**Section 280.40 Deposits**

a) Intent: Customer deposits are used to secure against potential unpaid debts. Utility collection activities, when not otherwise restricted by regulations or laws, will limit the accumulation of unpaid debt so that deposits will continue to serve this protective purpose.

b) Notification of Demand for Deposit:

1) A utility shall make an initial notice of a deposit to an applicant or customer no later than 45 days after the applicant's application for service is approved or after the event that justifies the deposit. A deposit shall not be assessed until the initial notice is given.

2) The initial deposit notice shall be made in writing and shall disclose:

A) The reason for the deposit;

B) The amount of the deposit and how it is calculated;

C) The payment requirements and schedule of payments for the deposit;

D) The date by which the entire deposit must be paid;

E) That the amount of the deposit may be adjusted if the annual charges for the customer substantially change;

F) The refund policy for the deposit;

G) The interest policy for the deposit;

H) The deposit policy applicable to qualified low income customers and how qualification can be demonstrated; and

I) The availability and contact information for the Commission's Consumer Services Division in the event of a dispute that the utility has not resolved to the satisfaction of the applicant or customer.

c) Calculation of Deposit Amounts:

1) Residential and small business customer deposits shall not exceed ⅙ of the estimated annual charges for the service to that customer.

2) Non-residential, other than small business, customer deposits shall not exceed ⅓ of the estimated annual charges for service to that customer.

d) Applicant Deposits: The utility shall have the right to require a deposit of an applicant under the following conditions:

1) The applicant was previously disconnected for non-payment of bill amounts owing to the utility for the same class and type of service;

2) The applicant failed to pay a final bill owing to the utility for the same class and type of service;

3) The residential applicant's credit score fails to meet the minimum standard of the credit scoring system described in the utility's tariff;

4) The non-residential applicant fails to provide satisfactory credit references, including past utility service records or favorable history with other creditors. The utility shall file a tariff with the Commission describing its criteria by which non-residential applicants can establish satisfactory credit for this purpose;

5) The utility has proof that the applicant previously benefitted from tampering as described in Section 280.200;

6) The utility has proof that the conditions described in Section 280.210 (Payment Avoidance by Location) exist for the applicant.

e) Present Customer Deposits:

1) A present customer may be required to pay a deposit if both of the following conditions occur:

A) The customer has paid late four times in the past 12 months; and

B) The customer's account has an undisputed past due balance that has remained unpaid for over 30 days beyond the due date.

2) A present residential customer may avoid the requirement to pay a deposit under subsection (e)(1) by entering into and keeping current with a DPA for the unpaid balance, so long as the customer enters the DPA prior to the assessment of the deposit.

3) A present customer may be required to pay a deposit if the utility has proof that the customer benefitted from tampering.

4) A present large commercial or industrial customer may be required to pay a deposit for indications of financial insecurity in accordance with, and as allowed by the terms and conditions of, a utility's effective tariffs.

f) Deposit Payment: A utility may require payment of ⅓ of an applicable deposit by including that amount on the first bill statement sent to the customer after the issuance of the deposit. The remaining ⅔ of the deposit shall be paid in equal installment amounts included on the next two bill statements. However, a deposit assessed under Section 280.210 may be collected in a single amount due prior to service activation.

g) Deposit Interest:

1) Interest shall be paid to the customer on all deposit amounts, including installments, held by the utility. The rate of interest will be the same as the rate existing for the average one year yield on U.S. Treasury Securities for the last full week in November. The interest rate will be rounded to the nearest 0.5%. In December each year, the Commission shall announce the rate of interest that shall be paid on all deposit amounts held during all or part of the subsequent year.

2) After 12 consecutive months of accumulated interest, when a customer is not entitled to a refund of the deposit, the utility shall automatically credit the customer's account with the interest only. The credit shall be itemized on the customer's next regular bill statement as "deposit interest".

h) Refund Conditions for Deposits:

1) The utility shall automatically refund the deposit plus accumulated interest once the customer completes 12 consecutive months of service with fewer than four late payments, no disconnections for nonpayment and no tampering with the service, if the customer has no past due balance owing at the time of the deposit refund.

2) The utility shall automatically refund the deposit plus accumulated interest, less any unpaid utility service bill amount, when the customer voluntarily ends service and is not transferring service to another location. The refund shall be made at the time the final bill for service is issued.

3) The utility shall refund the deposit plus accumulated interest automatically, less any unpaid utility service bill amount, 30 days after disconnection of service for non-payment when the former customer has not paid the full balance owing or otherwise made arrangements with the utility to have the service restored.

4) Nothing shall prevent the utility from refunding a deposit earlier than required by this subsection (h).

i) Issuance of Deposit Refund:

1) For a current small business customer, the refund, less past due unpaid utility service amounts, shall be by separate payment issued to the customer. The refund or credit shall be issued within 30 days after the event that triggers it.

2) For all other current customers, the refund, less past due unpaid utility service amounts, shall be by separate payment issued to the customer, except when the customer requests a credit to the account instead of a refund payment. The refund or credit shall be issued within 30 days after the event that triggers it. The utility shall not be obliged to issue the refund by separate payment instead of a credit if the amount to be refunded does not exceed 125% of the customer's average monthly bill amount.

3) For any former customer, the refund, less unpaid utility service bill amounts, shall be by separate payment issued to the former customer. The refund shall be issued within 30 days after the event that triggers it.

j) Records of Deposits:

1) The utility shall maintain records of deposits, together with interest, that collectively will show all transactions pertaining to each deposit.

2) The utility shall indicate the amount of each deposit held on each customer bill.

3) When refunds are not deliverable, the utility shall maintain records showing the utility's efforts towards locating the former customer and delivering the deposit refund.

k) Data Collection and Maintenance Requirements: A utility that elects to utilize a credit scoring program for applicants for residential service shall collect and maintain the following data for a period of five years following its collection, making the data available to Commission Staff within 30 days after a request from Staff:

1) The number of credit scores requested for applicants;

2) The number of applicants who received passing credit scores;

3) The number of applicants who received failing credit scores;

4) The number and total dollar amount of deposits obtained from applicants subject to the credit scoring program;

5) The number of times a security deposit was waived for a low income applicant and for all other applicants, with stated reasons for the waiver;

6) The number of disconnections of service because customers failed to pay the required deposit; and

7) The number of formal complaints and the number of informal complaints from applicants regarding the use of credit scoring or the requirement to pay a deposit based on the credit scoring program.