

GRIMSBY POWER INCORPORATED

Credit & Collection Policy

Appendix 5.1.8

Purpose:

This Policy is to provide the minimum standards for all customer classes' for credit, collection and disconnection practices. All customers are required to comply with the policy and the outline is viewed as reasonable and generally accepted practices by the electric utility industry and utilities in Niagara.

Authority:

Local Distribution Companies (LDCs) like Grimsby Power Incorporated (Grimsby) are regulated by the Ontario Energy Board (OEB) by the powers granted them by the Ontario Provincial Government through the enactment of Bill 35 1998; *The Energy Competition Act*, Schedule A; *the Electricity Act* and Schedule B; *the Ontario Energy Board Act 1998* (the Acts).

The Acts provide the LDCs with guidelines to carry out the administration of their utility company. The LDCs are provided authority to establish Credit, Collection and Disconnection policies through the guidelines established by the Retail Settlement Code, the Standard Supply Service Code, the Distribution System Code and the Electricity Distribution Rate Handbook. Grimsby has the right to protect against non-payment of bills from all customer classes in its service area.

Methodology:

With the enactment of Bill 35, *the Energy Competition Act*, local Municipal Electric Utilities (MEUs) were required to incorporate under the *Ontario Business Grimsby Act* (OBCA). Under the laws of the Municipal Act and the Public Utilities Act, the MEUs had the ability to collect any outstanding arrears by placing a lien on the owner's property. Once the Utility incorporated as an OBCA Grimsby, it no longer has the powers to lien a property and no longer has the ability to tax role a customer's utility bill. This guideline provides a means of security from non-paying customers with the primary objective of reducing the number and amount of potential annual write-offs a utility may experience due to poor customer payment practices.

In the development of this guideline some consideration was given to whether Grimsby should subject our customers to a Security Deposit. An argument may be made that some other Commercial entities do not require a Security Deposit, i.e. VISA. It was concluded that all Commercial entities conduct a review of the potential customer prior to providing the customer with credit.

This guideline was developed with the assumption that all current customers will be provided with the ability to remain connected to the distribution system without a Security Deposit should the current customer meet the generally accepted commercial credit principles as outlined in Section 5 and Section 6 of this policy for commercial and residential customers, respectively.

However, all new customers, which are not being invoiced under the Retailer-Consolidated billing option, will be requested to provide a form of security prior to being permitted connection to the distribution system.

1. Connection Agreement:

All new customers or existing customers relocating into a new service must agree to the terms as outlined in the Grimsby Agreement of Service Contract. The application, when signed, forms a legal and binding

contract that the Customer and the Grimsby have accepted and mutually agreed to the terms of the Agreement.

Information such as driver's license, name of employer or source of income, and presentation of photographic ID will be requested from all customers.

2. Account Set-up Charge:

Customers may be subject to an Account set-up charge. The rate is approved by the OEB.

3. Electricity Security Deposit:

Security Deposits will be required from all new customers, with no distinction or preference between Classes of customers as well as Standard Supply Service (SSS) customers or Retailer supplied customers i.e., Residential; owners and tenants, temporary services, General Service Customers; <50kW & >50kW and Large Industrial Customers; 5000kW. The amount of the Security Deposit for each class will be discussed in the following document.

The following policy shall apply for each billing option.

3.1. Distributor-Consolidated Billing

Under this option, Grimsby Power will issue a bill to the customer. Grimsby Power is responsible for customer nonpayment risk. We may impose an amount of security deposit depending upon our assessment of the customer's likely risk of nonpayment as per the attached requirements.

3.2. Retailer-Consolidated Billing

Under this option, Grimsby Power will not issue a bill to a customer. The retailer is responsible for issuing the bill to the customer and for customer nonpayment risk. Grimsby Power would not require a security deposit from the customer. If we are in possession of a customer's deposit at the time of a switch to retailer-consolidated billing, the deposit shall be applied to the final bill and any excess deposit returned to the customer.

