

Deposit Rule Review

6/1/2023



Charge

In U-20836, the Commission ordered the Energy Affordability and Accessibility Collaborative (EAAC) an action item:

“The Commission finds the ALJ’s recommendation to be well-reasoned and supported by the record in this case and adopts the PFD. The EAAC is more appropriately situated to evaluate the rules pertaining to customer deposits and DTE Electric’s implementation and any specific allegations of misconduct may be addressed through the Commission’s complaint process.”



Agenda: Review the Current Deposit Rules

What are the current rules regarding deposits? Are we missing something?

Deposits and Guarantee Terms and Conditions

- Prohibited Practices (R 460.108)
- Deposit for Residential Customer (R 460.109)
- General Deposit Conditions for Residential Customers (R 460.111)
- General Deposit Conditions for Nonresidential Customers (R 460.111a)
- Guarantee Terms and Conditions for Residential Customers (R 460.112)
- Other areas: (R 460.106, R 460.130, R 460.131, R 460.132, R 460.137, R 460.140, R 460,148, and R 460.163)



Prohibited Practices

A utility shall not require a deposit or other guarantee as a condition of new or continued utility service based upon any of the following:

- ✓ Credit score, if the customer or applicant has prior utility service credit history with any electric or gas utility during the previous 6 years.
- ✓ Income
- ✓ Home ownership
- ✓ Residence location
- ✓ Race
- ✓ Color
- ✓ Creed
- ✓ Sex
- ✓ Age
- ✓ National origin
- ✓ Marital status
- ✓ Familial status
- ✓ Disability
- ✓ Any other criteria not authorized by these rules



Deposit for residential customer

A utility may require a deposit as a condition of providing, restoring, or continuing residential service to an applicant or customer if any of the following provisions apply:

- At the time of the request for service, the applicant or customer has an unpaid balance for electric or natural gas service that accrued within the last 6 years and that remains unpaid and is not in dispute.
- The applicant or customer misrepresents his or her identity or credit standing.
- The applicant or customer fails to provide positive identification information upon request at the time of applying for new service.
- The applicant or customer requests service for a location at which he or she does not reside.
- The applicant or customer engaged in unauthorized use of utility service within the last 6 years, if the finding of unauthorized use of utility service was made after notice and an opportunity for a hearing and is not in dispute.
- The utility has had 1 or more checks issued from the customer's account returned from a financial institution for insufficient funds or no account or has had 1 or more payments from the customer's debit or credit card or other form of payment denied within the last 12 months, excluding financial institution error.
- The customer or applicant has sought relief under federal bankruptcy laws within the last 6 years.



Deposit for Residential Customer Cont'd

Notwithstanding any of the provisions of subrule (1) of this rule, a utility shall not require a deposit as a condition of providing service or continuing service to a current residential customer if any of the following provisions apply:

The Department of Health and Human Services or its successor agency is currently making or has committed to making a payment or payments to the utility on behalf of the applicant.

The applicant or customer secures a guarantor who is a customer in good standing with the utility.

The applicant is 65 years of age or older and has a satisfactory payment history for the past 3 years with any natural gas or electric utility.



Residential Deposit Conditions

Payment Options

Non-Heating Season

- Due to prior outstanding account, not in dispute or shutoff for non-payment, shall not be more than 2X the average monthly billing
- If consumption history is not available, 2X the system average monthly bill

Seasonal Properties

- Due to prior outstanding account, not in dispute or shutoff for non-payment, shall not be more than 2X average monthly PEAK season*

Options

- Low-Income customers have the option of paying a deposit in 2-monthly installments

* Peak Season: Period during which a utility experiences its maximum demand for electric or natural gas service. R 460.102a(o)

R 460.111(1)(a)-(c)



Residential Deposit Conditions

Other Deposit Payment Types

Heating Season

- Due to shutoff of service for nonpayment within the past 12 months, shall NOT exceed the utility system average monthly natural gas or electric bill.
- If a customer receives service from a combination utility, the deposit shall NOT exceed the total of the utility's combined system average monthly natural gas and electric bills. (R 460.111(3))

