

FOR BOARD ACTION

Agenda Item # 9

Meeting Date: 1/24/05

SUBJECT: Board Policy Statement – Credit Policy

PREPARED BY: Mary Tompkins

ITEM DESCRIPTION:

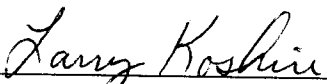
To ensure reasonable safeguards against write-offs of customer accounts, the Utility Board has incorporated a policy for securing accounts by collecting deposits from customers with an unacceptable payment history.

RPU is currently paying an interest rate of 6% on all deposits. Minnesota Statute 325E.02(b) specifies the guidelines under which interest on deposits must be calculated. *“Interest shall be paid on deposits in excess of \$20. The rate of interest must be set annually and be equal to the weekly average yield of one-year United States Treasury securities adjusted for constant maturity for the last full week in November. The interest rate must be rounded to the nearest tenth of one percent. By December 15 of each year, the commissioner of commerce shall announce the rate of interest that must be paid on all deposits held during all or part of the subsequent year. The company may, at its option, pay the interest at intervals it chooses but at least annually, by direct payment, or as a credit on the bills.”*

We are requesting a change in the Credit Policy to reflect the changes in the statute. A marked-up copy of the policy showing the revisions is attached for your review. We are also requesting an increase in the current minimum deposits required to better safeguard RPU against write-offs from delinquent accounts.

UTILITY BOARD ACTION REQUESTED:

Staff requests that the Board approve the proposed revisions to the Credit Policy.


General Manager

1-20-05
Date

ROCHESTER PUBLIC UTILITY BOARD POLICY STATEMENT

POLICY SUBJECT: CREDIT POLICY

POLICY OBJECTIVE:

To ensure reasonable safeguards against write-offs of customer accounts receivable for utility service, the Utility Board has incorporated a policy for securing accounts.

POLICY STATEMENT:

New customers may not be required to provide a deposit as a condition of obtaining new service. New customers will be defined as those never having had service with RPU.

Existing or previous customers may be required to assure payment of their account by submitting a deposit if they have an unacceptable credit history. An unacceptable credit history is defined as more than two delinquent notices or returned checks, and any service disconnects within the last 12 months on residential accounts and 24 months on commercial accounts. Also an unacceptable credit history may include an outstanding balance on a prior account, or an account that has been written off as uncollectible.

The deposit payment is due the day service is connected. At the time the deposit is made, a written receipt will be furnished specifying the conditions the deposit will be diminished upon return. If not received, standard collection procedures will be followed resulting in possible disconnection of service.

Deposit Amount

The deposit amount will be equal to the two highest consecutive month's bills for the past 12 months, at the new service address, rounded to the nearest dollar. If the service has been vacant, usage from the previous years may be used to calculate the deposit amount. If a prior history is not available for that service, the deposit will be based on another service with similar service characteristics. The deposit amount may be revised based upon a change in the customer's service address or usage. The minimum deposit will be ~~\$30~~ 50 for an apartment, ~~\$50~~ 100 for a house and ~~\$100~~ 300 for a commercial service.

Interest

Any interest payable on a customer's deposit will appear as a credit on ~~the a~~ a normal monthly ~~August~~ billing statement at least once each calendar year, the billing statement where the deposit is refunded, or the final billing statement. The interest rate is calculated and published under Minnesota state s Statute guidelines.325E.02

Deposit Transfers

Deposits are non-transferable from one individual to another.

Deposit Refunds

Refunds of residential deposits are applied as a credit to the customer's account at the end of 12 consecutive months if an acceptable credit history has been established.

Refunds of commercial deposits are applied as a credit to the customer's account at the end of 24 consecutive months, if an acceptable credit history has been established. ~~If the payment history shows two or more delinquent notices or the account has been disconnected for non-payment, the deposit will be held until the history does show 24 consecutive months for commercial accounts, 12 consecutive months for residential accounts of satisfactory pay history.~~

Customers no longer having an active service in their name will have the deposit and interest applied to the final bill. Any remaining credit balance will be refunded to that customer within 45 days after termination of service.

EFFECTIVE DATE OF POLICY: July 24, 1990

DATE OF POLICY REVISION: ~~June 29, 2004~~ January 24, 2004

POLICY APPROVAL:

Board President

Date



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to approve revisions to the Board Policy Statement entitled

RPU Credit Policy

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 24th day of January, 2005.

President

Secretary