



## **Credit & Collection Policy Niagara on the Lake Hydro Inc**

---

### **Purpose:**

This Credit and Collection Policy (referred to in this document as the “Policy”) sets out the standards of Niagara on the Lake Hydro Inc. (“Distributor”) with respect to customer bill payment deadlines, late payment charges, collection costs, and customer deposits. The Policy applies to all customers of Distributor, in the manner set out herein. This Policy was developed in cooperation with other electricity distributors that are members of the Niagara Erie Public Power Alliance, with the intention of establishing fair and equitable credit and collection policies for customers in the Distributor service area. This Policy will form part of Distributor Conditions of Service.

### **Authority:**

Local Electricity Distribution Companies (“Distributors” or “LDCs”) are regulated by the Ontario Energy Board (the “OEB”), by the powers granted to the OEB by the Ontario Provincial Government through the enactment of Bill 35, the *Energy Competition Act, 1998*, of which Schedule A; the *Electricity Act, 1998*; and Schedule B, the *Ontario Energy Board Act, 1998* (the “Acts”) form parts.

The Acts, and various Codes and Handbooks established by the OEB, including the Retail Settlement Code, the Standard Supply Service Code, the Distribution System Code and the Electricity Distribution Rate Handbook, provide for minimum payment periods, authorize Distributors to use those means available to them under law to mitigate consumer non-payment risk, and allow Distributors to establish prudent and commercially sound Credit and Collection Policies.

### **Methodology:**

With the enactment of the *Energy Competition Act*, local Municipal Electric Utilities (MEUs) were required to incorporate under the Ontario *Business Corporations Act* (OBCA). Under the Municipal Act and the Public Utilities Act, MEUs had the ability to collect any outstanding arrears by placing a lien on the owner’s property. Once the MEU was incorporated as an OBCA corporation, it no longer had the power to lien a property and no longer had the ability to add a delinquent customer’s utility bill to the municipal tax rolls. This Policy provides for a means of obtaining security from customers for the payment of their accounts, with the primary objective of reducing the number and amount of potential annual write-offs Distributor may experience due to poor customer payment practices.

In the development of this policy, Distributor considered whether it would require customers to provide Security Deposits. It was concluded that it is commercially reasonable, and typical of other commercial entities including banks and credit card issuers, to consider the creditworthiness of a potential customer prior to providing the customer with credit. This Policy was developed with the assumption that a current residential customer whose account with Distributor is in good standing will remain connected to the distribution system without a Security Deposit provided that the customer meets the generally accepted credit requirements set out in Section 4.2 of this policy. However, all new customers will be required to provide security in a form acceptable to Distributor, and in an amount set out in this Policy, prior to being permitted to connect to the distribution system. Where an existing customer no longer meets the criteria for an exemption from the requirement to provide a Security Deposit, the customer will provide a Security Deposit in the manner set out in this Policy as a condition of Distributor's continued supply of electricity to that customer.

**Effective Date:**

The effective date of this Policy is August 5, 2012

**1. Contract:**

All new customers or existing customers relocating to a new service address in the Niagara on the Lake Hydro Inc service area must enter into a Contract in the form provided by Niagara on the Lake Hydro Inc. This agreement, when signed, forms a binding contract between the Customer and the Niagara on the Lake Hydro Inc, and will be evidence of the fact that the Niagara on the Lake Hydro Inc and the Customer have accepted and mutually agreed to the terms of the Contract.

Personal information such as the customer's driver's licence number, the name of the customer's employer, and the customer's social insurance number will be requested from all customers (photo identification is preferred).

**2. Account Set-up Charge:**

Customers will be subject to an Account set-up charge as approved by the OEB.

