

	Procedure: Security Deposits	Document No.: PRO-12-001
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		Accountability: Director of Customer Service & Administration
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Purpose

The purpose of this procedure is to provide guidance to the Customer Service Representatives.

Scope

This procedure applies to customers on Hydro One Brampton's distribution system.

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1.0 **Service and Billing**

- 1.1 Hydro One Brampton purchases electricity on behalf of all of its customers and then recovers the cost, along with the cost of distribution, through customer billings.
- 1.2 Section 2.4.6.1 and 2.4.6.2 of the Distribution System Code provide that a distributor may impose an amount and type of security requirement on a customer depending on the distributor's assessment of the customer's likely risk of non-payment. A distributor shall not discriminate among customers with similar risk profiles or risk related factors except where expressly permitted under this Code. Hydro One Brampton reserves the right to waive any or all of the following security deposit requirements at its sole discretion.
- 1.3 As customers switch to competitive retailers and depending on the billing options, the amount of exposure for Hydro One Brampton will vary, and therefore the security deposit amount should be adjusted to reflect the new level of exposure.
- 1.4 The following procedure shall apply for each billing option:
 - a) *Standard Supply Service*

Under this option, Hydro One Brampton will continue to issue a bill to the customer. Hydro One Brampton is responsible for customer non-payment risk and may require an amount of security deposit depending upon its assessment of the likely risk of non-payment by the customer.

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b) *Distributor-Consolidated Billing*

Under this option, Hydro One Brampton will issue a bill to the customer and assume responsibility for customer non-payment risk. We may require an amount of security deposit depending upon our assessment of the likely risk of customer non-payment.

c) *Retailer-Consolidated Billing*

Under this option, Hydro One Brampton will not issue a bill to the customer. The retailer is responsible for issuing the bill and for customer non-payment risk. Hydro One Brampton would not require a security deposit from the customer.

If we are in possession of a security deposit at the time of a switch to retailer-consolidated billing, the deposit shall be applied to the final bill and any excess returned to the customer.

d) *Split Billing (if approved in future)*

Under this option, Hydro One Brampton and a retailer shall each be responsible for customer non-payment risk for the bill that each issues to the customer.

If a customer already has a deposit with Hydro One Brampton, we will retain a portion of the deposit that reflects the non-payment risk associated with the new billing option. Any excess deposit amount will be returned to the customer.

2.0 Security Deposit Requirements

- 2.1 Hydro One Brampton requires a security deposit for Residential and Non-Residential customers who have not demonstrated a good payment history (see section 2.4.9 of Distribution System Code) or where, for example: the customer has received more than one disconnection notice from the distributor; more than one cheque or pre-authorized payment has been returned for insufficient funds; or if a disconnect / collect trip has occurred.
- 2.2 The form of payment for a residential customer can be either cash or cheque. A non-residential customer can provide cash, a cheque, an automatically renewing irrevocable letter of credit or surety bond, at Hydro One Brampton's discretion.
- 2.3 Payment of a security deposit in the form of cash or cheque may be made in a lump sum payment or may be made in up to 4 equal monthly installments
- 2.4 Residential Customers on Pre-authorized Payment Plan will only require security deposits based on the average bill for two months.

3.0 Exemption From Paying Security Deposit

- 3.1 To be exempt from providing Hydro One Brampton with a security deposit a consumer must fall into one of the following criteria:

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- a) *Residential Customer (one of the following)*
 - i) 1 year good payment history (for existing customers)
 - ii) provide a reference letter from another electricity or natural gas utility in Canada indicating good payment history for 1 year.
 - iii) at the customer's expense, they may provide a credit check that demonstrates they are a good credit risk.
- b) *Non-Residential Customer <50kW demand rate class (one of the following)*
 - i) 5 years good payment history (for existing customers)
 - ii) provide a reference letter from another electricity or natural gas utility in Canada indicating good payment history for 5 years.
 - iii) at the customer's expense, they may provide a credit check that demonstrates they are a good credit risk.
- c) *Non-Residential Customer in any other rate class (excluding >5,000 kW)*
 - i) 7 years good payment history (for existing customers)
 - ii) provide a reference letter from another electricity or natural gas utility in Canada indicating good payment history for 7 years.
 - iii) at the customer's expense, they may provide a credit check that demonstrates they are a good credit risk.
 - iv) Provide a credit rating from a recognized credit rating agency, their deposit shall be reduced in accordance to the following table:

Credit Rating <i>(using Standard and Poor's Rating Terminology)</i>	Allowable Reduction
AA- and above or equivalent	100%
AA-, AA, AA+ or equivalent	95%
A-, From a, A+ to below AA or equivalent	85%
BBB-, From BBB, BBB+ to below A or equivalent	75%
Below BBB- or equivalent	0%

- d) *Non-Residential Customer > 5,000 kW*
 - i) 7 years good payment history (for existing customers)
 - ii) provide a reference letter from another electricity or natural gas utility in Canada indicating good payment history for 7 years.
 - iii) Provide a credit rating from a recognized credit rating agency, their deposit shall be reduced in accordance to the following table:

Credit Rating <i>(using Standard and Poor's Rating Terminology)</i>	Allowable Reduction
AA- and above or equivalent	100%
AA-, AA, AA+ or equivalent	95%
A-, From a, A+ to below AA or equivalent	85%
BBB-, From BBB, BBB+ to below A or equivalent	75%
Below BBB- or equivalent	0%

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- 3.2 Prior to refunding a security deposit to any customer in a > 50 kW class, Hydro One Brampton may request a current credit check or credit rating (at Hydro One Brampton's expense) that demonstrates they are a good credit risk.
- 3.3 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.
- 4.0 Security Deposit Limits**
- 4.1 The maximum amount of a security deposit requested will be equal to 2.5 X estimated bill based on the customer's average monthly load 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, the customer's average monthly load shall be based on a reasonable estimate made by Hydro One Brampton.
- 4.2 Customers who have more than one disconnection notice in a relevant 12 month period, will have their deposit calculation based on their highest actual or estimated monthly load.
- 5.0 Retention of Security Deposits**
- 5.1 Hydro One Brampton will review all security deposits annually. This is to determine whether the entire deposit or part of the deposit is to be returned to the customer based on a re-calculation of the maximum amount of security deposit allowed, as outlined in 2.4.12 of the Distribution System Code. Customers with a good payment history of 1 year in the case of a residential customer, 5 years in the case of a non-residential customer in a <50kW demand rate class or 7 years in the case of a non-residential customer in any other rate class will have their deposits returned.
- 5.2 Deposits that are being returned to the customer for good payment history will be applied to their account. In cases where an account is final billing, the security deposit and interest will be applied to the final bill and any credit balance will be refunded within 6 weeks of the final bill date.
- 5.3 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 Hydro One Brampton undertake a review to determine whether the entire amount of the security deposit is to be returned to the customer.
- 5.4 Hydro One Brampton is only required to refund 50% of the deposit based solely on good payment history for a non-residential customer over 5,000 kW. To obtain a higher refund the customer must obtain a credit rating from Dominion Bond Rating Service (DBRS), Standard & Poors (S&P) or Moody's.
- 6.0 Interest on Security Deposits**
- 6.1 Interest shall accrue monthly on security deposits paid in cash or by 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 at least once every 12 months or on return or application of the security deposit or closure of the

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account, whichever comes first, and will be paid by crediting the customer's account.

7.0 Enforcement for Unpaid Security Deposits

- 7.1 Non-payment of a security deposit can result in a discontinuation of service and will be subject to our regular disconnection procedure. (*also see 2.2.1 Conditions of Service*)

Definitions

None

References

- Distribution System Code

Revision History

Revision	Description of Changes	Prepared By	Date
01	Replaces Commission Policy B101.	D. Bond, IT & Customer Service Manager	Dec. 2007
02	Reviewed. No changes.	D. Bond, Director of Customer Service & Administration	Apr. 18, 2012

Document Approval

Approved by: (signature on original copy only and not on posted version)	<i>Original signed by R. Fernandes</i>	<i>Apr. 24/12</i>
	R. Fernandes, President & CEO	Date