

Mayfield Electric & Water System' deposit policy is designed to assess the credit risk associated with all applications for new or continued service, while protecting the assets of our utility.

It is also important to note that some of our customers will be charged no deposit, because they pose little credit risk. Residential homeowners/Landlords in good standing with MEWS will not be required to submit to a Consumer Credit Check and no deposit may be required. Likewise, customers who have not established credit or pose substantial credit risk will be required to pay a deposit based on that risk.

This policy is based upon the use of a new, technology-based screening tool called the ONLINE Utility Exchange to assess credit risk at the point of application and charge deposits only to those potential customers and existing customers who pose credit risk.

1. Deposit Criteria

Mayfield Electric & Water Systems shall consider the status of the applicant and act according to the following criteria:

1.1 Residential Service Applicants

- A. New-service applicants who pose no credit risk (Green Light) will be charged no deposit.
- B. New-service applicants who pose minimal risk (Yellow Light) will be charged a \$200.00 electric deposit and \$50.00 water deposit where applicable.
- C. New-service applicants who pose substantial credit risk (Red Light) will be charged a \$300.00 electric deposit and a \$100.00 water deposit where applicable.
- D. If the service address is new and has not had service before, an ONLINE Utility Exchange Report will be run as normally required. A Green Light shall require no deposit. A Yellow Light shall require a \$200.00 electric/\$50.00 water deposit. A Red Light shall require a \$300.00 electric deposit/\$100.00 water deposit.
- E. A service applicant who provides a social security number that is returned as deceased, non-issued, belonging to a person under the age of 18, or belonging to a person other than the applicant, or is fraudulent, shall be denied service until that person supplies a valid social security number.
- F. Any applicant that does not wish to have a credit check performed to establish a deposit amount, pose a greater credit risk and shall be charged the maximum deposit.
- G. Deposits are to be paid at the time of the application. Deposits can be paid with cash, check or debit/credit cards. ****Note**** A \$2.50 convenience fee will be charged to any customer wishing to use a debit/credit card to satisfy a deposit requirement.

1.2 General Power Applicants

- A. General Power applicant's deposit will be approximately twice the highest monthly bill of the specific location.
- B. Deposit requirements equal to or less than \$500.00 may be met by paying MEWS at the time of application.
- C. Deposits are to be paid at the time of the application. Deposits can be paid with cash, check or debit/credit cards. ****Note**** A \$2.50 convenience fee will be charged to any customer wishing to use a debit/credit card to satisfy a deposit requirement.
- D. General Power customers requiring a deposit of greater than \$500.00 may meet the deposit requirement by providing:

- **An Irrevocable Letter of Credit** for the required amount from a local bank. This is where a banking center agrees to extend credit to an applicant for a specified amount. MEWS will hold this document in lieu of a cash security deposit to protect MEWS from unpaid service bills by General Power customers. This letter can only be modified by the beneficiary (in this case, MEWS). The minimum dollar amount for this application is \$500.00.
- **A Utility Insurance Bond** for the desired amount. This is a surety bond, similar to an insurance policy, which is issued to guarantee the payment of utility bills in the case of nonpayment by a company in which services have been terminated. This bond is under the classification of a financial guarantee and is required by a private obligee (in this case, MEWS). Some companies that issue bonds may charge the bond applicant an annual fee depending on risk.
- **A Certificate of Deposit** for the required amount. The CD has to be written in the name of business applying for service AND MAYFIELD ELECTRIC & WATER SYSTEMS. A signer for the business must sign the CD when applying for service and surrender the original CD to an MEWS Customer Service Representative, which will then be held by MEWS until services are discontinued and the final bill paid in full. This CD should be from a LOCAL bank in case MEWS has to use this CD to obtain payment for any unpaid balances left by the business.

1.3 Deposit Duration

Mayfield Electric & Water Systems holds all deposits to ensure payment of final bills. Once all customer balances are satisfactorily paid, MEWS will release the deposit to the customer.

2. General

- Deposits are required to be paid prior to the time a connect order is issued.
- Deposits are transferable from one service address to another as long as the previous service address utilities are terminated within five (5) days of the new application.
- Upon termination of service, the deposit will be applied against any unpaid balance.
- Any remaining balance will be returned to the consumer.


3. Using the ONLINE Utility Exchange to Screen Service Applicants





The ONLINE Utility Exchange is designed to screen service applicants to determine their credit risk based upon three criteria:

- Social Security Number (SSN) verification;
- Deposit decisions based upon credit risk; and
- Payment experience with other utility providers. Each of these criteria reflects upon the credit risk associated with Mayfield Electric & Water Systems providing service to the applicant.

3.1 Sample the ONLINE Utility Exchange Report

YOUR COMPANY NAME : USER NAME : 6/4/2004 9:40:21 AM Report # 9999999

<p>TESTFILE, JOSEPH 987654321 1700 COBB XING SE SMYRNA, GA 30080 PHONE: 7705551212</p> <p>Print Report Print Adverse Letter</p>		<p>TESTFILE, AMY 912345678 1700 COBB XING SE SMYRNA, GA 30080 PHONE: 7705551212</p>
--	---	--

