

## Chester Metropolitan District Residential Customer Deposit Policy

### **Generally**

This Residential Customer Deposit Policy (Policy) has been adopted by Chester Metropolitan District (CMD) to (i) assist in the collection of all water utility rates charged by CMD, (ii) minimize future rate increases, (iii) reduce administrative burdens on CMD staff, and (iv) serve as a tool to mitigate the risks of customer indebtedness and the write down of bad debts.

In assessing customer deposits, this Policy is designed to assess the credit risk associated with all residential applications for new or continued service, while protecting the assets of our utility.

This Policy seeks to benefit customers who, historically speaking, act responsibly and pay their bills on time. CMD believes that it is not fair that good-paying customers carry the financial burden of those customers who act irresponsibly and do not pay for their service as agreed. Thus, this Policy seeks to shift the financial burden of potential bad debt away from our best customers and apply it to those who pose credit risk to CMD.

This Policy is based upon the use of a new technology-based screening tool called the “ONLINE Utility Exchange”, which shall be utilized by CMD to assess credit risk at the point of application and charge deposits only to those applicants who pose potential credit risk to CMD

### **Deposit Criteria**

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

#### ***A. Scoring Metrics***

1. Every new applicant, whether residential or business, will be asked to provide information necessary to fully process a credit review through ONLINE Utility Exchange.
2. Residential applicants will be adjudged by ONLINE Utility Exchange and assigned one of three possible ratings: (i) **GREEN LIGHT** – meaning minimal credit risk; (ii) **YELLOW LIGHT** – meaning medium credit risk; or (iii) **RED LIGHT** – moderate/substantial credit risk.
3. Business applicants will be adjudged by ONLINE Utility Exchange and given one of three possible Business Intelliscore rating reports: (i) **80 to 100** – meaning minimal credit risk; (ii) **70 to 79** – meaning medium credit risk; or (iii) **69 or lower** – moderate/substantial credit risk.

#### ***B. Residential Service Applicants***

1. Applicants indicated as **GREEN LIGHT** will not be charged a deposit.

2. Applicants indicated as **YELLOW LIGHT** will be charged a deposit based upon the deposit schedule adopted by the Chester Metropolitan District Commission, as the governing body of CMD (the “Commission”) and then in effect.
3. Applicants indicated as **RED LIGHT** will be charged a deposit based the deposit schedule adopted by the Commission and then in effect.
4. CMD will not require that a residential applicant provide their social security number as a prerequisite for service. However, if any applicant that refuses to provide their social security number or in the event that a credit analysis cannot be initiated by ONLINE Utility Exchange, such applicant will be deemed by the Commission to pose the highest possible credit risk and shall be charged a deposit based on the deposit schedule adopted by the Commission and then in effect.
5. A service applicant who provides a social security number that is returned as deceased, non-issued, belonging to a person under the age of 18, belonging to a person other than the applicant, or is fraudulent, as determined in the discretion of CMD staff, shall, consistent with Section B(4) above, be considered to “refuse” credit checking and will be subject to the maximum applicable deposit.

***C. Business Applicants***

Each business applicant shall be required to pay a service deposit that will be determined in the following manner:

1. Sole proprietorships will have an ONLINE Utility Exchange report pulled on the sole proprietor and charged the corresponding deposit depending on the status of such individual, who shall be classified as a residential customer and given a credit status as **GREEN LIGHT, YELLOW LIGHT** or **RED LIGHT**.
2. (i) Partnerships, Limited Liability Companies (LLC) and Limited Liability Partnerships (LLP) will have an ONLINE Utility Exchange Report pulled on the managing partner or managing director, as appropriate and as determined in the discretion of CMD staff. A deposit will be charged based on: (1)(a) the estimated monthly water usage for such business (the “Estimated Usage”) or (b) the highest actual monthly usage for the previously operating business in such location – assuming that the new applicant is determined by the staff of CMD to use similar quantities of water as the prior user (the “Actual Use”); and (2) the escalation factors recited in (4) below.  
  
(ii) If an LLC or LLP described above does not return any credit information, the managing member or managing director of such LLC or LLP may elect for their personal credit to be pulled under the same conditions recited above for a sole proprietorship and shall pay a deposit commensurate with such credit classification.
3. Business corporations, regardless of whether they are Subchapter S or full “C” Corporations, or any corporation that has a corporate headquarters outside of our service

area (foreign corporation), shall have their credit risk based upon the ONLINE Utility Exchange's Business Intelliscore rating reports, and the corresponding deposit will be charged based on the Estimated Usage and the escalation factors recited in (4) below.

