

## 2.19 SECURITY DEPOSITS

### A. General Provisions:

The following provisions apply to security deposits for all customer classes. (Provisions that apply to specific customer classes such as residential, small general power, etc. are addressed later in this policy).

1. Deposit policies will be applied without regard to race, color, creed, sex, age, handicapped status, national origin, or marital status.
2. Record of Deposits – The Cooperative will maintain a record of all deposits received from members, showing the name of each member, the address of the premises for which the deposit is maintained, the date and amount of deposit, and the date and amount of any interest paid.

Whenever a security deposit is accepted, the Cooperative will issue to the member a non-assignable receipt containing the following minimum information:

- 1) Name of member
  - 2) Date of deposit
  - 3) Amount of deposit
  - 4) Cooperative name and address, signature and title of the Cooperative employee receiving deposit.
3. Interest on Deposits – All cash deposits shall accrue interest. This interest shall be paid at the rate paid by the Cooperative's bank to its primary checking account or .5%, whichever is higher, and shall be applied to the account annually. The rate of interest may be adjusted, as necessary, in January of each year.
  4. All security deposits shall be in addition to the regular membership fee.
  5. The policy in no way applies to the collection of deposits to secure the cost of new construction.

### B. Residential:

1. A deposit of suitable guarantee may be required of any applicant before electric service is supplied or reconnected following disconnection for non-payment. The purpose of this deposit is to partially protect the assets of VEC member-owners in the event that an individual customer defaults on his financial obligation to the Cooperative.

2. Amount of Deposit -

VEC will determine the amount of deposit utilizing a VEC-approved credit rating agency. The amount will be based on the customer's delinquency risk. This risk is calculated using nationally available data including, but not limited to, the customer's credit score, delinquencies with other utility companies, and credit history. Based on this calculation, the customer will be classified in one of three risk categories:

<u>Category</u>	<u>Deposit Required</u>
Low Risk	No deposit required
Medium Risk	\$200 or the amount equivalent to one month of electric usage (if prior usage can be calculated for the account).
High Risk	\$250 or the amount equivalent to two months of electric usage (if prior usage can be calculated for the account).

This deposit policy will apply to new services, new accounts, and new meter locations as well as existing services and accounts with new occupants. The customer can request a review of their total deposit balance as well as the adequacy of the deposit. VEC can periodically review the adequacy of the customer deposit and make changes as needed.

3. PayMyWay Deposit – No deposit is required for residential customers who maintain a positive account balance in the PayMyWay prepaid electric service program.
4. Refunds - The member must have an acceptable VEC credit history in order for the deposit to be refunded. After thirty-six (36) months of continuous service, the member's deposit will be applied to the member's account if the member has had no adverse credit events at VEC (penalties, payments returned for insufficient funds, meter tampering, late notices, etc.).

C. General Power 50 kW or Less:

1. A deposit of suitable guarantee may be required of the applicant before electric service is supplied.
2. Amount of Deposit

An amount approximately equal to two (2) months billing based on historic usage at this location. If no billing history is available, the deposit will be estimated based on similar loads and/or businesses.

3. In Lieu of Deposit – In lieu of a cash security deposit, the Cooperative may accept the following as security:
  - a. Guaranty in Lieu of Security Deposit signed by the applicant and cosigned by a member-property owner as surety for the account.
  - b. Assignment of savings account or certificate of deposit in the name of the applicant and the Cooperative in any federally insured bank or savings and loan association.
4. Refund – Upon termination of service, the Cooperative will refund to the member the deposit less any unpaid electric bills due the Cooperative.

D. General Power and Industrial Consumers Over 50 kW:

1. A security deposit in the amount of two (2) months approximate billing shall be required and in addition thereto a personal guaranty may be required. If no billing history is available, the deposit will be estimated based on similar loads and/or businesses.
2. In lieu of cash, the security deposit may be met by any one or more of the following:
  - a. Bond in the amount of the deposit.
  - b. Irrevocable letter of credit from a bank.
  - c. Guaranty in Lieu of Security Deposit signed by the applicant and cosigned by a member-property owner as surety for the account.
  - d. Assignment of savings account or certificate of deposit in the name of the member and the Cooperative in any federally insured bank or savings and loan association.  
  
In the case of (d) all interest over and above that which is necessary for the full payment of any account due the Cooperative shall ensure to the benefit of the member.
  - e. National or regional accounts nominated and approved by the VEC President/CEO for the TVA Enhanced Security Deposit Program.
3. Refund – Upon termination of service, the Cooperative will refund to the member the deposit less any unpaid electric bills due the Cooperative.