

2.4.3 Deposits

2.4.3.1 Security Deposit Policy General

- 1) The purpose of the security deposit requirements is to protect Hydro from financial loss.
- 2) A Security deposit is required as a condition of service and will be assessed on or before the date the Customer becomes responsible for the account.
- 3) If an agreement is in place prior to the customer becoming responsible for the account, the Customer will be eligible to make instalment payments up to 4 months.

2.4.3.2 Which Customers are required to pay a Security Deposit?

- 1) Any new Customer that does not have an acceptable payment history with Hydro or cannot provide a reference letter stating that they had a good payment history from another electric or gas distributor in Canada.
- 2) Any existing Customer that has unacceptable payment history will be required to provide a security deposit. An unacceptable payment history is described in the following sections.
- 3) When more than 1 disconnection notice has been issued in a twenty-four month period.
- 4) When a disconnection/collection trip has occurred.
- 5) When more than 1 cheque has been returned due to insufficient funds in a twenty-four month period.
- 6) When more than 1 automatic withdrawal has been returned due to insufficient funds in a twenty-four month period.
- 7) When information from the Customer's previous distributor indicates an unpaid final bill or a poor payment history.
- 8) When an active customer, who has an unacceptable payment history opens an additional account, a security deposit will be required for the additional account.

2.4.3.3 Which Customers are not required to pay a Security Deposit?

- 1) A Customer with no prior payment history and is able to provide a letter of reference of a good payment history in the last 24 months from another electricity or gas distributor in Canada
- 2) A Residential Customer who has maintained an acceptable payment history for 1 year.
- 3) A Customer who is in the < 50 kW demand class who has maintained an acceptable payment history for 5 years
- 4) A Customer who is in rate class of > 50 kW to < 5000 kW who has maintained an acceptable payment history for 7 years.
- 5) A Customer who is in rate class of > 5000 kW who has maintained an acceptable payment history for 7 years.

2.4.3.4 Deposit Policy – Commercial/Industrial Customers

- 1) All new Commercial/Industrial accounts, with expected loads of greater than 50kW, must provide security as described in item 2.4.3.7. When billing history does not exist a similar type of business will be used. A new Customer will only be connected with electrical service when the security requirements are met.
- 2) An acceptable payment history with the Hydro with one account may eliminate the need for a deposit for an additional account, when both accounts are simultaneously active, and in the same name.
- 3) Any current Commercial/Industrial accounts that develop an unacceptable payment history as described in 2.4.3.2 must provide security as described in item 2.4.3.7.

4) Hydro will apply a security deposit to the final bill prior to the change in service where a customer changes from SSS to a competitive retailer that uses retailer-consolidated billing or a customer changes billing options from distributor-consolidated billing to split billing or retailer consolidated billing. Hydro will promptly return any remaining amount of the security deposit to the Customer. Hydro will not pay any portion of a customer's security deposit to a competitive retailer. Where a change is made from distributor consolidated billing to split billing, Hydro may retain a portion of the security deposit amount that reflects the non-payment risk associated with the new billing option.

2.4.3.5 Calculations for Security Deposits

- 1) Monthly billed customers are based on average monthly bill times 2.5 over the most recent 12 consecutive months within the past 2 years.
- 2) When a customer has been issued more than one disconnection notice in a relevant 12 months period, their deposit is based on the actual highest or estimated load for the most recent 12 consecutive months within the past 2 years.
- 3) Hydro will annually review the security deposit, where it is determined that a higher deposit is required, Hydro will place this amount in the deposit-required field and will be billed on the customer's next bill.

2.4.3.6 Reductions to Security Deposits

- 1) If a customer signs up for automatic withdrawal they will be eligible for a reduction in the security deposit as follows;
 - Monthly billed customers are based on average monthly bill times 2 as a maximum.
- 2) A cash deposit or letter of credit of 2 weeks of the average power bill provided the customer makes weekly payments based on the value of one weeks worth of the highest annual monthly power bill. The customer can only be on this plan if the balance owing is \$0. This plan is a pay-as-you-go plan. Has to be mutually agreed upon.
- 3) Non-residential customer in a class > 5000 kW can obtain a credit rating from a recognized credit rating agency and the deposit shall be reduced in accordance with the following table:

| <u>Credit Rating</u> | <u>Allowable Reduction In Security Deposit</u> |
|--|--|
| (Using Standard and Poor's Rating Terminology) | |
| AAA- and above or equivalent | 100% |
| AA-, AA, AA+ or equivalent | 95% |
| A-, From A, A+ to below AA or equivalent | 85% |
| BBB-, From BBB, BBB+ to below A or equivalent | 75% |
| Below BBB- or equivalent | 0% |

- 4) Customers who receive approval for the deposit reductions in sections 1,2,3 who do not make their payments will be subject to the collection proceedings.

2.4.3.7 Types of security (one of the following options will be accepted)

- 1) Cash deposit.
- 2) An irrevocable letter of credit may be provided in instances when the deposit exceeds \$1,000 from an approved banking institution. The Letter of Credit must stipulate that cancellation is only allowed upon 90 days written notice by registered mail and the letter of credit must have no expiry date.
- 3) A bond in Middlesex Power Distribution Corporations name.

2.4.3.8 Deposit Interest

- 1) In instances where a cash deposit is provided, interest will begin to accrue when the full deposit has been paid. Interest will be accrued on a monthly basis and will be credited to the Customer's account once a year, or at the time the deposit is refunded or when the final bill is produced.
- 2) The interest rate applied is Bank of Canada's Prime Business Rate less 2% updated quarterly.

2.4.3.9 Refunding the Security Deposit

- 1) For residential customers, who have an acceptable payment history for 1 year, the deposit will be refunded at the Customer's written request.
- 2) For Customers with a demand less than 50 kW, who have an acceptable payment history for 5 continuous years, the deposit will be refunded at the Customer's written request.
- 3) For Customers in a rate class of > 50 kW to < 5000 kW, who have an acceptable payment history for 7 continuous years, the deposit will be refunded at the Customer's written request.
- 4) Customers in > 5000 kW demand rate class are refunded only 50% of the deposit, who have an acceptable payment history for 7 years, the deposit will be refunded upon the Customers written request.
- 5) Customers that move off line, the deposit will be applied to their final bill and any credit amount will be sent to customer within 6 weeks

2.4.3.10 Transition Period March 2004 to February 2005

Customers that currently have deposits with Hydro will have the security deposits reviewed during 2004. Any adjustments to the deposit amount are to be made to the customers account by February 1, 2005. After February 1, 2005 customers must request in writing after their anniversary date, to have their security deposit reviewed/refunded.