



Document Type: Board Level Policy	Original Policy Date: October 25, 2012	Latest Revision Date: May 27, 2025
Document Owner: CFO/Financial	Document Classification: Public	Review Cycle: Annual

SUBJECT: Deposits

**Background:**

Delaware County Electric Cooperative's deposit policy is designed to assess the credit risk associated with applications for service, while protecting the assets of our utility.

This policy authorizes use of a screening tool called the ONLINE Utility Exchange to assess credit risk at the point of application and charge deposits only to those members who pose credit risk.

It is important to note that most of our members will be charged no deposit, because they pose little credit risk. Those members who have not established credit or pose substantial credit risk, as identified by ONLINE Utility Exchange, will bear the financial burden of that risk through a credit-based deposit policy.

All capitalized terms not defined herein shall carry the meaning ascribed in NYCRR Title 21, Section 451.

**Deposit Criteria:**

DCEC shall consider the status of the applicant and act according to the following criteria:

1. All service applicants who pose a low Delinquency Risk (Green Light returned on the ONLINE Utility Exchange) will be charged no deposit.
2. New residential service applicants who pose a medium Delinquency Risk (Yellow Light returned on the ONLINE Utility Exchange) will be charged a deposit equal to one times the average monthly bill of the same rate class during the preceding 12 months.
3. New residential service applicants who pose a high Delinquency Risk (Red Light returned on the ONLINE Utility Exchange) will be charged a deposit equal to two times the average monthly bill during of the same rate class the preceding 12 months.
4. DCEC reserves the right to require a deposit of two times the times the average monthly bill for the SC-1 class the preceding 12 months to the following classes of Members:
  - a. Temporary or Short-term Members who apply for and receive electric service periodically each year, intermittently during the year, or at other irregular intervals, or who require electric service for a specified period of time that does not exceed one year.
  - b. Delinquent Members, defined as a Member who:
    - i. accumulates two consecutive months of arrears without making reasonable payment, defined as one half of the total arrears, provided that the DCEC requests such deposit within two months of such failure to pay; or
    - ii. had electric service terminated for nonpayment during the preceding six months.
  - c. Non-Residential Members. In this case, DCEC reserves the right to charge a deposit in the estimated amount of two calendar months for their service class.
5. In cases where the Member is known to heat with electric space heating, DCEC reserves the right to charge deposits based on the average monthly bill for the heating season, as opposed to



the average for the entire year. If DCEC requires a deposit from a current residential customer who is delinquent by virtue of his or her failure to make a reasonable payment of arrears, as provided in this paragraph, it shall permit such customer to pay the deposit in installments as per the NYCRR.

6. Except in cases where a service applicant has already provided a fraudulent social security number, DCEC shall not require that an applicant provide their social security number as a requirement for service. However, it is our policy that applicants who refuse or are unable (e.g., estates, corporations, LLCs, etc.) to provide their social security number pose a greater Delinquency Risk and shall be charged the maximum deposit.
7. A service applicant who voluntarily provides a social security number that is identified as belonging to a deceased person, non-issued, belonging to a person under the age of 18, or belonging to a person other than the applicant, or is otherwise fraudulent, shall be denied service until that person supplies a valid social security number. Such matters shall be handled in accordance with DCEC's Identity Theft Red Flag Prevention Policy.
8. Active members adding an additional service location are not required to pay a deposit, except in special cases as described in numbered item 9 below.
9. In cases where a service is being reconnected after disconnection for non-payment, the reconnecting member shall pay the maximum deposit (described above), except that members may request a one-time waiver following their first disconnection for non-payment.

#### **ONLINE Utility – Method of Quantifying Risk:**

The ONLINE Utility Exchange is designed to screen service applicants to determine their Delinquency Risk based upon three criteria:

1. Social Security Number (SSN) verification;
2. Credit score; and
3. Payment experience with other utility providers.

ONLINE Utility Exchange utilizes the industry standard calculation known as the Experian National Credit Risk Model to calculate a number between 0 and 1000. The Experian number is then converted to a Delinquency Risk expressed as a percentage between 0% and 100%. Credit risk will be defined as follows in relation to the Experian calculation:


<b>Delinquency Risk (%)</b>	<b>Credit Risk Definition</b>
0.0% - 10.0%	Low Risk – Green Light
10.1% - 25.0%	Medium Risk – Yellow Light
25.1% - 100%	High Risk – Red Light

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**Procedure for Using the ONLINE Utility Exchange:**

Green Light (Low Risk  $\leq 10.0\%$ )

Deposit Decision



**1.5%**


Potential Delinquency Risk

Waive Deposit

Waive the member's deposit. Charge only the application fee and any connection fees. If the application is for a joint membership, both spouses must return a Green Light to have their deposit waived. Otherwise, charge the deposit associated with the higher credit risk.

Yellow Light (10.1%  $\leq$  Medium Risk  $\leq 25.0\%$ )

Deposit Decision



**17.8%**


Potential Delinquency Risk

Charge 1x Highest Monthly Usage

Charge a deposit as calculated using the method described in the following section. The application fee, connect fee and deposit must be paid prior to the connect order being issued. If the application is for a joint membership, charge the deposit associated with the higher credit risk. In other words, if one spouse returns a Green Light and the other spouse returns a Yellow Light, the deposit is determined by the spouse who returns a Yellow Light (Medium Risk).

Red Light (High Risk  $\geq 25.1\%$ )

Deposit Decision



**64.3%**

Potential Delinquency Risk

Charge 2x Highest Monthly Usage



Charge a deposit equal to two times the amount calculated using the method described in the following section. The application fee, connect fee and deposit must be paid prior to the connect order being issued. If the application is for a joint membership, charge the deposit associated with the higher credit risk. In other words, if one spouse returns a Green Light or Yellow Light and the other spouse returns a Red Light, the deposit is determined by the spouse who returns a Red Light (High Risk).

#### **Calculation of deposit amounts**

Between January 1<sup>st</sup> and 15<sup>th</sup> of each year, the Cooperative shall calculate the average residential monthly billing amount for SC-1 for each month of the previous year. The base deposit amount shall be the highest average monthly amount for the previous year. The high risk deposit amount shall be two times this base deposit amount.

#### **Interest Paid to Members**

Interest shall accrue monthly on member deposits at a simple interest rate per year, which is reflective of the FDIC National Deposit Rate for Savings\*, less the cost of administering the deposits of 1.75% (but in no case less than 0%). This rate shall be updated between January 1<sup>st</sup> and 15<sup>th</sup> of each year based upon rates as published by the FDIC during the previous October.

The current annual rate effective January 1, 2025 is 0%.

\* See <https://www.fdic.gov/national-rates-and-rate-caps/national-rates-and-rate-caps-previous-rates>

#### **Procedure for Returning Deposits**

A member's deposit will be returned after 12 consecutive months of on-time payments or when the member terminates service. They will receive their deposit, plus interest, net of any amounts owed to the Cooperative. In cases where the deposit is held longer than 12 months, the accrued interest is credited to the member account annually as an adjustment to the utility bill of the anniversary month

#### **DELAWARE COUNTY ELECTRIC COOPERATIVE, INC**

Approved by Board of Directors	October 25, 2012
Revised by Board of Directors	November 27, 2012
Revised by Board of Directors	February 26, 2013
Revised by Board of Directors	September 23, 2014
Revised by Board of Directors	March 22, 2016
Revised by Board of Directors	April 24, 2018
Revised by Board of Directors	October 26, 2021
Revised by Board of Directors	January 31, 2023
Revised by Board of Directors	May 27, 2025