

PROCEDURE FOR APPLICATIONS AND DEPOSITS

Effective January 5, 2011

OBJECTIVE: Assure payment of present and future bills based on consumers' creditworthiness

DEFINITIONS:

1. Late payment – Payment made on the 18th day after due date or later.
2. Infraction
 - A. A late payment
 - B. Check returned for non-sufficient funds.

SCOPE: This procedure applies to all residential and business customers.

A. The following guidelines will be used to determine if a deposit is required.

1. Existing Member:

- a. A deposit is required if the member is currently disconnected for non-payment.
- b. A deposit is required if a member is adding another location or moving from one location to another and has been disconnected for non-payment within the past 12 months and/or has been on the cutoff list three or more times in the last 12 months.
- c. A deposit is required if the member has ever been involved with meter tampering or theft of electricity.

2. New/Returning Member – KREMC shall determine the creditworthiness of each new applicant based on the following criteria:

- a. Verification of credit rating using Online Utility Exchange. Member will submit a social security number or tax identification number for credit check.
- b. Member will present government issued photo identification in person at the KREMC office to verify identity. If commercial application, photo identification of company representative filling out application should be submitted.
- c. If a member is returning to KREMC lines and owes the cooperative an outstanding balance, the past due balance must be paid before service is re-established and maximum deposit is required. The cooperative will forego running a credit check and base the credit decision on the prior payment history with the cooperative.

3. Deposit Computation for New/Returning Members:

- a. A deposit will be assigned based on credit score obtained from Online Utility Exchange.
 - No risk = No deposit
 - Moderate risk = One time average bill at service location or base deposit (\$125.00) if approximate average bill not available
 - High risk = Two times the average bill at service location or twice the base deposit (\$250.00) if approximate average bill not available

B. Required notification to applicants- Notice is provided to a consumer who has received less than favorable credit terms through an adverse action letter (from the Online Utility Exchange website) and is presented at the time of application.

1. Beginning 1/1/2011, the Federal Trade Commission (FTC) requires that creditors provide written, verbal or electronic notice that a security deposit was required based on credit history. The notice must include information on how to obtain a copy of the credit report and must direct consumers to websites for more information on credit reports.

2. The cooperative is not required to provide an adverse action letter for commercial applicants.

- C. Additional credit reports** - It is required that if a consumer returns after 60 days of the original application date to pay connection fees, the cooperative must obtain another credit report and base the deposit decision on the most current credit report.
- D. Payment Arrangements** – Every attempt should be made to collect the entire deposit amount prior to (re) connecting service. If, however, a member is unable to make full payment she/he is required to pay at least 25% up front with the remainder to be paid in up to three equal payments not to exceed 90 days from the (re)connect date. A written payment agreement must be completed and signed to formalize the arrangement. The following schedule should be used as a guide:
- Under \$50 → up to a 30-day arrangement
 - \$50 - \$200 → up to a 60-day arrangement
 - Over \$200 → up to a 90-day arrangement
- E. Deposit use** – A customer’s deposits shall be applied to his/her unpaid balance following disconnection.
- F. Deposit retention** – Deposits shall be retained by KREMC for 12 months. At the end of the 12-month period, the deposit shall be credited to the customer’s account provided there were no more than two infractions during the period. If more than two infractions, the deposit will be held until a 12-month period elapses with no more than two infractions. Any excess deposit amounts shall be refunded to the customer after final bill. Interest shall not be accrued on any deposit.
- G. Recordkeeping** – KREMC shall maintain a record of each deposit to include the following:
1. Customer name and address
 2. Deposit amount and date
 3. A record of each transaction affecting the deposit.
 4. KREMC does not keep physical copy of member credit report.