3.3. Split Billing

Under this option Grimsby Power and a retailer shall each be responsible for customer nonpayment risk for the bills that each issues to the customer. If a customer already has a deposit with Grimsby Power, we will retain a portion of the deposit amount that reflects the nonpayment risk associated with the new billing option. Any excess deposit amount will be returned to the customer. For customers making new application for service we may impose an amount of security deposit depending upon our assessment of the customer's likely risk of nonpayment as per the attached requirements.

4. Standard Supply Service

Under this option, Grimsby Power will continue to issue a bill to the customer. Grimsby Power is responsible for customer nonpayment risk. We may impose an amount of security deposit depending upon our assessment of the customer's likely risk of nonpayment as per the attached requirements.

5. Commercial Customer Deposits:

General Service and Large Industrial Customers:

- 5.1. All new and temporary services for commercial customers who are not billed by a competitive retailer under retailer-consolidated billing requesting a new or temporary service to be established will be required to pay 100% of a Security Deposit prior to the service connection or within 10 business days after connection unless the customer has a good payment history of 5 years in the case of a non-residential customer in a <50 kW demand rate class or 7 years in the case of a non-residential customer in any other rate class. Should 100% not be paid as outlined, payment arrangements must be made with the person supervising invoicing, credit and collections. The format to be equal installments paid over at least four months. A customer may, in its discretion, choose to pay the security deposit over a shorter time period and all payments for billings must be kept current until the security deposit is received in full.
- 5.2. All new and temporary services for General Service customers making application for service, will be required to provide Grimsby Power with a security deposit of;

2.5x the average bill during the most recent 12 consecutive months within the past two years

Where relevant usage information is not available for the customer for 12 consecutive months within the past two years or where the distributor does not have systems capable of making the above calculation, the customer's average monthly load shall be based on a reasonable estimate made by the distributor.

- 5.3. Security deposits or waiving of a Security deposit may be prearranged in the form of any of the following:
 - 5.3.1. Cash, Certified Cheque, Money Order or a cheque at Grimsby Power's discretion.
 - 5.3.2. A letter from another electric distributor or gas distributor in Canada confirming good payment history with that distributor for the most recent relevant time period of 5 years in the case of a non-residential customer in a >50kW demand rates 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 have occurred in the previous 24 months. Grimsby Power shall provide a customer with the specific reasons for requiring a security deposit from the customer. A good payment history is one where the customer has received one or less disconnection notice, one or less cheque to the distributor by the customer has been returned for insufficient funds, one or less pre-authorized payment to the distributor has been returned for insufficient funds or a disconnection/collect trip has not occurred.
 - 5.3.3. An automatically renewing, irrevocable Letter of Credit from a bank as defined in the Bank Act, 1991, c.46 at the discretion of the customer.
 - 5.3.4. Surety Bond
 - 5.3.5. Credit Check - A customer, other than a customers in a >5000kW demand rate class, may have their deposit waived if the customer provides a satisfactory credit check made at the customer's expense.

5.4. Where a customer has a credit rating from a recognized credit rating agency, the maximum amount of the security deposit, where the distributor may require the customer to pay, shall be reduced in accordance with the following table:

Credit Rating with Standard and Poor's Rating Terminology	Allowable reduction in <i>Prudential Support</i> (\$)
AAA- and above or equivalent	100% of <i>maximum net exposure</i>
AA-, AA, AA+ or equivalent	95% of <i>maximum net exposure</i>
A-, From A, A+ to below AA or equivalent	85% of <i>maximum net exposure</i>
BBB-, BBB, BBB+ or equivalent	75% of <i>maximum net exposure</i>
Below BBB- or equivalent	0

5.5. Customer Deposits can be reduced to 50% of the required amount if the account is set up on Grimsby Power's Pre-Authorized Payment Plan.

5.6. Delinquent General Service Accounts:

Where a customer has a payment history which discloses more than one disconnection notice in a relevant 12 month period, Grimsby Power 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 making the calculation of the maximum amount of security deposit.

