

Appendix B

CUSTOMER UTILITY DEPOSIT POLICY

1.1 Deposit Requirement

The City of Shelby may require the customer to make an initial deposit, based on the current Schedule of Fees and Charges, as a guarantee of the payment for utilities used. The deposit for utility service is collected as security so that all bills will be paid in full by their due date. In some cases, the City will allow customers to provide alternative guarantees of payment or proof of credit worthiness in lieu of required deposit.

1.2 Residential Customer Deposit Alternatives

Any customer who must pay a deposit for residential utility service may choose one of the following:

- A. Pay initial cash deposit (See Current Schedule of Fees and Charges.)
- B. Customers who can provide a letter of credit reference (showing equivalent or similar service) from their previous utility provider may be exempt from this requirement. However, if a customer's payment record deteriorates, a security deposit may be required for continued service.
- C. If the customer is the owner of the premises to be served, then a deposit will not be required. The City of Shelby reserves the right, however, to check applicant's credit references. If the customer's payment record does not exemplify a good credit/payment history, as defined in Section 1.6, a security deposit may be required for continued utility service.

1.3 Commercial/Non-Profit/Industrial Customers

Commercial/Non-Profit/Industrial Customers shall, at the time of application for service per account, pay a deposit as specified in the Schedule of Fees and Charges. Payment may be in the form of:

- A. Initial Cash Deposit.
- B. Irrevocable bank letter of credit or a surety bond in the amount of the specified deposit, issued by an insurance company or bank authorized to do business in North Carolina.
- C. Jointly owned Certificate of Deposit for the amount of the specified deposit, held by the City of Shelby, with interest paid by a local financial institution directly to the customer.
- D. If the customer is the owner of the premises to be served or the owner of a comparable business and can provide a letter of credit reference that displays an excellent credit history, then a deposit will not be required. However, if a customer's payment record deteriorates, a security deposit may be required for continued service.

FOR DEPOSIT REQUIREMENTS OVER \$2,000, the City requires surety bonds in the amount of the specified deposit, issued by an insurance company or bank authorized to do business in North Carolina. An original signed copy of the bond form must be provided to the Customer Services department. Surety bonds must be renewed annually, and an original copy of the renewed bond form must be provided to the Customer Services department upon each renewal. If the surety bond is not renewed by the required renewal date, a notice will be mailed to the customer stating that the bond must be renewed within 30 days of the date on the notice. If the bond renewal is not received by the date specified in the notice, services will be disconnected until such time the bond renewal is received. The City must also be notified of any changes regarding the surety bond or the insurance company that guarantees the bond. In the event the customer purports to be unable to secure a surety bond and provides satisfactory documentation of two bond application refusals, the deposit requirements for under \$2,000 will be accepted.

- E. A commercial customer can elect to go on auto draft in lieu of a deposit, excluding deposits \$2,000.00 or more that require a surety bond. The customer must sign an agreement to stay on auto draft for a twelve (12) month period to establish good credit history with the City of Shelby. Meaning the first twelve (12) bills are successfully drafted from the customer's account without any returned drafts, insufficient funds or any other issue. A deposit will be quoted to the customer in the agreement and if the customer's payment record deteriorates, the quoted deposit will be immediately required. The customer must sign the agreement when establishing services with the City of Shelby.

1.4 Deposits and Service Disconnect

Notwithstanding the initial deposits specified in the above sections, any customer whose service is involuntarily terminated for non-payment, meter tampering or other reasons shall pay such deposit as required in the Schedule of Fees and Charges to protect the City of Shelby from loss of revenue. These deposits shall be held and refunded only as stated in this policy. Within ten (10) days of written notice, any customer who fails to make required cash deposits or provide surety bonds or irrevocable letter of credit when specified shall be subject to disconnection of service until such deposit has been provided.

1.5 Deposit Refunds

Deposits may be refunded under the following circumstances:

- A. A deposit will be refunded promptly and automatically when service is voluntarily discontinued. All outstanding amounts on the final bill will be deducted from the deposit amount.
- B. The City of Shelby will return a customer's deposit when that customer has exhibited good credit as defined in Section 1.6.

- C. A deposit will not be refunded if the customer has another account with The City of Shelby that has a past due balance. The remaining credit on the account will be transferred to the other account which has a past due balance.

1.6 Definition of Good Credit/Payment History

Good Credit/Payment History can be defined as having no late payments, no returned checks, and no involuntary disconnections in the most recent twelve-month period at the customer's current service address. Payments are considered late at such time as the \$10.00 late penalty is applied to the outstanding bill.

CITY OF SHELBY SCHEDULE OF UTILITY DEPOSITS

WATER

RESIDENTIAL	\$60.00
COMMERCIAL/INDUSTRIAL	TWO (2) MONTHS ESTIMATED BILL- PEAK USAGE MONTHS

SEWER

RESIDENTIAL	\$60.00
COMMERCIAL/INDUSTRIAL	TWO (2) MONTHS ESTIMATED BILL- PEAK USAGE MONTHS
RESIDENTIAL SEWER ONLY (no other utility services on account)	\$120.00 Residential
COMMERCIAL SEWER ONLY (no other utility services on account)	TWO (2) MONTHS ESTIMATED BILL- PEAK USAGE MONTHS

ELECTRIC

RESIDENTIAL	\$150.00
COMMERCIAL/INDUSTRIAL	TWO (2) MONTHS ESTIMATED BILL- PEAK USAGE MONTHS

GAS

RESIDENTIAL	\$140.00
SMALL COMMERCIAL	\$140.00
LARGE COMMERCIAL/INDUSTRIAL	TWO (2) MONTHS ESTIMATED BILL- PEAK USAGE MONTHS