4. Notwithstanding any exceptions for certain large business accounts as recited in the CMD's deposit schedule, business applicants shall pay a deposit equal to their respective Estimated Usage or the Actual Usage multiplied by an escalation factor of: 1x for business customers who pose low risk and display an IntelliScore of <<80 to 100>>; 2x for business applicants who pose a medium credit risk and display an IntelliScore score of <<70 to 79>>; and 3x for business applicants who pose a moderate credit risk and display an IntelliScore score of <<69 or lower>>.

### **Deposit Duration**

CMD reserves the right to hold a deposit for as long as water service is active. However, CMD may return deposits to our customers if all the following conditions are met: (1) the service account has been and remains current, with no instances of past-due notice, within the last 24 months; (2) the customer named on the account has never interfered with, tampered with, or diverted service; (3) a non-payment fee has been assessed no more than one time within the most recent 24 months; and (4) no payments have been returned within the most recent 24 months.

### **Timing; Conditions**

All deposits are required to be paid prior to the time a connect order is issued. Deposits are never used to cover an overdue bill and will not prevent service being disconnected for nonpayment. Deposits are transferable from one service address to another, but not from one customer to another. Deposits will only be refunded to the customer named on the account.

Upon termination of service, the deposit will be applied against any unpaid balance on an account. Any remaining balance will be returned to the consumer.

### **Special Considerations**

#### ***A. Multiple Owners or Occupants***

CMD shall screen all individuals name on a deed and or lease agreement. The deposit decision shall be based upon the applicant who poses the greatest credit risk. If any of the persons named on the deed or lease agreement refuse to provide information for the credit check, the applicants will be subject to the maximum applicable deposit.

### **Other Credit**

CMD will not accept a letter of credit, lines of credit, insurance policies or third-party guarantees in lieu of screening an applicant through the ONLINE Utility Exchange.

### **Factors for Maximum Deposit**

### **1. *Opting for Maximum Deposit***

In the discretion of the applicant, CMD will permit a new-service residential applicant to opt to pay a maximum deposit in lieu of having an ONLINE Utility Exchange report pulled.

### **2. *Bankruptcies***

CMD believes that the fact that the applicant has declared bankruptcy indicates substantial credit risk and shall result in a maximum deposit being assessed against of the individual who has a bankruptcy returned as part of their credit record.

### **3. *Exchange Matches***

It is also our policy that any applicant who has a credit result returned by ONLINE Utility Exchange that indicates that they have a utility bill that remains unpaid and is returned as part of the ONLINE Utility Exchange report indicates significant credit risk, shall require a maximum deposit.

### **4. *Other***

A maximum deposit may otherwise be required where indicated elsewhere in this policy.

### **Adverse Action Letters**

An adverse action letter will be printed and given to each applicant who is denied service, or charged a deposit. The Federal Trade Commission and the Fair Credit Reporting Act mandate that a consumer who is charged a deposit based upon their credit information be given notification as to where that information was obtained and detailed procedures as to how they might dispute the information.

### **Deposit Receipt**

A receipt of deposit shall be issued to each customer from whom a cash deposit is received, or by any other method of payment.

### **Methods of Payment**

It is required that CMD collect all monies owed on the account after a deposit decision has been made and prior to the connection of service.

The full deposit must be paid before connection via any of the four payment methods: (1) Credit/Debit/cashier check in person; (2) Credit/Debit Payment via Phone; (3) Credit/Debit Payment Online at CMD's website; or (4) Mailing a cashier's check or money order.

### **Obligations; Disconnection**

Where a customer has been required to make a deposit, that deposit shall not relieve the customer of the obligation to pay the service bill when due, but where such deposit has been made and service has been disconnected because of nonpayment of account, then unless the customer shall, within 30 days after service has been disconnected, apply for reconnection of service and pay the account, the account may be discontinued. If the CMD discontinues the account, CMD shall apply the deposit of such customer toward the discharge of such account and shall refund to the customer any excess. In the event a balance remains on the account, CMD will begin enforced collection activities, as applicable.

10-9-20  
**Approval Date**

*C. E. Smith*  
**Chairman Signature**