Unauthorized Use

- As a condition of providing, restoring, or continuing residential service due to unauthorized use, shall NOT be more than:
 - 1) 4X the average peak season monthly bill for the premise, if history is available.
 - 2) 4X the utility's system average peak season monthly bill for residential service , if history is unavailable. (R 460.111(4))

Delinquent Account

- Deposit may be allocated of the delinquent account and approved charges as a condition of providing, restoring, or continuing residential service if the account is in the customers, or applicants name, is delinquent, owed to the utility, and accrued within the last 6 years. (R 460.111(5))

Peak Season: Period during which a utility experiences its maximum demand for electric or natural gas service. R 460.102a(o)



Residential Deposit Conditions

If requested at the time of applying for service, unless the applicant misrepresents their identity, credit standing, or fails to provide positive identification information, the utility shall NOT access a deposit if the customer has been receiving service for 30-days or more. (R 460.111(6))

Receiving
Service for
30-days or
more

Communication

Except for unauthorized use of service, if the utility shuts off service for nonpayment, the utility shall NOT require a deposit as a condition of restoring service UNLESS the utility offered the customer (prior to shutoff for nonpayment) to enter into a payment plan. (R 460.111(7))



Deposit - Refunding a Residential Customer

Step 1

- Customer has made 12 consecutive on-time monthly payments. If a deposit was accessed due to unauthorized use a utility may retain the deposit for 36 months and SHALL refund upon satisfactory payment of the final 12 months' charges (R 460.111(9))
- Payment is satisfactory if it is made before the issuance of a notice of shutoff of service for non-payment that is NOT in dispute or within 5 days after the issuance of the next monthly bill, whichever is sooner (R 460.111(10))

Step 2

- Once completed on-time payments for terminated service, a utility will credit customer account for the deposit amount,* including 5% interest**

Unclaimed

- Utility shall make reasonable effort to locate applicant or customers with unclaimed deposits or credits (R 460.111(14))

* R 460.111(11)

** R 460.111(8), Utility can apply the interest onto the account semiannually or pay it upon the return of the deposit, whichever comes first.



Utility Responsibilities on Deposits for Residential Customers

Notice of Deposit

- When a deposit is allocated due to an unpaid account incurred in another household member's name for the time when the customer and the other person shared a residence, the utility shall provide the customer:
 - a) Notice of reason
 - b) Commission rule
 - c) Process for refuting the action(R 460.111(2))

Detailed Records (all)

- Name and address of the depositor and either the applicant or customer
 - Location served by the utility (at the time of deposit and each successive location)
 - Amount and date of deposit
 - Dates the utility paid interest and amounts
 - Each transaction concerning the deposit
 - T&C governing the return
- (R 460.111(12))

Receipt

- Utility will provide the applicant or customer with a receipt for the deposit along with instructions on how the deposit is returned
- (R 460.111(13))

Standards

- Deposit standards need to apply uniformly to all applicants and customers
 - Utility shall provide any person who objects to paying a deposit information on the process to contest the requirement
- (R 460.111(15))



Deposit Conditions for Nonresidential Customers

A deposit can be required from a customer or applicant as a condition of receiving or continuing service if:

- ✓ The customer or applicant has an unfavorable credit rating with a credit reporting agency
 - ✓ The customer or applicant has an unpaid delinquent bill for natural gas or electric service
 - ✓ The customer or applicant has engaged in unauthorized use of utility service within the last 6 years
 - ✓ Two or more shutoff notices have been issued within the most recent 12-month period
 - ✓ Service has been discontinued for nonpayment
 - ✓ An unsatisfactory record of bill payment within the first 6 months after service commenced exists
- (R 460.111a(1))



Deposit Conditions for Nonresidential Customers

If a deposit is required, all of the following limitations apply

- A deposit for small nonresidential customers* shall not be more than 15% of the customer's annual electric or natural gas bill
- Large nonresidential customers** may be required to pay a deposit equal to 25% of the customer's annual electric or natural gas bill
- If a customer or applicant has engaged in unauthorized use of utility service, the deposit shall not be more than 4X the average peak season monthly bill, or 4X the utility's system average peak season monthly bill for the same class of service if the customer's consumption history for the service is unavailable

(R 460.111a(2))

Deposit Option

As an option, a utility may, accept an irrevocable financial institution letter of credit, a surety bond, or other corporate guarantee instead of a deposit for nonresidential service

(R 460.111a(11))

Heating Season

A small nonresidential customer shall NOT pay a deposit unless the customer has ben shutoff for nonpayment during the prior 12-months

A deposit may not exceed the customer's average monthly bill

(R 460.111a(3))

* Small Nonresidential Customer means a nonresidential customer with usage of less than 300 Mcf of natural gas per year or less than 30,000 kWh of electric usage per year, including schools and centrally metered apartment buildings.

