

Utility Deposits: What Business Owners Need to Know



spotlight

A business owner has many fixed expenses and paying for utility service may be one of the more significant. To prevent disconnection of service or payment of a costly security deposits, it is important to understand the rules that govern utility deposits and how those deposits may affect your commercial service.

When Are Deposits Permitted?

For new businesses a gas and/or electric company may request a deposit under Michigan Public Service Commission (MPSC) rules based on several factors:

- if the customer has an existing unpaid delinquent bill for utility service
- if there is an unfavorable credit rating for the business
- if the customer has engaged in unauthorized use of utility service within the past six years

For existing businesses a deposit may be required if:

- the business receives two or more final disconnect notices within a 12-month period
- service is disconnected for nonpayment
- a customer has engaged in unauthorized use of electric or gas utility service
- the customer exhibits an unsatisfactory record of bill payment within the first 6 months of service

Deposit Terms and Conditions

For both new and existing small commercial* customers, deposits, where applicable, may not be more than **15% of the customer's annual bill** (estimated for new customers). All other commercial customers may be required to pay a deposit up to **25% of the customer's annual electric or gas bill**.

During the space heating season, from November 1 through March 31, a small commercial customer will not be required to pay a deposit unless the customer has been shut off for nonpayment in the prior 12 months or if unauthorized use of utility service has occurred. A deposit charged under these conditions may not exceed the customer's average monthly bill.

Deposits may be held by the utility until a business customer has a record of **12 continuous** months of bill payment on or before the due date. Interest at 7% per annum must be paid on the deposit.

Responding to Deposit Requests

If your business receives a **deposit request**, and you are unable to pay the deposit in full, you should contact the utility company immediately regarding the amount of the deposit and possible payment arrangements. Remember, if you get two or more final disconnect notices within a 12-month period, you are subject to a deposit requirement even if you have subsequently paid your bills. The utility company is not required to lower the amount of the deposit or make payment arrangements, but may do so at its discretion based on previous payment history and other factors relating to your credit standing.

In certain cases, a surety bond from your financial institution may be issued in lieu of cash payments on the deposit. This and other alternative arrangements will need to be worked out with your utility company representative.

Not responding to deposit warnings and deposit requests may put your business in jeopardy of having the service shut off.

What Happens If I Get Behind On My Utility Bills?

It is always best to contact the utility and explain the reason for late payments as soon as you know the payment will be late. If your business has received a **deposit warning**, it is important to contact the utility company immediately to make payment arrangements for any past due balance. Making arrangements for payment of a past-due bill may prevent the request for a deposit.

Where Can I Go For Assistance?

Your utility company wants your business to succeed so that you continue to use their services. It is best to communicate with them directly as the initial point of contact.

If your contact with the company is unsuccessful, you may call the MPSC's toll-free number, 800-292-9555. Or you may e-mail your inquiry through the MPSC's web site at michigan.gov/mpsc.

note

* A small commercial customer means a non-residential customer with usage of 200 MCF of gas or less per year or 15,000 kWh of electric usage or less per year.