



STATEMENT OF POLICY

Policy **SECURITY DEPOSITS**

Effective: **07/01/2025**

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OBJECTIVE:

The objective of this policy is to establish a standard practice for securing payment of monthly utility bills. Since uncollected utility accounts cause rates to rise and result in paying customers subsidizing non-paying customers, each utility customer is expected to pay for services received.

POLICY:

Prior to receiving utility service, customers shall provide security deposits as specified below. A normal and current fee schedule of required deposits will be established and may change as rates and consumptions change. All deposits, as outlined in this policy, are considered to be for a single account; therefore, the total of the customer's deposit must equal the total of all accounts that the customer has in any name under their control.

I. RESIDENTIAL ACCOUNTS

The standard required new residential customer deposit is based on the monthly residential class average which is currently equal to:

Electric Service: \$200.00

Water Service: \$ 40.00

Sewer Service: \$ 75.00

However:

- A. No deposit is required for new residential customers who fall under one of the following categories:
 - 1. Previous customers whose account of record with SPWS demonstrates no late payments. A record of at least twelve months is required and customer must have lived on the SPWS system within the last three (3) years.
 - 2. New customers with good credit as demonstrated on a credit check. A credit check will be required on new customers that have no credit with SPWS within the last three (3) years. The credit check will be run only on the primary name listed as being responsible for payment of the account.



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The following schedule will be followed based upon the results of the credit check:

- New-service applicants, who pose no risk (green ball), will not be charged a deposit.
- New service applicants, who pose minimal risk (yellow ball returned on credit check or limited credit but positive), will be charged the standard deposit.
- For new-service applicants who pose substantial credit risk (red ball returned on credit check) the deposit will be \$350 for electric service and double the standard deposit for water and sewer services or have the option for prepay service which does not require a deposit. However, if the credit check reports the applicant as having a bad debt with another utility provider or has a bankruptcy reported, the applicant will only be offered prepay service. If prepay service is not available for the desired location for any reason, the deposit will be \$350 for electric service and double the standard deposit for water and sewer service.

Payment history letters from other utility providers or previously run credit checks provided by the customer are not accepted in lieu of the standards identified in this policy.

In no case will the residential deposit amount for electric service exceed two times the highest monthly bill for the residential class.

- B. Residential customers, with total billing of less than \$1,500.00 per month for all accounts combined, may request that their deposits be applied to their account after 24 months of continuous service if they meet the following requirements:
 - 1. Twenty-four months of payments made not later than the due date at any service location; and,
 - 2. Not having a check or bank draft returned for non-payment during the same time period.
- C. Any person applying for residential service that has previously been a SPWS customer and has left any bill unpaid, will be charged a \$350 deposit for electric service and double the standard deposit for water and sewer. Customer will not receive service until previous bills are paid in full or the customer may choose the prepay service if available for the location in accordance with the prepay terms.
- D. In a twelve-month period, if a customer has been disconnected twice for non-payment, the customer will be required to transition into a prepay service account and any deposit amount on record will be applied to the balance owed at that time.
- E. For any applicants who have no credit history or cannot be identified during the credit check the deposit will be \$350 for electric service and double the standard deposit for water and sewer or may choose the prepay option if available.



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II. GENERAL POWER ACCOUNTS *

- A. All new General Power accounts, except for section B below, shall have and maintain a deposit of approximately two times their highest anticipated monthly bill. In no case will the general power deposit exceed two times the estimated or actual highest monthly bill for electric service. When power, water, and wastewater service is provided to new buildings, or buildings that are having change of use, the security deposits for the services to be provided by SPWS shall be based on an analysis taking into account the size of the building, use to be made of the building, usage experienced by comparable buildings, and any other data that may be of value in making an accurate estimate of the monthly cost of utilities to be provided by SPWS. The deposit amount may also be estimated using information from similar electric accounts, electric load and usage information supplied by the customer, and/or previous usage history at the specific locations where service is being requested. SPWS reserves the right at any time to re-evaluate the adequacy of account security and/or credit worthiness of the member and adjust the account security accordingly.

If a customer's security deposit is deemed inadequate, and the customer must increase the amount of the deposit, upon notification, to eliminate SPWS increased exposure, the customer's failure to increase the deposit within thirty days of being notified will be reason for termination of service. No adjustment shall be required for an existing deposit of a general power customer that is either within 10% of the required deposit or within \$50 of the required deposit. After 12 months, upon the customer's request, the usage history will be reviewed and an adjustment to the amount of the cash deposit, non-revocable letter of credit or bond can be made.

- B. Existing General Power accounts that have combined electric, water, and wastewater billing less than \$1,500.00 for all accounts combined may have their deposit returned after 24 months of continuous service upon establishing a record of:
1. Not having paid later than the due date in the preceding 24 months at any location; and,
 2. Not having a check or bank draft returned for non-payment during the same time period. Any customer who has been refunded his/her deposit in accordance with this policy, and subsequently is disconnected for non-payment, must re-establish their deposit before being reconnected.
 3. No deposit will be required of a General Power customer for allocation in which the electric service is projected to be less than 300 kWh per month based on similarly sized locations of the electric system.

*"General Power" accounts are commercial, industrial, and governmental customers; institutional customers including, without limitation, churches, clubs, fraternities, orphanages, nursing homes, rooming or boarding houses, and like customers.



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III. RIGHT TO REQUIRE A DEPOSIT

- A. Notwithstanding any provisions of this policy, The Shelbyville Power, Water, and Sewer System Board reserves the right to require a deposit sufficient to cover its exposure at any time that a customer's payment record or other factors should indicate the need for assuring payment of the customer's utility bill. Any customer that has been disconnected from service for non-payment of the bill may be required to establish a deposit in sufficient amount to cover the loss exposure to SPWS.
- B. When a security deposit is required, as outlined in this policy, it may be provided by cash only for residential accounts. For general power accounts it may be provided by cash, non-revocable letter of credit from a solvent bank, or a bond executed by a Surety Company.
- C. When service is discontinued and the final bill satisfied, the security shall be returned to the party which provided it. Cash deposits shall first be applied to the final bill, and then any remaining amount returned to the providing party.

Once each year, The Shelbyville Power, Water, and Sewer System Board will credit interest accrued on customer's account for any Electric System cash deposit that is held. The interest rate used to calculate the amount of interest paid will be equal to the previous 12 month average of interest earned on the electric systems money market account. Interest will not be paid on any water or wastewater department cash deposit.

The Utilities Board shall take all reasonable measures to enforce this Policy, including not providing service and disconnection of service. When a customer's payment record and deposit, or lack of, indicate that additional assurance of payment is needed, the customer shall be given 30 days written notice to provide sufficient assurance of payment, and if they do not provide sufficient guarantee, they may be disconnected from receiving further service.

The customer's age, race, color, creed, sex, national origin, or marital status will not be a factor in the determination of requirements for a security deposit.

This Policy, and the deposits specified herein, shall routinely be reviewed no less frequently than every five years. All deposits including earned interest are subject to review by both the customer and SPWS.

This Policy becomes effective on the date written above and supersedes all previous SPWS Policies regarding deposits.

ISSUE DATE:

REVISED DATE / PAGES:

APPROVED BY: