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Understanding HUB Billing Policies

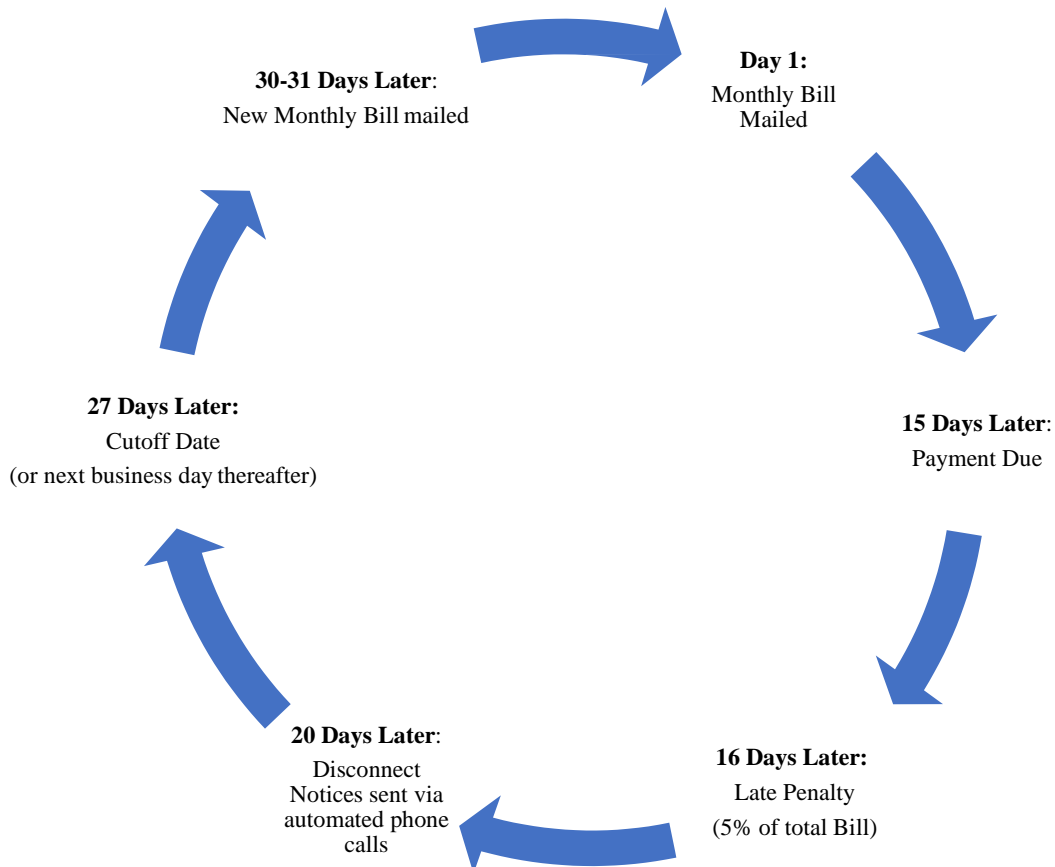
Dear Valued Customer,

At HUB, we make every effort to ensure that our billing practices and policies are fair and easy to understand. As a publicly-owned, not-for-profit business, we are regulated by both municipal and state agencies, and follow internal regulations aimed at maintaining affordable rates.

However, we understand that customers may have questions relating to how HUB manages customer accounts. In this document, we will try to address some common concerns, and provide information you may find useful. As always, we encourage you to communicate any additional questions or concerns you may have.

Customer Billing Cycle Explained

HUB regularly receives questions about our Billing Cycle; this is the amount of time that passes between sending a bill, the date it is due, the date Disconnect Notices are sent, and when a Cut-Off may occur. Here is a graphic representation of that cycle:





As you can see, your utilities will never be cut off just because you are a few days late, and never without notification of any scheduled Cutoff.

Why does HUB have to enforce due dates?

HUB may be a not-for-profit, but like any business, we have bills of our own to pay. The electricity we distribute is generated by the Tennessee Valley Authority, and we have to pay them for it, on time, every month. As a matter of fact, nearly 71% of the power bill you pay to HUB goes directly to TVA. If 20% of our customers are late, it greatly impacts our ability to meet this financial obligation.

Similarly, we have to pay for the natural gas that we purchase wholesale and distribute to you. Additionally, we have chemical and power costs associated with pumping and treating of water and wastewater. Finally, there are the expenses that keep us operating, such as payroll, maintenance, ongoing software fees, etc.