**3. Security Deposit:**

A "new customer" is defined in this Policy as a consumer of electricity that does not have an account with Niagara on the Lake Hydro Inc prior to the date that this Policy comes into force, and that requests that Niagara on the Lake Hydro Inc open an account with the consumer and commence the supply of electricity to the consumer on or after the date that this Policy comes into force. Security Deposits will be required from all new customers, to the extent permitted by the OEB's Retail Settlement Code, regardless of their Customer Class, and regardless of whether they are on Standard Supply Service (SSS) or they have entered into contracts with electricity retailers. The amount of the Security Deposit for each class will be calculated according to sections 5 & 8 of this Policy.

Where the customer is a party to a contract with an electricity retailer, the following policies shall apply according to the billing option selected by the retailer.

### **3.1 Distributor-Consolidated Billing and Standard Supply Service**

Under these options, Niagara on the Lake Hydro Inc will continue to issue a bill to the customer. Niagara on the Lake Hydro Inc is responsible for customer non-payment risk. Niagara on the Lake Hydro Inc will impose a Security deposit depending upon its assessment of the customer's likely risk of nonpayment, according to the requirements set out below.

### **3.2 Retailer-Consolidated Billing**

Under this option, Niagara on the Lake Hydro Inc will not issue a bill to a customer. The retailer is responsible for issuing the bill to the customer, and for customer non-payment risk. Niagara on the Lake Hydro Inc will not require a security deposit from the customer. If Niagara on the Lake Hydro Inc is in possession of a customer's Security Deposit at the time of a switch to retailer-consolidated billing, the deposit shall be applied to the customer's final bill under the billing type in respect of which Niagara on the Lake Hydro Inc has required a Security Deposit, and any unapplied balance of the Security Deposit will be returned to the customer.

### **3.3 Split Billing**

Under this option Niagara on the Lake Hydro Inc 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 Niagara on the Lake Hydro Inc, they will retain a portion of the deposit amount that reflects the non-payment risk associated with the new billing option. Any excess deposit amount will be returned to the customer. For customers making new application for service, Niagara on the Lake Hydro Inc shall require a Security Deposit in an amount that shall depend upon Niagara on the Lake Hydro Inc's assessment of the customer's likely risk of non-payment, according to the requirements set out below.

## **4.0 Residential Customers**

4.1 Every new customer requesting the establishment of an account with Niagara on the Lake Hydro Inc as a Residential customer and the delivery of electricity to the customer's service address shall pay a Security Deposit prior to the commencement of service to the customer. New customers maybe exempted through a letter of reference from another Canadian Utility Gas/Electric Company proving the requirements outlined in 4.2 have been met. The time restraint for the letter of reference is the most recent 12 consecutive months within the past two years.

4.2 A Residential customer with a "Good Payment History" is defined as a Residential customer with no more than:

- (i) Disconnection/Load Limiter of service in the preceding 12 months; or
- (ii) One (1) Cheque returned for Non-Sufficient Funds or for reasons of non-payment initiated by the customer in the preceding 12 consecutive months; or

(iii) One (1) Disconnect Notices in the preceding 12 consecutive months or;

4.3 Residential Customers Security Deposits can be paid in the form of Cash, current dated cheque, Credit Card or Interac. If the customer cannot pay in one lump sum payment, the customer can make four equal payments over a 4-month period.

4.4 A Residential customer that is not a new customer will not be required to provide a Security Deposit to Niagara on the Lake Hydro Inc, provided that the customer has an Good Payment History, as defined in Section 4.2 above, as of the date that this Policy comes into force, and provided further that the customer maintains that Good Payment History.

4.5 Where a Residential customer was not required to provide a Security Deposit pursuant to Section 4.1 above, and where that customer no longer has an Good Payment History as a result of having exceeded any of the limits set out in Subsection 4.2, the customer shall provide a Security Deposit to Niagara on the Lake Hydro Inc, in an amount calculated in accordance with Section 4.7 below. Specific procedures to be followed are outlined in Appendix 1.

4.6 Where a Security Deposit becomes payable by the Residential customer, Niagara on the Lake Hydro Inc will notify the customer that the Security Deposit is payable, and will add the amount of the Security Deposit to the next bill issued to the customer.