<p style="text-align: center; background-color: #000080; color: white; margin: 0;">SSN Verification</p> <div style="display: flex; align-items: center;"><div><p>Match to Other Name JOSEPH B BILLINGS</p></div></div>	<p style="text-align: center; background-color: #000080; color: white; margin: 0;">SSN Verification</p> <div style="display: flex; align-items: center;"><div><p>Good Match</p></div></div>
<p style="text-align: center; background-color: #000080; color: white; margin: 0;">Deposit Decision</p> <div style="display: flex; align-items: center;"><div><p style="font-size: 24pt; font-weight: bold; margin: 0;">23.7%</p><p>Potential Delinquency Risk</p><p style="font-weight: bold; margin-top: 10px;">Maximum Deposit: Exchange</p></div></div>	<p style="text-align: center; background-color: #000080; color: white; margin: 0;">Deposit Decision</p> <div style="display: flex; align-items: center;"><div><p style="font-size: 24pt; font-weight: bold; margin: 0;">8.6%</p><p>Potential Delinquency Risk</p><p style="font-weight: bold; margin-top: 10px;">Minimum/Waive Deposit</p></div></div>
<p style="text-align: center; background-color: #800000; color: white; margin: 0;">Exchange Results</p> <p>✗ JOSEPH B TESTFILE 104-F MARINER POINTE MONROE, GA 30655 ACCT #: 123456789 Company: WALTON EMC Amount Owed: \$376.31 Service Ended: 5/25/2004</p>	<p style="text-align: center; background-color: #800000; color: white; margin: 0;">Exchange Results</p> <p>✓ No Negative Data Available</p>
<p style="text-align: center; background-color: #800000; color: white; margin: 0;">Other Unpaid Utilities</p> <p>✗ GEORGIA POWER Amount Owed: \$342.00 as of 01/04</p> <p>✗ ALABAMA POWER Amount Owed: \$314.00 as of 02/03</p> <p>✗ VERIZON Amount Owed: \$272.00 as of 02/04</p>	<p style="text-align: center; background-color: #800000; color: white; margin: 0;">Other Unpaid Utilities</p>


Three Parts of an ONLINE Utility Exchange Report:

SSN Verification:	verifies identification of applicant and screens for fraud.
Deposit Decision:	defines credit risk of applicant and deposit to be charged
Exchange Results:	displays unpaid bills owed other utilities

3.2 Residential Customer Deposit Policy Using the ONLINE Utility Exchange

The ONLINE Utility Exchange returns deposit decisions that reflect the credit risk associated with the credit report of the individual applying for service. These decisions are based upon the credit score from Experian's nation credit repository involving hundreds of millions of credit files. Credit scores take into account the consumer's credit history and are able to predict future credit behavior two years into the future with pinpoint accuracy.

Green Light

 <p>Deposit Decision</p> <p>1.5% Waive Deposit</p> <p>Minimum/Waive Deposit</p>	<p>Green Light Minimum Credit Risk</p> <p>Charge No Deposit These are our best customers</p>
--	--

If a customer has a 0-10% chance of delinquency, the deposit decision will be a green light, where the customer is charged only the application fee and any connection fees. Charges can be billed to the customer's first bill.

Yellow Light

 <p>Deposit Decision</p> <p>17.8% Potential Delinquency Risk</p>	<p>Yellow Light Medium Credit Risk</p> <p>Charge Medium Deposit \$200.00 Electric Deposit \$50.00 Water Deposit</p>
--	---

If a customer has a 10.1-25% chance of delinquency, the deposit decision will be a yellow light, where the customer is charged a \$200.00 electric deposit, a \$50.00 water deposit where applicable, and any connection fees. Connection fees can be billed to the customer's first bill.

Red Light

 <p>Deposit Decision</p> <p>64.3% Potential Delinquency Risk</p>	<p>RED Light High Credit Risk</p> <p>Charge Maximum Deposit \$300.00 Electric Deposit \$100.00 Water Deposit</p>
---	--

If a customer has a 25.1-100% chance of delinquency, the deposit decision will be a red light, where the customer is charged a \$300.00 electric deposit, a \$100.00 water deposit where applicable, and any connection fees. Connection fees can be billed to the customer's first bill.

3.3 Bankruptcies

It is our belief that the fact the applicant has declared bankruptcy indicates substantial credit risk and shall require a maximum deposit of the individual who has a bankruptcy returned as part of their credit record.

3.4 Exchange Matches

It is also our policy that any applicant who has an Exchange Results returned indicating that they have a utility bill that remains unpaid and is returned as part of the Utility Exchange Report indicates significant credit risk and shall require a maximum deposit.

Exchange Results
PDANIEL TESTCASE 357 First Street Darlington, SC 29540 Company: Pee Dee EMC Amount Owed: \$345.79 Service Ended: 10/5/2000

3.5 Adverse Action Letters

An adverse action letter will be printed and given to each applicant who is denied service, or charged a deposit. The Federal Trade Commission and the Fair Credit Reporting Act (FCRA) mandate that a consumer who is charged a deposit based upon their credit information be given notification as to where that information was obtained and detailed procedures as to how they might dispute the information.

It is clearly adverse action to charge a higher deposit to those applicant's whose credit scores indicate that their credit history indicates enough credit risk to warrant a deposit. Exchange matches are also considered adverse action.

Spanish-speaking applicants should be given the adverse action letter printed in Spanish.

3.6 Deposit Receipt

A receipt of deposit shall be issued to each customer from whom a cash deposit is received, or by any other method of payment if the applicant requests a deposit.

4. Interest on Deposits

Deposits equal to or less than \$500.00 shall be paid interest on their deposits at the rate required applicable by K.R.S Standards. Interest shall be paid annually or upon termination of services. The deposit shall cease to draw interest on the date it is returned, the date service is terminated, or on the date notice is sent to the customer's last known address that the deposit is no longer required.

5. Activation of Services Without A Deposit

If a customer wishes to activate services without producing required deposits, they may elect to sign up for our SmartPay Program. This program allows the customer to access services through a pre-paid program by purchasing at least \$100.00 in utilities at the time of application. The customer can add money to extend services at any time. If the customers' account balance is exhausted, the utilities shut off; therefore, the risk of the customer leaving an unpaid balance with MEWS is eliminated, so no deposit is needed.