** Large Nonresidential Customer means a nonresidential customer with usage of 300 McF or more of natural gas per year or 30,000 kWh or more of electric usage per year, including schools and centrally metered apartment buildings.



Deposit – Refunding a Nonresidential Customer

Step 1

Customer has made 12 consecutive on-time monthly payments (R 460.111a(4))

Step 2

Once completed on-time payments or terminated service, a utility will credit a customer's account for the deposit amount, including 5% interest,* to the customer's unpaid balance. If more than the unpaid balance, the utility shall return the excess to the customer (R 460.111a(6))

Unclaimed

Utility shall make reasonable effort to locate applicants or customers with unclaimed deposits or credits (R 460.111a(9))

* R 460.111a(5), Utility can apply the interest onto the account semiannually or pay it upon the return of the deposit, whichever comes first.



Utility Responsibilities on Deposits for Nonresidential Customers

Receipt

- Utility will provide the applicant or customer with a receipt for the deposit along with instructions on how the deposit is returned
(R 460.111a(8))

Detailed Records (all)

- Name and address of the depositor and either the applicant or customer
- Location served by the utility (at the time of deposit and each successive location)
- Amount and date of deposit
- Dates the utility paid interest and amounts
- Each transaction concerning the deposit
- T&C governing the return
(R 460.111a(7))

Notice of Deposit

- Transmit notice explaining the conditions under which a deposit for nonresidential service may be required to all existing customers. This notice shall be provided within 30-days after service has commenced or, at the utility's option, within the first bill rendered.
(R 460.111a(10))



Guarantee Terms and Conditions for Residential Customers

A guarantee for residential service that is accepted in accordance with these rules shall be in writing and shall be in effect for not more than 36 months. The written guarantee shall state all of the terms of the guarantee and the maximum amount guaranteed. The utility shall not hold the guarantor liable for a greater amount, unless agreed to in a separate written guarantee.

Notwithstanding the stated term of the guarantee, if longer than 12 months, the customer's credit shall be established and the utility shall release the guarantor upon satisfactory payment by the customer of all proper charges for residential service for a period of 12 consecutive months, unless the guarantee was required due to unauthorized use of utility service.

A utility may require a guarantee for residential service because of unauthorized use utility service for 36 months.



Guarantee Terms and Conditions for Residential Customers

For purposes of this rule, payment is satisfactory if it is made before the issuance of a notice of shutoff of service for nonpayment that is not in dispute or within 5 days after the issuance of the next succeeding monthly bill, whichever is sooner.

A utility may withhold the release of a guarantor pending the resolution of a shutoff for nonpayment that is in dispute in accordance with these rules.



Other Areas Containing “Deposit”

460.106 Service Requests

1(c) pay a deposit, if required by these rules.

460.130 Medical Emergency

(2) A utility shall not require payment of an after-hours reconnect fee or a deposit as a condition of restoring service for a 21-day medical emergency hold under this rule.

460.131 Winter Protection Plan for Eligible Low-Income Customers

3(l) That the utility may require a deposit and restoration charge if the utility shuts off service for nonpayment of winter protection monthly amounts.

460.132 Winter Protection Plan for Senior Citizen Customers

(2) At the customer's request, a utility shall restore service to an eligible senior citizen customer's documented personal residence during the heating season without payment of the amount due, deposits, reconnection fees, or other charges.



Other Areas Containing “Deposit”

460.137 Shutoff or Denial of Service Permitted

(b) The customer has failed to provide a deposit or guarantee permitted by these rules.

460.140 Form of Notice

(k) That the utility may require a deposit and restoration charge if the utility shuts off service for nonpayment of a delinquent account or for unauthorized use of utility service.