4.7 All new Residential customers will be required to provide Niagara on the Lake Hydro Inc with Security Deposits in the following amounts, as applicable, prior to the commencement of service:

Customers billed Monthly: 2.5 x the average monthly bill for the service address in the preceding 12 month period or, in the case of a service address to which service has not been provided throughout the preceding 12 month period, 2.5 x the average bill for a building or unit with a similar anticipated load profile

4.8 For the purposes of calculating the bill in 4.7 for a low volume or designated customer who is billed SSS or distributor consolidated billing, the price used will be the price used by the IMO for the purpose of determining maximum net exposures and prudential support obligations for distributors, low volume and designated customers. For all other customers billed SSS or distributor consolidated billing, the price used will be the price used by the IMO for the purpose of determining maximum net exposures and prudential support obligations for other than distributors, low volume and designated customers.

## 5.0 **General Service and Large Use Customers:**

5.1. Every new customer requesting the establishment of an account with Niagara on the Lake Hydro Inc as a General Service or Large User customer and the delivery of electricity to the customer's service address shall pay a Security Deposit prior to the commencement of service to the customer, in an amount calculated as follows:

Customers billed Monthly: 2.5 x the average monthly bill for the service address in the preceding 12 month period or, in the case of a service address to which equivalent service has not been provided throughout the preceding 12 month period, 2.5 x the average bill for a building or unit with a similar anticipated load profile

5.2 Security deposits may be prearranged in the form of any of the following:

- i. Cash or certified cheque, Credit Card or Interac. If the customer cannot pay in one lump sum payment, the customer can make four equal payments over a 4-month period.
- ii. An irrevocable Letter of Credit from a Chartered Bank, Trust Company or Credit Union in a form acceptable to Niagara on the Lake Hydro Inc, valid for a minimum of 3 years with a rolling validity of a minimum of 3 months from signing date of service agreement.
- iii. Surety Bond in a form acceptable to Niagara on the Lake Hydro Inc.
- iv. A guarantee in a form acceptable to Niagara on the Lake Hydro Inc provided by a person that is an affiliate of the customer, as the term "affiliate" is defined in the Business Corporations Act (Ontario), and that has a credit rating from a major bond rating agency such as Standard and Poors or such other agency as may be identified by Niagara on the Lake Hydro Inc.

5.3 Those customers that are able to provide a Specified Credit Rating will be eligible for a reduction in their security deposit as outlined in the charts below.

**With Specified Credit Ratings**

Table 1

<b>Credit Rating with Standard and Poor's Rating Terminology</b>	<b>Allowable reduction in Security Deposit</b>
AAA- and above or equivalent	100% of deposit calculated in accordance with section 5.1
AA-, AA, AA+ or equivalent	85% of deposit calculated in accordance with section 5.1
A-, A, A+ or equivalent	75% of deposit calculated in accordance with section 5.1
BBB-, BBB, BBB+ or equivalent	50% of deposit calculated in accordance with section 5.1
Below BBB- or equivalent	0

5.4 A General Service customer that is not a new customer will not be required to provide a Security Deposit to Niagara on the Lake Hydro Inc, provided that the customer has an Good Payment History, as defined in Section 6.1 below, as of the date that this Policy comes into force, and provided further that the customer maintains that Good Payment History. Where that customer no longer has an Good Payment History as a result of having exceeded any of the limits set out in Subsection 6.1, the customer shall provide a Security Deposit to Niagara on the Lake Hydro Inc, in

an amount calculated in accordance with Section 5.1 above. Specific procedures to be followed are outlined in Appendix 1.

