

## COUNCIL POLICY RESOLUTION

**POLICY NUMBER:** 1-517

**DATE:** September 20, 2004,

**POLICY TYPE:** FINANCIAL

**SUBJECT:** COLLECTIONS - UTILITIES

These guidelines provide minimum standards for the Credit and Collection practices of the City of Kitchener, Revenue Division on behalf of Kitchener Utilities. (Here-after referred to as CKKU.)

CKKU is provided authority to establish Credit and Collection policies through the guidelines established by the Municipal Act 2001, S.O. 2001, c25.

### 1. DEFINITIONS

“Disconnect/Collection Trip” – is a visit to a customer’s premises by an employee or agent of CKKU to demand payment of an outstanding amount or to shut off the services failing payment.

“Distributor Consolidated Billing” – CKKU will issue a bill to a vendor supplied Customer under this billing option. CKKU is responsible for customer nonpayment risk.

“Good Payment History”– where a residential customer has been serviced by an electricity or gas distributor in Ontario for 12 consecutive months, and has not received any disconnection notices, has not had more than 1 pre-authorized payment or cheque returned due to insufficient funds, or, a “Disconnect/Collection Trip” has not occurred. Where a commercial customer has been serviced by an electricity or gas distributor in Ontario for one year and has not received any disconnection notices, has not had any pre-authorized payment or cheque returned due to insufficient funds, or, a “Disconnect/Collection Trip” has not occurred. The number of late payments the tenant has recorded in the last 12 consecutive months will be required as good payment history.

Staff will then determine whether a letter of reference in respect to “Good Payment History” meets the criteria for waiving the tenant deposit. In the absence of a reference letter providing information of “Good Payment History” as set out in the policy the customer will be required to pay the appropriate deposit. For all tenants some of the service must have been within the last 12 consecutive months.

“Vendor Consolidated Billing” – CKKU will not issue a bill to a vendor supplied Customer under this billing option. The vendor is responsible for issuing the bill to the customer and for customer nonpayment risk.

### 1. DEFINITIONS

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“Split Billing” – CKKU bills the gas delivery component and the Vendor bills the gas supply and transportation components.

2. CONTRACT FOR SERVICE

- (a) Tenants requesting service with CKKU will be required to:
  - (i) Sign a completed Tenant Contract. When signed, the Tenant Contract Application forms a legal and binding contract that the Customer and CKKU have accepted and mutually agreed to the terms of the Agreement.
  - (ii) Present on piece of appropriate picture identification or two pieces of government identification.

3. PAYMENT OF BILLS

- (a) Bills are due when rendered by CKKU.
- (b) A customer may pay the bill without the application of a late payment charge on amounts paid on or before the 17<sup>th</sup> day after the bills are issued.
- (c) Where payment is made by mail, payment will be deemed to be made on the date payment is received by CKKU. Where payment is made at a financial institution acceptable to CKKU payment will be deemed to be made payment when stamped/acknowledged by the financial institution on the date payment is received by CKKU.
- (d) A partial payment will be applied to any outstanding arrears and any outstanding deposits before being applied to the current billing, unless CKKU has made special considerations.
- (e) Unless otherwise specified, customers may tender post-dated cheques in payment of their utilities' account.
- (f) All post-dated cheques to pay accounts beyond the due date must be approved by a Collections Officer. Once approved, collection notices for their billing period will be suspended.
- (g) In the case of a back billing of billing errors, payment arrangements for the back billed amount may be approved by a Customer Service Representative or Revenue Supervisor depending on the period back billed and the amount of the back billing.

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4. LATE PAYMENT CHARGES

- (a) A one-time delayed payment charge of 2% will be applied seventeen days after the bill is issued, if the bill is unpaid on the 17<sup>th</sup> day.
- (b) Late payment charges of up to \$20.00 may be waived due to extenuating circumstances at the discretion of authorized Revenue staff including a Customer Services Representative. Late payment charges exceeding \$20.00 may be waived due to extenuating circumstances at the discretion of a Revenue Supervisor.

5. BILLING ERRORS

- (a) Where billing errors have resulted in over-billing; the customer will be credited with the amount erroneously paid for a period not exceeding six years.
- (b) Where billing errors have resulted in under-billing, the customer may be charged with the amount erroneously not billed for a period not exceeding:
  - (i) one year, in the case of a customer who was not responsible for the error, and could not have known there was an error, and
  - (ii) six years in all other cases.

6. MISCELLANEOUS CHARGES

Disconnection Fee - A disconnection fee as per the Utilities Fee Schedule plus GST per service, will be charged for each disconnection.

