



Policy No.:	7010
Revised:	June 10, 2011
Reference:	Manager of Accounting & Regulatory

SUBJECT: SECURITY DEPOSITS

This policy describes the terms and conditions Woodstock Hydro will use for collection, maintaining and returning customer security deposits in compliance with the applicable legislation and codes. As an electricity distributor, Woodstock Hydro may use any risk mitigation options available to manage customer non-payment risk. Electricity distributors shall not discriminate among customers with similar risk profiles or risk related factors except where expressly permitted under the Distribution System Code. Further, a distributor will comply with the deposit requirements as defined in the Distribution System and Retail Settlement Codes but may waive these requirements in favour of a customer or potential customer.

In accordance with the Distribution System Code and Retail Settlement Code this policy includes:

1. Forms of Security Deposit (a list of all potential types/forms of security accepted)
2. Method of Calculation and Limit of Deposit
 - a detailed description of how the security is calculated
 - limits on the amount of security required;
3. Planned Frequency, Process and Timing of Updating Security Deposits
4. Interest Payable (a description of how interest payable to customers is determined)
5. Criteria required for Waivered and/or Return of Security Deposit
6. Method of Enforcement where Security Deposit is not paid

1. **Form of Security Deposit**

Residential

The form of payment of a security deposit for a residential customer shall be cash or cheque at the discretion of the customer.

General Service

The security deposit will be in the form of cash, cheque or an automatically renewing, irrevocable letter of credit from a bank for non residential customers.

Residential customers may pay the security deposit in 6 equal monthly instalments, the first instalment being due on the implementation of an implied contract or the signing of service agreement. The customer may pay the security deposit over a shorter period of time. The reasons for requiring the security deposit shall be disclosed to the customer.

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2. Method of Calculation and Limit of Security Deposit:

- a. **Calculation** - The maximum amount of the security deposit that a customer is required to pay is calculated using:
 - the billing cycle factor times the estimated bill based on the customer's average monthly load with Woodstock Hydro in the most recent 12 consecutive months within the last two years.
 - Where relevant usage information is not available for the customer for 12 consecutive months within the past two years or the billing system is not capable of making the calculation, the customer's average monthly load shall be based on a reasonable estimate made by Woodstock Hydro.

- b. **Disconnection Notice in Payment History** - Where a customer has a payment history which discloses more than one disconnection notice in a relevant 12 month period, Woodstock Hydro may use the customer's highest actual or estimated monthly load for the most recent 12 consecutive months within the past 2 years for the purposes of calculating the maximum amount of the security deposit.

- c. **Low-Volume Consumer** - For a low-volume consumer or designated consumer the price estimate used in calculating competitive electricity costs shall be the same as the price used by the IESO for the purpose of determining maximum net exposures and prudential support obligations for distributors.

- d. **Pre-authorized Payment (PAP)** - A residential customer may have their security deposit reduced if they enroll in Woodstock Hydro's Pre-Authorized Payment Plan (PAP) and remain in good standing. If two pre-authorized payments to Woodstock Hydro are returned for insufficient funds within a 12 month period, the customer will be removed from PAP and their security deposit will be increased accordingly.

Residential customer enrolled in PAP may have their monthly billing cycle factor of 2.5 reduced to 2.0 for the purposes of calculating the reduced security deposit amount.

- e. **Reduction Based on Credit Rating** - If a non-residential customer with a >50kW demand rate can provide a credit rating from a recognized credit rating agency, the maximum amount of the security deposit required by Woodstock Hydro shall be reduced in accordance with the following table:

Credit Rating (Standard & Poors)	Allowable Reduction in Security Deposit
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%

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3. **Planned Frequency, Process and Timing of Updating Security Deposits**