Where relevant usage information is not available for the customer for 12 consecutive months within the past two years or where Grimsby Power does not have a system capable of making the above calculation, the customer's average monthly load shall be based on a reasonable estimate made by Grimsby Power.

6. Residential Customer Deposits:

New Residential Customers – Owners & Tenants:

6.1. All new and temporary services for residential customers who are not billed by a competitive retailer under retailer-consolidated billing requesting a new or temporary service to be established will be required to pay 100% of a Security Deposit prior to the service connection or within 10 business days after connection. Should 100% not be paid as outlined, suitable payment arrangements must be made with the person supervising invoicing, credit and collections. The format to be equal installments paid over at least four months. A customer may, in its discretion, choose to pay the security deposit over a shorter time period and all payments for billings must be kept current until the security deposit is received in full.

6.2. All new residential customers will be required to provide Grimsby with a security deposit of;

2.5x the average bill during the most recent 12 consecutive months within the past two years

Where relevant usage information is not available for the customer for 12 consecutive months within the past two years or where the distributor does not have systems capable of making the above calculation, the customer's average monthly load shall be based on a reasonable estimate made by the distributor.

6.3 A residential customer arranging a new service in a location with previous history will have their security deposit estimated based on previous history at the location.

6.4 Security Deposits can be prearranged in the form of:

Cash, Current Dated Cheque, Certified Cheque, or Money Order

6.5 The following exceptions may apply at the discretion of Grimsby Power when determining a security deposit for Residential customers i.e. Security Deposit may be waived or adjusted under the following provisions:

- (i) A customer with an ‘ Acceptable Payment History’ is defined as having no more than:
 - One Disconnection notice in the last 12 consecutive months or,
 - One cheque given to Grimsby Power has been returned insufficient funds,
 - One pre-authorized payment given to Grimsby Power has been returned for insufficient funds, or
 - A disconnect/collect trip has occurred.
- (ii) Any customer who fails to maintain a satisfactory payment record with the Grimsby will be requested to pay a security deposit or have their security deposit increased to meet the requirements covered in Section 6.2.
- (iii) A customer provides a letter from another electric distributor or gas distributor in Canada confirming a good payment history with that distributor for the most recent relevant time period of one year.

7. Delinquent Accounts:

If a Commercial Customer’s deposit is waived or reduced due to the provision of the chart in Section 5 above, and the customer subsequently receives more than one disconnection notice, more than one NSF cheque or more than one pre-authorized payment being returned for insufficient funds or a disconnect/collect trip has occurred, Grimsby Power reserves the right to request a security deposit or increase the amount of deposit from the customer as calculated in Section 5.2 of this guideline.

If a Residential Customer’s deposit is waived due to the provisions in Section 6 above and commits a violation as per Section 6.5, Grimsby Power reserves the right to request a security deposit from the customer as calculated in Section 6.2 of this guideline.

8. Collection of Security Deposit:

Security deposits are required to be paid in full when the customer is making application for service or prior to connection or provision of service i.e., before move-in. Grimsby Power, at its’ discretion, may extend special payment arrangements to those customers unable to make full payment of the deposit. (See Sections 5.1 and 6.1). Grimsby Power will provide the customer the arrangements. Should the customer fail to abide with the previously arranged agreement, Grimsby Power will follow up with disconnection on the first collection day following the lapse of the payment arrangement.

9. Periodic Review of Security Amounts:

Security Deposits will be reviewed at least once in a calendar year to determine whether the entire amount of the security deposit is to be returned to the customer or adjusted accordingly on a recalculation of the maximum amount of security deposit allowed. Adjustments will be debited or credited to the customer account on the bill following the adjustment.

A customer may, no earlier than 12 months after the payment of a security deposit or the making of a prior demand for a review, demand in writing that a review to determine whether the entire amount of the security deposit is to be returned to the customer as the customer might now have established a good payment history.