Reconnection of Services Disconnected Due to Non-Payment – Payment in cash, certified cheque or money order is required for the total arrears due before the service is restored.

Reconnection of Meters – Disconnected meters will be reconnected during regular office hours Monday to Friday 8:00 am to 5:00 pm at no charge.

After Hours Reconnection - Disconnected meters will be reconnected after regular office hours as follows:

- (a) November 1 – March 30

Gas Service only will be reconnected without Revenue Division authorization. The customer is advised to contact a Collection Officer by 10.00 a.m. the next business day to arrange for payment. Customers who do not meet this requirement will be disconnected the same day. No further after-hours reconnection will be permitted in this instance.

6. MISCELLANEOUS CHARGES, CONT'D

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After Hours Reconnection, cont'd

- (i) April 1 – October 31

Gas or Water Services will not be reconnected after hours without Revenue Division authorization.

Returned Cheque Charge – returned by the customer's financial institution.

- (a) An administration fee as set out in Schedule "A" attached, will be charged to the customers account for any cheque returned by the customer's financial institution. All fees included in Schedule "A" will be included in the fees list and will be reviewed on an annual basis.
- (b) A letter will be issued to the customer advising of the returned cheque item. In cases such as a NSF cheque the payment will be requested in cash or certified cheque.
- (c) When the cheque returned by the customer's financial institution was made on a final notice for a tenant, a disconnection notice will be issued to the tenant. *(depending upon the time of year, the property owner may be sent a Pending Notification of Shut Off – as outlined in Active Tenants 9.1)*

7. SECURITY DEPOSITS

- (a) Overview

- (i) Residential and commercial tenants will be required to pay a Security Deposit to CKKU when applying for service unless the customer is able to provide confirmation of a "Good Payment History".
- (ii) Security Deposits may be required from any customer who does not maintain a "Good Payment History" for the required time period.

- (b) Types of Security

- (i) Security deposits may be in the form of cash/cheque, a guaranteed letter of credit from the customer's bank, trust company, or credit union or a power bond from their insurance company. All guaranteed letters of credit must be "irrevocable" and "automatically renewing".

7. SECURITY DEPOSITS, CONT'D

- (b) Types of Security, cont'd

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- (i) The tenant deposit will be added to the customer's account if the deposit amount remains unpaid at the time of the application. All normal billing rules apply to tenant deposits added to a customer account.

(c) Administration and Refund of Security Deposits

- (i) Deposits will be held by CKKU unless there is a request for re-imburement by the customer, upon which time the deposit will be refunded providing the customer has maintained a "Good Payment History" for the required time period.
- (ii) All amounts held on deposit will be applied to the final bill on close of the customer account.
- (iii) For existing customers where a Security Deposit has not been collected, or a customer who previously was granted a security deposit waiver, a Security Deposit will be required if the customer has not maintained a "Good Payment History" for the required time period.
- (iv) A customer failing to provide the appropriate security deposit shall be deemed to be in the position as a customer in arrears and subject to collection procedures including service disconnection if the deposit remains unpaid past the due date.
- (v) Deposits may be requested and may be adjusted to reflect changes in rates, actual usage, or "Good Payment History."

(d) Tenant Deposit Amounts

- (i) Residential Customers – Natural Gas
  - Minimum amount as specified on Schedule "A", or
  - Three times the monthly average of the previous twelve months consumption history.
- (ii) Residential Customers - Water and Sewer
  - Minimum amount as specified on Schedule "A", or
  - Three times the monthly average of the previous twelve months consumption history.

7. SECURITY DEPOSITS, CONT'D

(d) Tenant Deposit Amounts, cont'd

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(iii) Commercial Customers – Natural Gas

- Minimum amount for as specified on Schedule “A”, or
- Three times the monthly average of the previous twelve months consumption history
- In the absence of consumption history, \$200.00 per 1,000 sq. ft. of space rounded to the highest \$25.00.

(iv) Commercial Customers - Water and Sewer

- Minimum amount for as specified on Schedule “A”, or
- Three times the monthly average of the previous twelve months consumption history.

A commercial deposit amount may be reviewed, upon request, at any time if there is sufficient history to support a change.

(v) Waiving of Tenant Deposits

- The tenant deposit may waived for tenants signing up for the pre-authorized payment plan.
- CKKU reserves the right to charge the deposit to the account if the pre-authorized plan is revoked by CKKU due to unacceptable payment history.

