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## **BOARD POLICY NO. 5-13 R-23**

### **SUBJECT: DEPOSITS**

#### **POLICY:**

The cooperative's deposit policy is designed to assess the level of credit risk associated with all applications for new or continued service and to establish required deposits at levels considered sufficient to mitigate losses of revenue to the Cooperative.

#### **I. Residential Service Applicants**

The technology-based screening tool, Online Utility Exchange, shall be the standard for evaluating the credit risk of any new applicant for residential service and for establishing any required deposit for any new applicant at the point of application or for any existing transferring customer determined by experience to be at significant credit risk level at the time of a request for transfer of service. The applicant and his or her spouse or partner(s), if applicable, (joint membership), shall be screened to determine their identity and credit risk level. In case of a joint membership, the deposit decision shall reflect the greater credit risk of the joint members.

ONLINE UTILITY EXCHANGE screening will provide the following criteria for deposit decision-making:

- 1) Social Security Number (SSN) verification;
- 2) Credit risk level of applicants for initial service or for additional service; and
- 3) Payment experience with other utility providers.

Credit risk levels shall be:

- 1) No credit risk (Online Utility Exchange's green light designation)
- 2) Minimal credit risk (Online Utility Exchange's yellow light designation)
- 3) Substantial credit risk (Online Utility Exchange's red light designation)

Deposit amounts shall be as follows:

- a. Applicants who pose no credit risk will be charged no deposit for each service.
- b. Applicants who pose minimal credit risk will be charged a deposit in an amount equal to eighty percent (80%) of the sum of the highest bill rendered on the account location during the most recent previous twenty four (24) month period, as noted on the cooperative's billing records, for each service location. If twenty

four (24) months of billing history is not available, the cooperative shall base the deposit on the criteria stated herein above for shorter time periods however no calculation shall be made based on billing periods containing less than six (6) months data. For account locations where less than six (6) months billing history exists, the deposit shall be calculated based on criteria for new service locations listed herein below.

- c. Applicants who pose substantial credit risk will be charged a deposit in an amount equal to eighty percent (80%) of the sum of the two highest consecutive monthly bills, based on the location history of the service address, during the most recent previous twenty four (24) month period or, if twenty four (24) months of billing history is not available, the cooperative shall base the deposit on the criteria stated herein above for shorter time periods, however no calculation shall be made based on billing periods containing less than six (6) months data and deposits for such locations shall be based on criteria for new service locations as stated following. In the event of a new service location where no billing history exist, the cooperative's estimated deposit amounts shall be obtained on the basis of UCCEMC's Engineering Department load calculations or the best data available.
- d. Any existing customer transferring within the UCCEMC area, if their payment history indicates a significant credit risk level, shall be required to have a deposit in an amount equal to eighty percent (80%) of the sum of the two highest consecutive monthly bills, based on the location history of the service address to which the consumer is transferring, during the most recent previous twenty four (24) month period or, if twenty four (24) months of billing history is not available, the cooperative shall base the deposit on the criteria stated herein above for shorter time periods however no calculation shall be made based on billing periods containing less than six (6) months data and deposits for such locations shall be based on criteria for new service locations as stated herein. An existing customer shall be deemed to present a significant credit risk if: (i) the customer has had more than three late payments within the twelve-month period prior to the transfer of accounts; or (ii) the customer has been issued any cut-off notice or has had any check returned for insufficient funds, no account, account closed or other reason.
- e. Any customer whose service was terminated for non-payment, except those meeting the requirements of (f) below, or who has an unpaid utility bill owing to another utility as indicated by the ONLINE Utility Exchange report shall be required to make a deposit in accordance with paragraph "d" herein above.
- f. Any UCCEMC residential member not having paid a Gross Amount due during the most immediate preceding twenty-four (24) months as evidenced by UCCEMC records, shall be granted exemption for any/all deposits or additional deposits per member number, not to exceed one adjustment stated herein above during any twenty-four (24) consecutive months period.