10. Retention/Refund of Deposit:

Security deposits will be refunded by application to the account only when:

- (i) The customer terminates their services with Grimsby Power. The security deposit will be applied to the balance owing on the final bill.
- (ii) The security deposit may be forwarded to a new address of the same owner name and the necessary adjustments made to the amount upon review the historical usage data of new service address to be connected.
- (iii) If a Customer switches to Retailer-Consolidated billing.
- (iv) Deposits are to be refunded to customers upon demonstration of a good payment history, which shall be as follows:
 - a) Residential customers after 1 year;
 - b) Non-residential customers after 5 years; and
 - c) Commercial customers >50 kW after 7 years.
- (v) If application is made under the Periodic Review (9 above).

11. Interest on Security Deposit:

Interest on Security deposits will accrue interest as follows:

- (i) Simple interest shall accrue monthly on security deposits made by way of cash or cheque commencing on receipt of the total deposit required. The interest rate shall be at the Prime Business Rate as published on the Bank of Canada website less 2 percent, updated quarterly. The interest accrued shall be paid out as set out in the Distribution Systems Code. Interest to be paid all cash Security Deposits retained more than 6 months. Interest will not be paid on Letters of Credit.

12. Payment of Bills:

The customer must make payment of any outstanding accounts to Grimsby Power on the due date as identified on the bill. Bills are due a minimum of sixteen calendar days from the date of mailing or hand delivery of the bill.

Where a payment is made by mail, the payment will be deemed to be made on the date received. Where a payment is made at a financial institution acceptable to Grimsby Power, the payment will be deemed to

be made when stamped/acknowledged by the financial institution. A partial payment will be applied to any outstanding arrears before being applied to the current billing.

13. Interest Charge:

Interest charges will apply to any arrears unpaid after the due date of the bill. Interest charges will be charged at an interest rate as approved by the OEB.

14. Returned Cheques:

Any cheque or pre-authorized payments charged back by the bank for whatever reasons will be acted upon immediately. The payment will be reversed on the customer's account and an appropriate returned cheque fee charged. The Customer Service Representative will attempt to make immediate contact with the customer to receive payment for any outstanding amounts owing to Grimsby Power, plus all associated Service Charges. Should such an attempt fail, the receivable will be placed in the appropriate position within Grimsby Power's collection procedure.

15. Load Limiters

The use of load limiters is strictly at the discretion of Grimsby Power and used in residential applications. Load limiters may be used as alternatives to disconnecting the Customer's service. Load limiters may be used specifically during the winter months. The intent for the use of load limiters is that it may encourage the customer to pay the utility bill while maintaining a minimum supply of power to operate a furnace for heating the home.

Since the use of a load limiting is a courtesy in lieu of fully disconnecting the service, the load limiting device may be removed and the service fully disconnected at any time and without further notice if the account continues to remain in arrears.

16. Pre-Disconnect Notices/Disconnect Notices

Contact (written or verbal) regarding any arrears will be made twenty (20) calendar days after the due date, unless payment has been received or a mutually agreed payment arrangement made. Should payment not be received or a mutually agreed upon arrangement made, a Pre-Disconnect/Disconnect Notice will be issued seven (7) calendar days after the contact.

Prior to disconnecting the service a company representative will make reasonable efforts to establish direct contact with the customer. In such cases where the Owner is responsible to pay for the Tenant's Hydro Bill and Grimsby Power is aware of this situation and the Owner receives a Disconnect Notice, Grimsby Power will provide customers or occupants with seven (7) days notice (of each separately occupied unit in the premises). The delinquent account customer will be contacted by phone directly where possible to expedite the process.

17. Reconnection of Electrical Service:

Disconnection of the service will be the last resort and will only take place after all collection efforts have been followed. Should the account be disconnected payment must be received in cash/certified cheque/money order in Grimsby Power's office before reconnection is made to the service, which includes the appropriate approved cost for reconnection.

If the customer requests the service to be reconnected after normal hours of work, full payment must be given to the Serviceperson on duty prior to reconnection and an “after hours” service charge will apply. Under certain circumstances, a service may be reconnected at the discretion of the Supervisor if mutually acceptable payments terms are reached.

