



POLICY

SUBJECT: Deposits

POLICY:

Background:

Delaware County Electric Cooperative's deposit policy is designed to assess the credit risk associated with applications for service, while protecting the assets of our utility.

It is important to note that most of our members will be charged no deposit, because they pose little credit risk. Those members who have not established credit or pose substantial credit risk, as identified by ONLINE Utility Exchange, will bear the financial burden of that risk through a credit-based deposit policy.

This policy authorizes use of a screening tool called the ONLINE Utility Exchange to assess credit risk at the point of application and charge deposits only to those members who pose credit risk.

Deposit Criteria:

DCEC shall consider the status of the applicant and act according to the following criteria:

1. Service applicants who pose a low Delinquency Risk (Green Light returned on the ONLINE Utility Exchange) will be charged no deposit.
2. Service applicants who pose a medium Delinquency Risk (Yellow Light returned on the ONLINE Utility Exchange) will be charged a deposit equal to one times the average residential monthly bill during the preceding 12 months.
3. Service applicants who pose a high Delinquency Risk (Red Light returned on the ONLINE Utility Exchange) will be charged a deposit equal to three times the average residential monthly bill during the preceding 12 months.
4. A member who has had service terminated or has an unpaid utility bill returned by the ONLINE Utility Exchange will be required to pay the maximum deposit, which is 3x the average residential monthly bill during the preceding 12 months.
5. Except in cases where a service applicant has already provided a fraudulent social security number, DCEC shall not require that an applicant provide their social security number as a requirement for service. However, it is our policy that applicants who refuse or are unable (e.g., estates, corporations, LLCs, etc.) to provide their social security number pose a greater Delinquency Risk and shall be charged the maximum deposit.
6. A service applicant who voluntarily provides a social security number that is identified as belonging to a deceased person, non-issued, belonging to a person under the age of 18, or belonging to a person other than the applicant, or is otherwise fraudulent, shall be denied service until that person supplies a valid social security number. Such matters shall be handled in accordance with DCEC's Identity Theft Red Flag Prevention Policy.
7. Active members adding an additional service location are not required to pay a deposit, except in special cases as described in numbered item 8 below.
8. In cases where a service is being reconnected after disconnection for non-payment, the reconnecting member shall pay the maximum deposit (described above), except that members may request a one-time waiver following their first disconnection for non-payment.

ONLINE Utility – Method of Quantifying Risk:



The ONLINE Utility Exchange is designed to screen service applicants to determine their Delinquency Risk based upon three criteria:

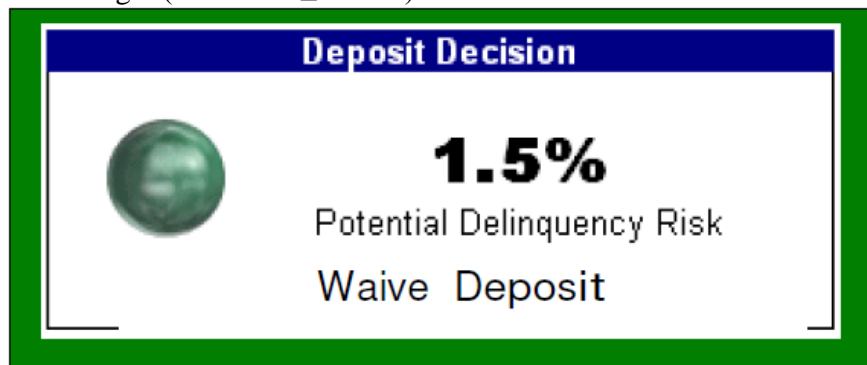
1. Social Security Number (SSN) verification;
2. Credit score; and
3. Payment experience with other utility providers.

ONLINE Utility Exchange utilizes the industry standard calculation known as the Experian National Credit Risk Model to calculate a number between 0 and 1000. The Experian number is then converted to a Delinquency Risk expressed as a percentage between 0% and 100%. Credit risk will be defined as follows in relation to the Experian calculation:

Delinquency Risk (%)	Credit Risk Definition
0.0% - 10.0%	Low Risk – Green Light
10.1% - 25.0%	Medium Risk – Yellow Light
25.1% - 100%	High Risk – Red Light

Procedure for Using the ONLINE Utility Exchange:

Green Light (Low Risk \leq 10.0%)




Waive the member's deposit. Charge only the application fee and any connection fees. If the application is for a joint membership, both spouses must return a Green Light to have their deposit waived. Otherwise, charge the deposit associated with the higher credit risk.



Yellow Light (10.1% ≤ Medium Risk ≤ 25.0%)


Deposit Decision

17.8%
Potential Delinquency Risk
Charge 1x Highest Monthly Usage

Charge a deposit equal to the average residential monthly bill during the previous 12 months. The application fee, connect fee and deposit must be paid prior to the connect order being issued. If the application is for a joint membership, charge the deposit associated with the higher credit risk. In other words, if one spouse returns a Green Light and the other spouse returns a Yellow Light, the deposit is determined by the spouse who returns a Yellow Light (Medium Risk).

Red Light (High Risk ≥ 25.1%)

Deposit Decision

64.3%
Potential Delinquency Risk
Charge 3x Highest Monthly Usage

Charge a deposit equal to three times the average residential monthly bill during the previous 12 months. The application fee, connect fee and deposit must be paid prior to the connect order being issued. If the application is for a joint membership, charge the deposit associated with the higher credit risk. In other words, if one spouse returns a Green Light or Yellow Light and the other spouse returns a Red Light, the deposit is determined by the spouse who returns a Red Light (High Risk).

Interest Paid to Members

Interest shall accrue on member deposits at the simple interest rate of 0.3% per year, which is reflective of prevailing interest rates in money market accounts. This interest rate shall be subject to change to reflect then current DCEC policy. Deposits returned to members pursuant to the procedure set forth below shall include interest at the rate then in effect on the date the calculation is performed, regardless of what rate or rates had been defined in prior versions of this policy.



Procedure for Returning Deposits

A member's deposit will be returned after 12 consecutive months of on-time payments or when the member terminates service. They will receive their deposit, plus interest, net of any amounts owed to the Cooperative.

RESPONSIBILITY: Billing Specialist and Billing Assistant

DELAWARE COUNTY ELECTRIC COOPERATIVE, INC

Approved by Board of Directors	October 25, 2012
Revised by Board of Directors	November 27, 2012
Revised by Board of Directors	February 26, 2013
Revised by Board of Directors	September 23, 2014
Revised by Board of Directors	March 22, 2016
Revised by Board of Directors	April 24, 2018