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Utility deposits: what business owners need to know

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

When are deposits permitted?

For new businesses

a gas and/or electric company may request a deposit 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 six months of service

Deposit terms and conditions

For both new and existing small nonresidential* customers, deposits, where applicable, may not be more than **15 percent of a customer's annual bill** (estimated for new customers). All other

nonresidential customers may be required to pay a deposit up to **25 percent of a customer's annual electric or gas bill**.

During the space heating season, from November 1 through March 31, a small nonresidential 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 five percent per year must be paid on the deposit.¹

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 seek possible assistance from your financial institution.

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

Where can I go for assistance?

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

If your contact with the company is unsuccessful, you may call the Michigan Agency for Energy's toll-free number, **800-292-9555**. Or you may e-mail your inquiry through the Michigan Public Service Commission's web site at www.michigan.gov/mpsc

What happens if I get behind on my 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.

*A small nonresidential customer means a non-residential customer with usage of 300 Mcf of gas or less per year or 30,000 kWh of electric usage or less per year. ²

¹ R 460.111a

² R 460.120b

The contents of this document are valid at the time of publication and may be subject to change.