

SECURITY DEPOSIT POLICY

As a condition of supplying or continuing to supply distribution services, Hearst Power will request security deposits from Customers. Security Deposits shall be determined and managed in accordance with Sections 2.4.6.1 to 2.4.28 of the DSC. Hearst Power shall not discriminate among Customers with similar risk profiles or risk related factors, except where expressly permitted under the DSC.

Except for Customers or Consumers who meet the energy use security deposit waiver conditions described below, all Customers and Consumers are required to provide an account security deposit to Hearst Power.

Energy use security deposits shall be considered as advanced payments on accounts and become the property of Hearst Power until refunded. They are not considered security, as defined in the Bankruptcy and Insolvency Act (1992), Section 69(1).

The utility reserves the right to apply a security deposit if deemed necessary. When applicable, security deposits are calculated and applied according to the procedures described below;

Residential Customer Security Deposit

A residential Customer's security deposit amount is calculated according to the average bill of that account over the most recent consecutive 12- month span within the past two (2) years multiplied by a billing factor of 2; or a minimum of \$100.00 for Residential accounts with non-electrical heating and \$300.00 for Residential account with all electrical heating.

Customers opening an account may qualify for a deposit waiver, based on the following criteria:

- a customer provides historical Hearst Power account information confirming a satisfactory payment history, where some of that satisfactory payment history has occurred within the previous 24 months and is in the same account holder name, or,
- a customer provides a letter from another electrical or gas distributor in Canada, confirming a satisfactory payment history, where some of that good payment history has occurred within the previous 24 months and is in the same account holder name, or,
- a customer provides a satisfactory credit check at their expense. Hearst Power is not responsible for the data integrity of external credit rating agencies, or,

- a Customer who has been qualified as an eligible Low Income Customer, in accordance with Section 2.4.11.1 of the DSC. Customers who apply for eligibility as a Low Income Customer shall be provided 21 calendar days to confirm eligibility, in accordance with Section 2.4.11.2 of the DSC.

Deposits shall be automatically refunded to the customer's account once twelve (12) months of satisfactory payment history is established, commencing from the date the deposit was paid in full, or the customer's account is closed, whichever comes first.

Payment history is not satisfactory if one of the following events occur, during the relevant time period:

- the customer has received more than one payment reminder notice from Hearst Power,
- more than one cheque given to Hearst Power has been returned for insufficient funds,
- a disconnect / collect trip has occurred,
- a full or partial security deposit was applied to a Customer's arrears and that Customer was required to repay the security deposit.

Interest shall accrue on cash deposits, monthly, once the security deposit has been paid in full. The interest rate shall be the Bank of Canada's Prime Business Rate, less two (2) percent, as published on the Bank of Canada website and updated quarterly. Such interest shall be applied to the Consumer's account at least annually.

Payment of a requested security deposit is a condition of service and continuing service, which shall be enforced through standard collection practices for amounts overdue.

Non Residential Customers Security Deposits

Non-residential customers shall provide a security deposit based on

- the product of an estimate bill based on average of twelve (12) consecutive months in the past twenty four (24) month period multiplied by a billing factor of 2; or
- Where a customer has had more than one disconnect notice in the past twelve (12) month period, the amount of the deposit may be increased to reflect the highest actual or estimated monthly load, multiplied by a billing factor of 2.5.

Non-residential customers opening an account may qualify for a deposit waiver, based on the following criteria;

- a customer provides historical Hearst Power account information confirming a satisfactory payment history, where some of that satisfactory payment history has occurred within the previous 24 months and is in the same account holder name, or,
- a customer provides a letter from another electrical or gas distributor in Canada, confirming a satisfactory payment history, where some of that good payment history has occurred within the previous 24 months and is in the same account holder name, or,

- The customer, other than a customer in a greater than 5,000kW demand rate class, provides satisfactory credit check at their own expense. Hearst Power is not responsible for the data integrity of external credit rating agencies.

Where a non-residential customer with a 50kW or greater demand has a credit rating from a recognized credit rating agency, the maximum amount of deposit required will be reduced as follows.

Credit Rating	Allowable Reduction
(Standard and Poor's Ratings)	
AAA- equivalent and above	100%
AA-, AA, AA+ or equivalent	95%
A-, From A, A+ to below AA	85%
BBB-, From BBB, BBB+ to below A	75%
Below BBB-	0%

The minimum time frame for establishing satisfactory payment history, provided some payment history has occurred within the past 24 months, varies by Consumer class as follows:

- Commercial less than 50 kW demand: 3 years
- Commercial greater than 50 kW demand: 5 years

Hearst Power shall reduce the energy use security deposit held by Consumers greater than 5,000 kW, by a maximum of 50%, after five (5) years of good payment history has been achieved. The remaining balance of the security deposit will be refunded only when the account is closed.

Payment history is not satisfactory if more than one of the following events occur, during the relevant time period:

- the customer has received more than one payment reminder notice from Hearst Power,
- more than one cheque given to Hearst Power has been returned for insufficient funds,
- a disconnect / collect trip has occurred or Hearst Power,
- a full or partial security deposit was applied to a Customer's arrears and that Customer was required to repay the security deposit.

Acceptable forms of deposit are cash, cheque, or an automatically renewing, irrevocable letter of credit from a bank as defined in the Bank Act, 1999, c46.

For Consumers who change their billing option from distributor-consolidated billing to retailer-consolidated billing, Hearst Power shall apply their cash deposit plus accrued interest, or applicable portion thereof, to the final bill. Any residual credits shall be returned by cheque, within six (6) weeks of closure. Other acceptable forms of security shall be returned by mail.

Hearst Power will review deposit levels at least once per calendar year to assess refund eligibility. Consumers may request, in writing or by phone, a review of their deposit level or requirement, once 12-months have elapsed from the date the full deposit was paid. Consumers, who may be requested to increase their security deposit amount, shall be required to do so when their next regular bill becomes due.

Consumers, who have active accounts and are eligible for a partial or full deposit refund, shall have their cash deposit, plus accrued interest, applied to their account. Other acceptable forms of security shall be returned after suitable replacement is received, as applicable. Upon closure of an account, Hearst Power shall automatically transfer the balance to the Consumer's new Hearst Power account or, where none exists, apply the deposit and accrued interest to the final bill. Any residual credits shall be returned by cheque, within six (6) weeks of closure. Balances of less than \$5.00 will not be returned by cheque.

Interest shall accrue on cash deposits, monthly, once the security deposit has been paid in full. The interest rate shall be at the prime business rate, less two (2) percent, as published on the Bank of Canada website and updated by Hearst Power, at a minimum, quarterly. Such interest shall be applied to the Consumer's account at least annually, or, on return of the deposit or closure of account, whichever comes first.

Payment of a requested security deposit is a condition of service and continuing service, which shall be enforced through standard collection practices for amounts due.