The State requires us to manage our finances so that each of our departments (electric, gas, water and sewer) are self-supporting. This means that any revenues brought in from these utilities, must be enough to cover what we pay out each year to operate them.

Why do customer due dates vary from month to month?

Our employees work a 5-day work week. We generally start reading meters by the 28th of the month, but when this falls on a weekend, it causes a day or two delay in our schedule. Other factors such as holidays and extreme weather also impact our billing schedule.

Why does HUB only allow Payment Arrangements twice per year?

A Payment Arrangement is created when a customer is already past their payment due date, and is facing an impending cutoff date. Customers may request a Payment Arrangement up to 11 days past their payment due date (26 days from when their bill is mailed).

Payment Arrangements are designed to help customers who are facing occasional, and/or unexpected financial difficulty. However, they not intended to serve as a means of “managing” recurring trouble in meeting billing due dates. Since these difficulties tend to coincide with the highest usage periods (summer and winter), HUB determined these arrangements should be offered twice a year.

However, Payment Arrangements can present greater financial risk to the Customer. Often, by the time they pay the previous month’s bill under a Payment Arrangement, they will be very close to the current monthly bill’s due date. If we permitted Payment Arrangements more than twice per year, it could result in customers building up tremendous balances that they may not ever be able to get out from under.

Most HUB employees are also paying customers; we’re friends, neighbors, and family. In the past, HUB attempted to remain flexible on this policy, and allowed some customers to fall several months behind, creating significant “bad debt”. Since HUB is tax-exempt, writing-off “bad debt” provides no tax benefits, and is simply a business loss. The costs of those write-offs end up being



absorbed by all of our other customers and contribute to rate increases. When determining our policies regarding Payment Arrangements, we have to consider the impacts on all of our rate payers, rather than individual circumstances.

What happened to the “Delayed Penalty Program”?

Many years ago, the “Delayed Penalty Program” was developed and implemented for customers who received a Social Security Check on the 3rd day of the month to have a few extra days beyond their normal due date to pay without incurring a late penalty fee. Unfortunately, when the Social Security Office started paying multiple dates throughout the month, it became complicated to manage this program.

Additionally, TVA (who regulates our billing for electric service) exerted pressure on HUB to end the program as they deemed it a “discriminatory” practice. TVA claimed that the Delayed Penalty Program allowed some customers to receive a benefit that was not available to all customers. As a result, our Board formerly elected to end the program in March of 2016.

Why do some customers not receive a phone call warning them of a being cut-off?

Every customer who hasn’t paid their bill 20 days after the bill is mailed will receive a computer-generated automated phone call warning them their account is past due and could be cut-off if not paid within the next 7 days thereafter.

If you did not receive a phone call, it’s because the phone number listed on your customer account is not working. If you change numbers, or have a break in phone service, you can update this information by calling our main office, or through our SmartHub™ app. By signing up for the SmartHub™ app on your mobile device, you can also receive push notifications telling when your bill is ready to view. In addition, the app will allow you to view and pay your bill.

Why can’t customers pick their due date?

Right now, HUB simply doesn’t have the metering and billing capabilities needed to allow customers to pick their due dates. HUB follows a schedule that allows us to drive-by all electric and gas meters (using radio reading technology), and manually read all water meters.

As part of our 5-Year Strategic Plan, we have outlined steps to design and implement Advanced Metering Infrastructure (AMI) for our entire system (electric, gas, and water). Once in place, we will be able to read all meters from our main office at any time, on any day. This will allow us much more flexibility in reading and billing. It will also allow us to electronically see when any customer loses electricity, instead of relying on individual phone calls to the office. Another advantage is that it will allow us to show customers their daily usages. Customers will even be notified when they might have a water leak at their house.

All of this is very exciting but also very expensive. Implementing AMI infrastructure will require a substantial investment on our part, but it’s one that most other electric utilities around us have already made. We hope to have this fully implemented within the next 5 years.



What are the advantages of a pre-paid electric meter and why doesn't HUB offer them?

In order to offer pre-paid metering options to all customers, we must first have an AMI system in place. We must have the two-way electronic communication to be able to read and cut the meter on/off from the office. However, once this is all in place, there are many advantages to using a pre-paid meter.

Some benefits of a pre-pay program include: 1) they allow customers to pay as they go (like a pre-pay mobile phone); 2) if the customer has a poor credit history, they can sign-up for service with no deposit; and 3) if the customer has "old debt" when signing up for service, HUB would be able to put them on an arrangement to pay it off a little at a time, through pre-paid payments (for example 30 cents of every dollar paid could be applied to old debt until balance is paid in full); and 4) customers learn how to use energy more wisely which in turn saves them money.

