retention Credit (“ERC”) to incentivize companies to retain employees. The ERC is a 50% credit on employee wages for employees that are retained and cannot perform their job duties at 100% capacity as a result of coronavirus pandemic restrictions. The ERC is taken as a credit on employment tax form 941. In Q3 2020, UES and Northern recorded an ERC of approximately \$120,000 as a reduction to employment tax expense. The following table highlights the reduction by company:

<u>Company</u>	
UES	\$32,511
Northern	\$87,364

Original June 30 Response:

The Company has created separate general ledger accounts to track certain pandemic related costs (separate accounts for UES and Northern). The Company is using these accounts to track certain costs specifically related to the pandemic, including, but not limited to, additional personal protective equipment and cleaning costs. The Company has leased additional vehicles in order to allow one person per vehicle to comply with social distancing guidelines and current work practices. The Company has also experienced an increase in certain costs to support a remote workforce as well as increased bad debt expenses.

UES and Northern are continuing to analyze all expenses and ongoing projects to identify and quantify amounts that are related to the pandemic. The amounts included in this response are subject to change.

Pandemic related costs

UES and Northern are incurring incremental costs associated with cleaning facilities and equipment, personal protective equipment, maintaining a remote workforce and other costs to work safely while providing essential services to our customers after the Governor’s state of emergency order. These costs are incremental to the costs currently recovered through distribution rates. These expenses are generally based on amounts paid to vendors and are currently recorded as operating expenses.

The following table highlights the approximate expense amounts recorded through June 25, 2020:

<u>Company</u>	<u>Expenses to date</u>
UES	\$41,000
Northern	\$47,000

Because these costs are outside the normal course of business and may continue for a significant period of time, the Commission should allow utility distribution companies to defer these costs as a regulatory asset for later consideration.

Bad debt expense

UES and Northern recover delivery-related bad-debt costs through base distribution rates for all distribution components of an electric or gas bill. Delivery related bad-debt cost is determined at the time of a base distribution rate case and is computed for inclusion in base rates using a three-year average of net charge-offs. UES and

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Witness: Daniel Hurstak & Christopher Goulding

Northern have used the highest annual bad debt write-off rate from the past several years to initially estimate the impact that the pandemic will have on collection of customer receivable balances. UES and Northern will also consider other quantitative and qualitative factors in assessing the adequacy of the bad debt reserve.

The following table highlights the approximate incremental bad debt expense amounts recorded through May 31, 2020:

<u>Company</u>	<u>Expenses to date</u>
UES	\$20,000
Northern	\$44,000

With arrearages expected to increase to historical dimensions, the incremental level of delivery-related bad debt cost will need to be addressed through a deferral. The Commission should allow utility distribution companies to create a regulatory asset to allow for the future consideration and recovery of delivery-related bad-debt costs above normal levels.

Waived Fee Revenue

UES and Northern charge fees to customers for various services and the fee revenue is built into distribution rates in a rate case. UES and Northern are waiving fees in light of current circumstances. Given the uncertainty surrounding the timing for reinstating these fees, the Commission should allow these fees to be deferred as a regulatory asset for later consideration. These fees include reconnection fees, late fees and other fees.

The following table highlights the approximate waived late fee revenue amounts through May 31, 2020:

<u>Company</u>	<u>Expenses to date</u>
UES	\$88,000
Northern	\$37,000

Working Capital

The most immediate concern facing the electric and gas distribution businesses is the expected increase in cash working capital requirements due to the increased lag in customers paying their bills. We anticipate significant increases in cash working capital costs compared to the amount currently recovered in base distribution rates. We are currently tracking this data and will update the Commission when we have developed a better assessment of the impacts, but believe that a recalculation of working capital requirements may become necessary if the payment lags continue to increase.