- g. Any applicant who refuses to provide their social security number shall be required to make a deposit in accordance with paragraph “d” herein above.
- h. Any applicant who has filed a bankruptcy petition shall be required to make a deposit in accordance with paragraph “d” herein above.
- i. Interest will accrue on cash deposits at an annual rate paralleling local bank rates for investments of like amounts and time periods and will be compounded and paid annually, or at an earlier date if service is terminated. Accrued interest will be applied to the member’s account.

General Requirements:

- 1. Deposits required in situations b, c, d, e, f and g above shall have been paid prior to the time a connect order is issued.
- 2. Deposits are transferable from one service address to another in same name only.
- 3. Upon termination of service, the deposit will be applied against any unpaid bills of the customer’s account, and any remaining balance will be returned to the customer.
- 4. “Risk Based Pricing” “In compliance with the Federal Trade Commission and the Fair Credit Reporting Act (FCRA)’s mandate that a consumer who is charged a deposit based upon their credit information be given notification as to where the information was obtained and detailed procedures as to how they might dispute the information; a statement that a consumer report includes information about a consumer’s credit history; the terms offered have been set based on information in the report; the terms may be less favorable than those offered to others with better credit histories; encouragement to check the accuracy of the information in the consumer report; a statement that federal law gives the consumer the right to obtain a copy of their report from the Consumer Reports Agency free for sixty (60) days after receiving notice; and directing consumers to websites of the Federal Trade Commission and Federal Reserve Board for more information about consumer reports. Spanish-speaking applicants may be provided the adverse action letter printed in Spanish.
- 5. The Deposit balance on any account as well as any interest earned by the Deposit amount is subject to review by the member or UCCEMC. Upon additional written request by the customer or at the discretion of UCCEMC, the deposit requirement may be re-evaluated based on the most recent previous twenty-four (24) months electricity usage based on location history of the service address.

## II. General Power Customers

- A. Deposits shall be required of all General Power customers in an amount equal to twice the anticipated highest monthly bill. The cooperative's estimated deposit amounts shall be used for other required General Power customer deposits and such estimates shall be made on the basis of the best data available.

UCEMC personnel shall not energize any facility before the required security deposit is received in satisfactory amount and surety; and furthermore, if any such facility shall have received or continued to receive electric power without UCEMC's knowledge and such shall have been discovered, the electric service shall be disconnected immediately and shall remain disconnected until arrangements have been made to keep UCEMC secure from loss.

- B. The following options will be available to General Power Customers for the payment of security deposits:
1. By posting a bond on a reputable bonding or insurance company at the member/customer's expense, or
  2. By making cash deposit with the cooperative. Such deposit shall earn interest at a rate paralleling rates at local banks for investments of like amounts and time periods.
  3. By posting a commercial letter of credit at the member/consumer's expense and irrevocable except with 90 days' notice to the cooperative.
  4. By participation in the TVA's Deposit Assurance Program (as further discussed below)
  5. By participation in TVPPA's DIC Credit Insurance Program (as further discussed below)
  6. By approved bond rating in the case of federal, state or county governments
- C. Commercial and industrial customers will receive refunds of cash security deposits as a credit to their account or by a cooperative check upon settlement of the final bill at termination of service.
- D. Interest will accrue on cash deposits at an annual rate paralleling local bank rates for investments of like amounts and time periods and will be compounded and paid annually, or at an earlier date if service is terminated. Accrued interest will be applied to the member's account.

- E. Customers having a connected load of 250 KW or greater or who have been previously approved by TVA and, after nomination by UCEMC and approval by TVA's insurance carrier, shall be allowed to participate in TVA's Deposit Assurance Program (DAP) in lieu of standard monetary deposits.

Any customer participating in the DAP Program who defaults on payment of any bill owed to UCEMC and who is disconnected for non-payment of said bill shall be subject to the monetary deposits in the amounts required of customers not meeting the requirements to participate in TVA's Deposit Assurance Program before having service re-connected by UCEMC.