Discontinuance or restriction of service does not relieve the customer of the liability for arrears and minimum bills for the balance of contract term, nor shall Grimsby Power be responsibility for any loss or damages from the disconnection/restriction of your electricity. Services that remain disconnected for 6 months or more require the customer to obtain an inspection certificate and pay any applicable fees from the Electrical Safety Authority prior to reconnection by Grimsby Power.

Note 1: A responsible adult must be present at the premises for all reconnections. This may require an appointment be set up with a Grimsby Power Serviceperson. The customer shall be charged the appropriate reconnection fee.

Note 2: If the customer is disconnected for non payment and if the customer has not signed a contract with Grimsby Power, then the customer must sign a contract prior to the service being reconnected. Customers will be asked to verify\update their information on an existing contract or be required to sign a new contract depending on the circumstances.

18. Billing Errors:

Billing errors will be resolved as stated in the Retail Settlement code.

- (i) Billing errors that have resulted in the over billing of a customer account or Retailer account will be credited to the customer in the amount erroneously billed the customer by the distributor for a period of up to six years.
- (ii) Billing errors that have resulted in under billing of a customer account, the distributor will charge the customer the amount that was not previously billed for a period not exceeding:
 - 1. Two years, in the case of an individual residential customer who is not responsible for the error.
 - 2. For non-residential consumers or for instances of willful damage, the relevant time period is the duration of the defect.
 - 3. Where a retailer is involved, the retailer will be credited or charged as per (i) or (ii) above.
- (iii) The entity billing a consumer, whether a distributor or a retailer, is responsible for advising the consumer of any meter error and its magnitude and its obligation to inform the customer of the assistance provided by Measurement Canada in a dispute investigation. The billing entity is also required to inform the consumer of its obligations under the federal *Electricity and Gas Inspection Act* (Canada) where a dispute between the customer and the entity exist over the condition, or registration of a meter installation is in question.

19. Final Bills:

- (i) Forwarding Address:

The Security deposit will be applied to reduce the Final Bill. If the amount of the Security Deposit is in excess of the final bill amount the credit will be refunded by cheque mailed to the forwarding address provided to Grimsby Power.

If the customer sets up a new account within the Grimsby Power service territory, Grimsby Power will transfer the security deposit to their new account and show any outstanding balance as a credit or debit on their final bill. If the amount is a debit Grimsby Power will follow our normal collection procedures at the new premise.

- (ii) No Forwarding Address:
 - a) The Deposit will be applied to reduce the final bill.
 - b) If the amount of the Security Deposit is not sufficient to pay the entire bill amount and the customer moves out of the Grimsby's service area, utility staff will make an attempt to locate a forwarding address. If Grimsby Power is unable to find the previous customer, the account will be referred to a collection agency.
 - c) If the amount of the Security Deposit is in excess of the final bill amount, the credit will remain on the account until such time as Grimsby Power is made aware of the customers forwarding address or finds the customer.
- (iii) If a commercial account finalizes and the customer has another account (residential or commercial) the final bill may be transferred to the other account provided the account has the same name.

20. Bankruptcies and Bankruptcy Protection:

In cases where substantial amounts are owed, legal advice will be sought immediately.

Grimsby Power reserves the right to amend its normal billing and payment procedures to reduce the risk of increasing the potential write-off when a customer is under bankruptcy protection

21. Temporary Electricity Service:

Temporary electricity services, including community decorative lighting may be provided at regular residential or general service rates as applicable. Grimsby may prorate the account, based on the number of days the service was in use. The customer will be requested to pay for any additional cost of erecting and removing any additional equipment required and a rental charge applied for transformation equipment supplied for the service.

22. Other Charges:

Customers will be charged for the following as approved by the OEB. Some common examples are:

- (i) A Dispute Charge when involving Measurement Canada.
- (ii) Account set up charge.
- (iii) Special Meter Reads.
- (iv) Specific Service Charges including but not limited to additional and extraordinary work completed at the request of the customer at Industry competitive rates.
- (v) Plus any other applicable charge as approved and amended from time to time by the OEB.