### **Delinquent General Service Accounts:**

6.1 In order to maintain a reduction or waiver of its Security Deposit requirement pursuant to Section 5.3 or 5.4 above, a General Service or Large Use customer must maintain its “Good Payment History”. For General Service and Large Use customers, “Good Payment History” is defined as a General Service or Large Use customer

with no:

- (i) Disconnection/Load Limiter of service in the preceding relevant time period

or with no more than:

- (i) One (1) Cheque returned for Non-Sufficient Funds or for reasons of non-payment initiated by the customer in the preceding relevant time period; or
- (ii) One (1) Disconnect Notice in the preceding relevant time period or;

The relevant time period differs by rate class

- 5 years for General Service <50 kW
- 7 years for General Service >50 k W

If a General Service or Large Use customer’s deposit is waived or reduced due to the provisions in section 5 above and loses its Good Payment History status by exceeding any of the limits set out in this Section 6, the customer shall provide to Niagara on the Lake Hydro Inc a Security Deposit from the customer as calculated in accordance with section 5.1 of this Policy.

6.2 Where a Security Deposit becomes payable by the General Service customer, Niagara on the Lake Hydro Inc will notify the customer that the Security Deposit is payable, and will add the amount of the Security Deposit to the next bill issued to the customer.

## **7 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, and in certain circumstances, as a condition of continued service. Niagara on the Lake Hydro Inc, may extend special payment arrangements to those customers unable to make full payment of the deposit. In these circumstances, Niagara on the Lake Hydro Inc will provide the customer with 30 days to make full payment of the deposit. After 30 days, should the customer fail to make full payment of the deposit, Niagara on the Lake Hydro Inc will forward a written reminder of the overdue account followed by a disconnect notice after four (4) business days. Non-payment of the deposit will result in disconnection of service as detailed in Sections 15 and 16.

## 8. **Security Deposit Adjustments:**

Security Deposits will be reviewed at least once in a calendar year and may be adjusted accordingly. Adjustments will be debited or credited to the customer's account on the bill following the adjustment.

## 9. **Retention/Refund of Deposit:**

9.1 Security deposits will be refunded to a customer, in whole or in part according to the circumstances giving rise to the refund, upon an application for a refund, and only where:

- (i) The customer terminates its service with Niagara on the Lake Hydro Inc. The Security Deposit will be applied to the balance owing on the customer's final bill, and any amount not required for this purpose will be refunded to the customer within one month; or
- (ii) If a customer switches to retailer-consolidated or split billing, in which case the Security Deposit will be reduced to a level set out in the Ontario Energy Board's Retail Settlement Code, after Niagara on the Lake Hydro Inc has recovered any outstanding arrears on the customer's account.
- (iii) If the customer has established a Good Payment History as described in 4.2 and 6.1, the Security Deposit will be refunded to the customer. Niagara on the Lake Hydro Inc will review the Security Deposits being held annually and return those that meet the requirements. A customer may request the return of his deposit prior to the annual review as long as the criteria have been met.

9.2 Where the customer moves within the Niagara on the Lake Hydro Inc service area, the Security Deposit may be applied to the customer's account in respect of the customer's new service address. Niagara on the Lake Hydro Inc may adjust the Security Deposit in consideration of the historical consumption or the customer's anticipated load profile at the new service address, in accordance with Sections 4.2 and 5.1 above.

## 10 **Interest on Security Deposit:**

- (i) Simple interest for each full calendar month the deposit is held will be paid annually on all cash Security Deposits. Interest will not be paid on Letters of Credit or other forms of Security Deposit. The rate of interest paid will be the Prime Business rate less 2%.
- (ii) Interest earned will be applied to customer accounts or applied to the Security Deposit at the discretion of the Niagara on the Lake Hydro Inc, at their year-end for each prior period, or whenever Security Deposits are returned, whichever occurs first.

**11 Payment of Bills:**

The customer must make payment of any outstanding accounts to Niagara on the Lake Hydro Inc on the due date as identified on the bill. Where a payment is made by mail, the payment will be deemed to be made on the date post- marked. Where a payment is made at a financial institution acceptable to Niagara on the Lake Hydro Inc, 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, and partial payments will be applied first to non-regulated charges.