Any participant in TVA's Deposit Assurance Program that is subsequently dropped from the Program shall immediately post a security deposit by one of the alternative forms set out above.

Any qualifying General Power customer wishing to participate in TVA's Deposit Assurance Program (DAP) shall be required to pay the appropriate portion of the Deposit Insurance Policy Premium as designated by TVA and amended from time to time by TVA.

- F. Customers who have been previously approved by UCEMC and approved by TVPPA's insurance carrier shall be allowed to participate in TVPPA's DIC Credit Insurance Program in lieu of standard monetary deposits.

Any customer participating in the DIC Program who defaults on payment of any bill owed to UCEMC and who is disconnected for non-payment of said bill shall be subject to the monetary deposits in the amounts required of customers not meeting the requirements to participate in TVPPA's DIC Credit Insurance Program before having service re-connected by UCEMC.

Any participant in TVPPA's DIC Credit Insurance Program that is subsequently dropped from the Program shall immediately post a security deposit by one of the alternative forms set out above.

Any qualifying General Power customer wishing to participate in TVPPA's DIC Credit Insurance Program shall be required to pay the appropriate portion of the Deposit Insurance Policy Premium and Co-Insurance as designated by TVPPA and amended from time to time by TVPPA.

- G. All General Power Contracts shall contain the following paragraph or otherwise suitable similar paragraph:

Security Deposit. The customer shall post and maintain a security deposit in an amount, surety and manner satisfactory to UCEMC prior to receiving any power to the facility herein described. The amount of the security deposit will be the estimated usage of power for two months. The Deposit balance on any account as

well as any interest earned by the Deposit amount is subject to review by the member or UCEMC. The estimate will be based on electric load provided by the customer or observed by UCEMC, on expected load factor and on the price of power. UCEMC may adjust the amount of security deposit required from time to time to keep the amount consistent with two months billing based on measured usage. Upon additional written request by the member the deposit requirement may be re-evaluated based on the most recent previous twenty-four (24) months electricity usage based on location history of the service address. UCEMC may, upon seven (7) days' notice, terminate service to customer if customer fails to maintain a security deposit as required herein.

### **III. Construction**

- A. A member/customer who requests the construction of unusually costly service facilities may be required to post a security deposit of cash to assure a minimum purchase of electricity over a specified period of time.
- B. This policy may be utilized in lieu of or in connection with aid-in-construction charges assessed under Policy Statement No. 5-08, Consumer Line Extensions. The terms and conditions negotiated with the customer shall be set forth in writing with acknowledgement of receipt.
- C. Refund of construction deposits will be made only in accordance with the terms of each individual agreement.
- D. Interest will accrue on construction deposits at an annual rate paralleling local bank rates for investments of like amounts and time periods. Interest will be compounded annually and paid or applied at the termination of the contract.

### **IV. Security Lights**

- A. A deposit shall be made prior to the installation of any security light for any members not showing ownership of the property on which or for which the light will be installed.
- B. The deposit amount shall be calculated as follows:
  - 1. Light installed on existing pole = facility charge per month x 12
  - 2. Light requiring the installation of one or more poles = (facility charge per month + pole rental charge) x (36 x number poles required)
  - 3. The deposit amount shall be an amount equally divisible by five. Calculated amounts not equally divisible by five shall be rounded to the next higher number divisible by five.

- C. Members shall forfeit deposits for security lights which cease to be billed to them due to their request for termination or due to termination for nonpayment of bills, or for termination for other causes not elected by the Cooperative. Notwithstanding, any member may choose to pay the balance of bills due under contract and have deposit refunded.
  
- D. Deposits for security lights remaining in service for contract terms will be refunded after the expiration of their initial terms. Unless legal requirements and policy provisions stipulate otherwise, forfeited security deposits and interest may be applied to any other debt owed to the Cooperative by a member/customer.

RESPONSIBILITY: General Manager

PROCEDURE: As required to carry out policy.