- a. **Annual Review** - Woodstock Hydro shall review every customer's security deposit at least once every calendar year to determine whether the entire amount of the security deposit is to be returned to the customer or adjusted based on a re-calculation of the maximum amount of the security deposit.
- b. **Upward Adjustment** - When Woodstock Hydro determines, in conducting a review, that the maximum amount of the security deposit is to be adjusted upward, we may require the customer to pay this additional amount. This additional deposit requirement from residential customers can be paid over the next 6 monthly bills.
- c. **Customer Request for Review** - A customer may demand in writing, no earlier than 12 months after payment of the final instalment for a security deposit, or the making of a prior demand for a review, that Woodstock Hydro undertake a review to determine whether the amount of the security deposit is to be returned to the customer or adjusted based on a re-calculation of the maximum amount of the security deposit. If some or all of the security deposit is to be returned to the customer, Woodstock Hydro shall promptly apply this amount to the customer's account.
- d. **Deposit Applied to Final Bill when Applicable** – Upon closure of the customer account, any security deposit received from the customer shall be applied to the final bill prior to change in service and can be used to off-set other amounts owing by the customer to Woodstock Hydro. Any remaining balance shall then be returned within six weeks of closure of the account.

4. **Interest Payable**

Interest shall accrue monthly on security deposits made by cash or cheque commencing on receipt of the deposit instalment. Interest shall be calculated based on the Prime Business Rate as published on the Bank of Canada website, less 2 percent, updated monthly. The interest accrued shall be paid at least once every 12 months or on return or application of the security deposit or closure of the account, whichever comes first, and may be credited to the account.

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5. Criteria required for Waivered and/or Return of Security Deposit

a. **Waiver for Good Payment History** - Woodstock Hydro reserves the right to collect a security deposit from a customer that is not billed by a competitive retailer under retailer-consolidated billing unless the customer has a good payment history of:

- 1 year in the case of a residential customer,
- 5 years in the case of a non-residential customer in < 50 kW demand rate class, or
- 7 years in the case of a non-residential customer in any other rate class.

The time period that makes up the good payment history must be the most recent period of time and some of the time period must occur in the previous 24 months.

The starting point in considering the relevant time period when reviewing a customer's payment history is the customer's actual move in date

b. **Factors Influencing Good Payment History** - A customer is deemed to have a good payment history, unless, during the relevant time period the customer has received:

- more than one disconnection notice from the distributor, or
- more than one cheque given to the distributor by the customer has been returned for insufficient funds, or
- more than one pre-authorized payment to the distributor has been returned for insufficient funds, or
- a disconnection/collection trip has occurred.

c. **Exemption Criteria** - Woodstock Hydro shall not require a security deposit if one of the following occurs prior to the implementation of service:

- the customer provides a letter from another distributor or gas distributor in Canada confirming a good payment history for the most recent relevant time period (some of this time period must have incurred within the last 24 months),
- the customer, that is not a customer in a >5,000 kW demand rate class, provides a satisfactory credit check obtained at the customer's expense,
- a non-residential customer with a >50kW demand rate can provide a credit rating from a recognized credit rating agency, in which case the maximum amount of the security deposit shall be reduced in accordance with the following table:

Credit Rating (Standard & Poors)	Allowable Reduction in Security Deposit
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%

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- However, when the distributor determines in conducting a review that the maximum amount of the security deposit is to be adjusted upward, the distributor may require the customer to pay this additional. In the case of a residential customer, this deposit can be paid in the next 6 monthly bills.
 - In the case of a customer in a >5,000kW demand rate class, where the customer is now in a position that it would be exempt from paying a security deposit, however, had previously paid a security deposit to the distributor, the distributor is only required to return 50% of the security deposit.

Exemption Criteria – Low Income Residential Customers

- When issuing a bill for a security deposit a residential customer will be advised that the security deposit requirement will be waived for an eligible low-income customer provided that such a customer contacts the distributor and thereafter confirms his or her low-income eligibility. The customer can obtain further information and a referral to a Social Service Agency or Government Agency to review the customer's low-income eligibility from Woodstock Hydro.

Where Woodstock Hydro is advised by a Social Service Agency or a Government Agency that the agency assessing the customer for eligibility as a low-income customer, the due date for payment of the security deposit shall be extended for at least 21 days pending the eligibility decision.

6. Method of Enforcement where Security Deposit is not paid

Failure to pay the security deposit as required will result in the immediate implementation of Woodstock Hydro's collection policy process which may lead to the discontinuation of electrical service.