460.148 Publication of Procedures for Residential and Nonresidential Customers

(3) The publication shall contain all of the following information:

(f) Security deposit and guarantee standards.

460.163 Interim Determination

(1) In the case of an appeal regarding a bill or deposit, the regulation officer may require a customer to pay the undisputed portion of a claim in order to continue the prohibition against the shut off of service.



Round Table Discussion

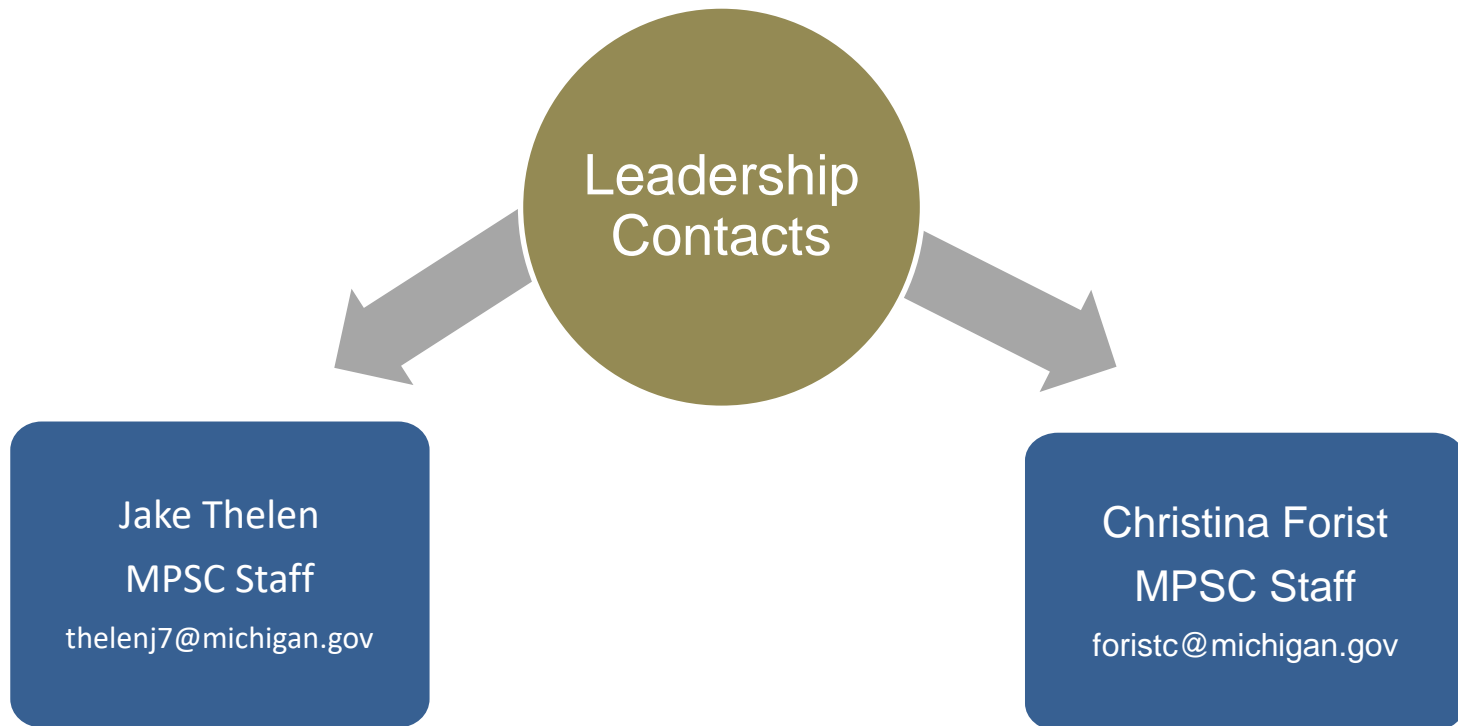




Questions? Comments? Concerns?

DARR Suggestion Box

(<https://www.michigan.gov/mpsc/commission/workgroups/energy-affordability-and-accessibility-collaborative>)





What's NEXT?

Where do we go from here ...

- Staff will prepare a memo for the Commission Office; the memo will include information from our conversation today.





Appendix

Billing Rules:

[Consumer Standards and Billing Practices for Electric and Natural Gas Service](#)