**12 Late Payment Charge:**

Late payment charges will apply to any arrears unpaid after the due date of the bill. Niagara on the Lake Hydro Inc will charge late payment charges at an interest rate approved by the Ontario Energy Board as per Niagara on the Lake Hydro Inc's annual Rate order submission.

**13 Returned Cheques:**

Any cheque or pre-authorized payments charged back by the bank for whatever reasons shall be corrected immediately by the customer. Any denied payment will be reversed on the customer's account and a returned cheque fee charged to the customer in accordance with Niagara on the Lake Hydro Inc's Electricity Distribution Rate Order. Niagara on the Lake Hydro Inc will attempt to make contact with the customer to obtain payment for any outstanding amounts owed by the customer on account of the returned cheque, including all associated Service Charges. Should such an attempt fail, Niagara on the Lake Hydro Inc shall forward a Disconnect Notice detailing all charges owed by the customer. Specific procedures to be followed are outlined in Appendix 1.

**14. Load Limiters:**

Load limiters may be used as alternatives to disconnecting the customer's service from the Distribution grid. Load limiters may be used specifically from November 1<sup>st</sup> until April 1st. 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 current to operate a furnace for heating the home.

**15. Disconnection/Load Limiter of Electricity Service:**

Where a customer's account is in arrears and where the Ontario Energy Board's Retail Settlement Code permits Niagara on the Lake Hydro Inc to disconnect the customer's service, Niagara on the Lake Hydro Inc will issue a Reminder Notice seven (7) calendar days after the due date in the customer's account, unless payment has been received or payment arrangements acceptable to Niagara on the Lake Hydro Inc have been made. A Disconnect Notice will be issued five (5) calendar days after the Reminder notice unless payment is received or payment arrangements acceptable to Niagara on the Lake Hydro Inc have been made. The disconnection will be completed four (4) calendar days after the Disconnect notice unless payment is received or payment arrangements acceptable to Niagara on the Lake Hydro Inc have been made.



Prior to disconnecting the service a company representative will make reasonable efforts to establish direct contact with the customer in accordance with the Ontario Energy Board's Electricity Distribution Rate Handbook.

Payments must be received at the Niagara on the Lake Hydro Inc's office by 12:00 Noon on or before the scheduled disconnect date. Failure to do so may result in additional re-scheduling and reconnection charges. Specific procedures to be followed are outlined in Appendix 2.

**16. Reconnection of Electrical Service:**

Where the customer's service has been disconnected due to arrears, the customer must pay to Niagara on the Lake Hydro Inc the full amount of the customer's arrears, any Security Deposit that Niagara on the Lake Hydro Inc may require, and payment in full must be received by Niagara on the Lake Hydro Inc before the customer's service will be reconnected. If the customer requests the service to be connected after normal hours of work, full payment must be **received in our office during normal business hours**. Niagara on the Lake Hydro Inc has **2 full business days to reconnect the service**. **Should the customer request an "after hours" reconnection rate will apply**. **Customers must be present during reconnection**. **Specific procedures to be followed are outlined in Appendix 2**.

**17. Billing Errors:**

Billing errors will be resolved in accordance with Section 7.7 of the Ontario Energy Board's Retail Settlement Code, as that Code may be amended from time to time.

**18. Final Bills:**

(i) Forwarding Address:

- a) If a customer neglects to pay its final bill the Security deposit will be applied to reduce the Final Bill.
- b) If the forwarding address is within Niagara on the Lake Hydro Inc's service area and the Customer sets up a new account at new forwarding address within Niagara on the Lake Hydro Inc's service area, the customer will be provided the option to transfer the balance to the new account or use the Security Deposit to pay the bill and the new Security Deposit will be calculated accordingly.

(ii) No Forwarding Address:

- a) If a customer neglects to pay its final bill the Security deposit will be used 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 Niagara on the Lake Hydro Inc's service area, Niagara on the Lake Hydro Inc staff will make an attempt to locate forwarding address, and may

request the assistance of other licensed Distributors. If this yields no results, the account will be referred to a collection agency.