From what we have heard and read, many customers like this type of service and HUB is eager to provide it in the near future.

Does HUB allow for medical or extreme weather exceptions when customers reach their cut-off dates?

Yes, our Rules and Regulations (which can be found on our website) do allow for exceptions. Based upon predictions from the National Weather Bureau station at Morristown, TN, HUB will not perform cut offs of accounts for non-payment under the following conditions:

- 1) The predicted low for the night is to be below 32 degrees Fahrenheit.
- 2) The predicted heat index for the day is to be above 105 degrees Fahrenheit.

Our Rules and Regulations also allow for Medical Restrictions. Customers who have medical equipment that requires electricity may bring in a statement from their doctor. The statement must be signed by the Doctor, and state that the Customer has a life-threatening condition that requires the use of this equipment. These customers will be given thirty (30) days from the date of disconnect notice to pay their bill up to current. If after the thirty (30) days, the bill is not paid, HUB will disconnect service.

Where can I check for Payment Assistance?

Nearly every HUB customer donates to a program called "Warming the Hearts". This program is designed to help customers who are facing hardships due to low income, job loss, medical emergencies, or sudden changes in lifestyle. The money paid into HUB's "Warming the Hearts" program is only available to HUB customers. The Mid-East Community Action Agency (MECAA) administers the program for HUB.

Roane County residents can also apply for federal assistance through MECAA. Morgan County may apply for federal assistance through the East Tennessee Human Resources Agency (ETHRA). Because there are associated deadlines (determined by the federal government), customers who qualify for federal help will receive that assistance first. Whatever is not used from "Warming the



Hearts” stays in the program and rolls over month-to-month. There are other local agencies and churches that provide payment assistance as well.

As a public entity, is HUB under any oversight?

Absolutely, HUB is held accountable for its actions; ensured by a number of entities. HUB is governed by a 5-member non-elected Board of Directors. These citizens of the City of Harriman are appointed by the Mayor, serve alternating 4-year terms, and must approve all our policy and spending decisions.

HUB is also inspected every year by various agencies (including TVA) to ensure we are meeting rules and regulations that govern each department. Additionally, HUB’s finances are audited each year by a third-party agency who reports our status to the State, who provides further oversight. HUB also has internal controls to ensure that funds are managed appropriately.

What happens after a customer is disconnected (cut off)?

In HUB’s updated Rules and Regulations (available on our website), we provided some relief to customers who are trying to regain service after a disconnection has occurred. The first time (and every time thereafter) a customer is disconnected for non-payment, a reconnect fee, and their past due amount, must be paid for reconnection. This is an attempt to cover the cost of our representative driving to your location for both the disconnection and the reconnection, as well as the administrative cost associated with creating and managing those service orders.

The third time in a 12-month period, the Customer must (in addition to charges listed previously) increase their deposit to double the maximum level (red rating). This is designed to cover approximately two months of service if the customers ultimately were to leave our system without paying their balance.

Tips & Advice for Saving Money on your Utility Bills:

1. Avoid late fees whenever possible. As previously mentioned, we are not-for-profit, and have financial obligations of our own. Late fees help ensure that we are able to meet our financial obligations for the percentage of customers who fail to pay on time.
2. Use SmartHub™ App to view your bill and pay electronically.
3. One option that may help some customers is HUB’s “Budget Billing” Program. This program allows customers to pay their 12-month average bill throughout the year, and may reduce the strain of paying the typically much higher bills in winter and summer. Twice per year, in April and October, HUB will re-calculate your 12-month average to ensure your payment amount stays appropriate based on your usage.
4. If you are facing a hardship, do not be afraid to ask for help. Please call or ask our Customer Service Representatives for a list of agencies that provide assistance for those are struggling to pay their utility bills. There is even assistance through our “Warming the Hearts”



program to customers who don't necessarily meet federal guidelines for assistance, but are facing sudden hardships such as job loss, medical expense, or family emergencies.

5. The greatest utility expenses generally come from heating and cooling your home. Age and inefficiency can cause your usage to increase substantially. Some HUB customers notice that upgrading their heating/cooling units, replacing windows, adding insulation, and sealing cracks saved them substantially on their monthly utility bills. Improvements may pay for themselves sooner than you think!