

**Testimony  
Of  
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The Second Taxing District of the City of Norwalk  
Before the Energy and Technology Committee  
March 5, 2013**

South Norwalk Electric and Water (SNEW) a municipal electric and water utility owned and operated by the Second Taxing District of the City of Norwalk *opposes SB-945, An Act Concerning the Payment of Security Deposits to Municipal Utilities Furnishing Electric, Gas or Water Service*, which would require municipal utilities to develop a plan for security deposit requirements and returns to the customer based on timely bill payment.

SNEW has had a Second Taxing District Board of Commission approved policy on Non-Residential Customer Electric Deposits since March, 2002. The policy has been modified several times since its inception. The security deposit requirement is three months electric usage based on an estimate of the amount of power to be consumed at the account based on information provided by the account holder and/or SNEW's historical information with respect to a specific account location. The rationale for three months security deposit, is bills are rendered at the end of each month for the month's usage and are due and payable within thirty days. The forced collection process does not start until the bill is thirty days overdue. Adding the timeframes together it amounts to three months of electricity already consumed by the customer prior to forced collection. SNEW receives cash deposits which are segregated in SNEW's accounting system from all other SNEW funds; are represented separately on the balance sheet and receive interest based on SNEW's actual interest received on the security deposits through pooled certificates of deposit or other time based deposits. All interest is returned to customers as a credit to their bill on a quarterly basis. SNEW will also accept as a deposit a letter of credit, a secured interest in real estate (usually the property on which the account is located) or other financial instruments guaranteeing SNEW payment. SNEW does not return the security deposit regardless of payment history until the account is closed at

which time the deposit is applied against any balance due with the remainder being returned to the customer via check or in the case of non-cash security deposits via the appropriate release.

SNEW objects to the inference in SB-945 that customers who make timely payments are entitled to a return of the security deposit prior to closing the account. In SNEW's experience, a large percentage of the commercial accounts which are opened at SNEW are opened by Limited Liability Companies (LLC) very often a single business or location LLC is created to shield the owners or investors of the business from claims in the event of a business' failure. SNEW has significant experience with LLC type customers, especially in its historic preservation district due to a large number of bars and restaurants, many of which last for several years or more but eventually go out of business only to be replaced with another similar entity leaving SNEW with significant losses. Occasionally the replacement LLC includes some of the same business principles. SNEW, prior to the Non-Residential Deposit Policy, suffered very large losses from business and commercial activities and instituted the Deposit Policy to protect other customers from having to pay for the losses through their rates. SNEW, like all other municipal utilities, is a cooperative operated for the benefit of its customers and is **NOT** a normal, profit-making business which assumes risk for business development purposes.

In conclusion, the bill as drafted would place significant risk on SNEW's customer base to cover losses for non-payment by failed business ventures. The losses can be substantial, based on the cost of electricity that SNEW has to purchase through the New England wholesale market being approximately 65% of SNEW's cost of electricity on a typical retail bill. **Losses due to non-payment result in a significant amount of cost to be paid by other customers.**

Attached is a copy of the current policy.

## **11. ELECTRIC CUSTOMER NON-RESIDENTIAL DEPOSIT POLICY**

All new, non-residential electric customers of the South Norwalk Electric and Water shall be required, when opening an account prior to the turn on of electric service, to place on deposit with South Norwalk Electric and Water, a cash deposit in an amount equal to the cost of three months electric service. The following procedures will be utilized by SNEW to administer the deposit program.

1. The dollar amount of the deposit will be determined by SNEW based on an estimate of the demand and kilowatt hour usage estimated by SNEW staff. SNEW staff will use an application filled out by the prospective customer detailing the anticipated electric use for the premise being served.
2. The deposit shall be deposited to the account of SNEW in a security deposit fund, separately segregated and tracked from SNEW general funds.
3. Customer security deposits shall accrue interest daily. The rate shall be, from time to time, set by the District Commission.
4. On June 30<sup>th</sup> of each year, or on the customer's final bill, SNEW shall credit to each customer's electric service account an amount equal to the interest accrued on the sum deposited. However, SNEW shall have the right to credit the interest to the customer's deposit account if the customer's billing history indicates the original deposit, as required by SNEW, is insufficient to cover the three highest consecutive months of electric bills for the prior one year. SNEW may also, based on customer billing records of at least one year in length, decrease a customer's deposit account, if it is determined that the current level of deposit exceeds the three highest consecutive bills in the prior one year by more than 25%.
5. Customers who discontinue electric service shall have their deposit refunded to them on their final bill. After the customer discontinues service, the customer shall receive the balance of the deposit account plus accrued interest from the last application of interest to the account, minus any bill due SNEW, calculated to the date of termination of service.
6. Any non-residential customer whose service is terminated by SNEW for non-payment of the account after the effective date of this deposit requirement, shall be required, prior to the reinstatement of electric service to deposit with SNEW a security deposit equal to the three highest consecutive month's electric service, based on the prior 12 month's bills.
7. An individual deposit will be required for each electric account opened and SNEW will not aggregate customer accounts for the purpose of blanket security deposits nor will

**SNEW provide security deposit discounts based on multiple accounts maintained by the same customer.**

- 8. SNEW will not permit any customer to avoid termination under SNEW's procedure for termination of service for non-payment of non-residential accounts by offsetting the bill due against the security deposit.**
- 9. If at any time a customer applies for any electrical permits to increase electrical service, to add additional electrical appliances and devices or otherwise modifies the service for the purpose of obtaining additional demand or kilowatt hour usage, SNEW shall reevaluate the deposit account prior to providing the additional level of service requested.**
- 10. Security deposits shall be in cash (check, money order, certified check, etc.). However, SNEW may, in its sole discretion, accept as an alternative to cash, a letter of credit, secured interest in the property being served, or any other financial instrument which SNEW deems acceptable to protect SNEW's interests.**
- 11. Any customer aggrieved by SNEW's deposit policy may appeal to the Commission in accordance with the Appeals Policy.**
- 12. The security deposit shall not be required for any account opened by the city of Norwalk including any of its various departments or agencies; the state of Connecticut or any of its departments or agencies; the United States government or any of its departments or agencies; or any public service company as defined in Section 16-1 of the Connecticut General Statutes.**

*Commission Approved: May 15, 2012*