- (iii) If a personal guarantee has been provided by a General Service customer or an officer or director or other principal of a General Service customer in that customer's Service Agreement with Niagara on the Lake Hydro Inc, and the individual executing the guarantee has another account of any kind with Niagara on the Lake Hydro Inc, then any amounts outstanding on that final bill may be transferred to that individual's other account.

## Appendix 1

### Collecting of Deposits on Existing Customers

#### Returned Cheques

**First Occurrence** – The customer will be called to cover the NSF payment the same day as notification is received. The customer must pay in cash, certified cheque, money order, Interac or credit card within 48 hours to avoid collection.

The customer will be sent a Deposit Warning letter advising that another NSF will require the cancellation of PAP (if applicable) and payment of a Security Deposit.

**Second Occurrence** - The customer will be called to cover the NSF payment the same day as notification is received. The customer must pay in cash, certified cheque, money order, Interac or credit card within 48 hours to avoid collection. The Security Deposit will be added to the account and a letter sent to the customer advising them this has been done. Payment will be due with the next billing and regular collection practices will take effect.

**Third Occurrence** – Should the customer have another NSF cheque he will be advised that we will no longer accept cheque payments unless they are certified.

#### Disconnect Notices

**First Occurrence**- The customer will be sent a letter advising that, in the event of another collection, a Security Deposit will be collected.

**Second Occurrence** – The Security Deposit will be added to the account and a letter sent to the customer advising them this has been done. Payment will be due with the next billing and regular collection practices will take effect.

#### Disconnected Services

**First Occurrence**- After the service is reconnected the Security Deposit will be added to the account and a letter sent to the customer advising them this has been done. Payment will be due with the next billing and regular collection practices will take effect.

## Appendix 2

### Customer Disconnections/Load Limiter for Non-Payment.

#### Disconnections/Load Limiter

1. Disconnects will generally be done on Tuesdays. The service orders will be prepared Monday afternoon and given to the Lines Supervisor. Tuesday morning the door box will be checked for payments and the Lines Supervisor advised to go ahead with the orders.
2. The service order will be prepared in triplicate and sent to the Lines/Engineering departments. A photocopy will be kept in the collections binder attached to the collection notice.
3. Disconnections will be completed prior to 12:00 pm and the billing department will be notified as they are done. Should payments come in over the counter, the billing department will immediately advise the person doing the disconnect via cell phone.
4. The completed order will show the meter reading and the type of disconnection done ie at pole, load limiter etc. The top (white) copy of the service order will be returned to the Billing Department by 2:30 pm to allow time for preparation of the disconnect list for the on-call person. The pink copy will be kept by the Line Department and the yellow by Engineering.
5. Lines/Engineering will check the disconnected services weekly to ensure the power is still off and there has been no movement on the meter.

#### Reconnections

1. To be reconnected, a customer must clear his full arrears, deposit (if required) and reconnect charge. The disconnection list will show the total amount to be collected both during business and after hours. Cash, certified cheque or money order are the only acceptable methods of payment. Reconnection requests must be received prior to 2:15 pm to avoid overtime charges. **No payments will be received except at the office during regular business hours.**
2. The customer or his representative must be there in order for the service to be reconnected. The only exception would be in the case of an untripped load limiter.
3. In the case of an after hours reconnect, **O.E.B approved charges must be paid in advance at the office.**
4. For safety reasons, reconnects done after 10:00 pm will require two employees to complete the work. These additional charges will be calculated on the disconnect list and are to be collected in cash from the customer prior to the reconnection.
5. Lines/Engineering will complete the pink copy of the service order for the reconnect with the date and time the work was completed, the initials of the person completing the work and the meter reading.
6. Upon receipt of the reconnect service order, the Billing Department will issue an adjustment to charge the customer for the reconnect.