(e) Account Review

- (i) Accounts are reviewed on a customer request basis to determine any of the following:
- whether a customer who previously supplied a security deposit has maintained a “Good Payment History” for the required time period and is now eligible to have the security deposit returned to the customer.
  - whether the amount of the security deposit is to be adjusted

7. SECURITY DEPOSITS, CONT'D

(d) Tenant Deposit Amounts, cont'd

- (f) Accounts may be reviewed on a periodic basis to determine any of the following:

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- whether a customer who previously supplied a security deposit has maintained a “Good Payment History” for the required time period relevant to each rate class and is now eligible to have the security deposit returned to the customer.
- whether the amount of the security deposit is to be adjusted based on a re-calculation of the customer’s average monthly consumption.
- whether a customer has a payment history that discloses more than one disconnect notice in a 12 month period requiring an adjustment to the maximum security deposit amount.

(g) Interest on Security Deposits

- (i) Interest on cash security deposits is accrued annually commencing on receipt of any paid deposit amount and will be credited to the customer’s deposit account. The interest rate paid on cash security deposits shall be at the Prime Business Rate as published on the Bank of Canada website less 1%, updated quarterly.

(h) Exemptions

- (i) The following customers are exempt from the Security Deposit policy:
- Banks and Credit Unions
  - Trust Companies (Trust Company Real Estate offices are not exempt)
  - Government Agencies including City, Region, Provincial and Federal offices including Liquor Stores.
- (ii) A deposit is not required if a customer provides a letter of reference from a gas or electric distributor in Canada confirming a “Good Payment History” for the relevant time period as stated for each class.

Residential /Commercial Customer: 12 months

7. SECURITY DEPOSITS, CONT'D

(h) Exemptions, cont'd

- (i) For all residential/commercial customers some of the time period making up the “Good Payment History” must be within the previous 24 months.

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- (ii) The Director of Revenue or a Revenue Supervisor may in special circumstances alter the deposit amount or payment arrangements of the Security Deposit.

8. PAST-DUE NOTICES

- (a) Notification of all past due amounts will be included on the following month's billing.

9. TERMINATION NOTICES

(a) Active Tenants:

- (i) Natural gas and water customer' accounts with a past due amount greater than the parameter set by the Revenue Division, will be reviewed by a Collection Officer
- (ii) Natural gas and water customers will receive a termination notice in writing when the Collection officers' assessment warrants this action. From November 1 to March 31 property owners receive written notification of the pending service disconnection.
- (iii) Water customers with arrears greater than 6 months may receive a termination notice in writing.
- (iv) The customer will receive seven- (7) calendar days notice before termination of a service for non-payment.
- (v) Prior to disconnection, a representative of CKKU will make reasonable effort to establish direct contact with the customer.
- (vi) If suitable arrangements for payment have been made with the Collection Department all further collection activity for that customer's billing period will be suppressed.
- (vii) Prior to actual termination, the customer's account is reviewed and approved for termination by a Collection Officer.

9. TERMINATION NOTICES, CONT'D

(b) Final Billed Tenants:

- (i) A collection letter will be sent to all tenants for accounts with a final billed arrears balance. All reasonable attempts to collect the arrears will be made. All unpaid arrears balances will be transferred to a current account where a tenant has an active account for gas and/or water services at another location.



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- (ii) A final billed tenant who does not have another account to transfer the arrears to, the arrears are written off as an uncollectible debt following the bad debt procedures as outlined in Final Billed Accounts – Bad Debt Write Off Procedures, section 10.
- (c) Active Owners:
- (i) Natural gas and water customers' accounts with a past due balance greater than the parameter set by the Revenue Division, will be reviewed by a Collection Officer.
  - (ii) Natural gas and water customers will receive a final notice in writing when the Collection Officers' assessment warrants this action
  - (iii) Water customers with arrears greater than 6 months may receive a final notice in writing.
  - (iv) The customer will receive seven – (7) calendar days notice before transferring the debt to the property tax account.
  - (v) If suitable arrangements for payment have been made with the Collection Department all further collection activity for that customer's billing period will be.
  - (vi) Prior to actual transfer to taxes, the customer's account is reviewed and approved for transfer to taxes by a Collection Officer.
  - (vii) CKKU reserves the right to disconnect services as an alternative collection method.
  - (viii) The Collection Officer will send a letter of advertisement to the Mortgage Company of the transfer of utility arrears to taxes when property taxes are paid by the Mortgage Company.

9. TERMINATION NOTICES, CONT'D

- (d) Final Billed Owners:
- (i) A collection letter will be sent to all property owners for accounts with a final billed arrears balance.
  - (ii) All reasonable attempts to collect the arrears will be made.
  - (iii) Unpaid arrears will be transferred to property taxes within 180 days.

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- (iv) If the customer still owns the property and taxes are paid by a mortgage company, a notice will be sent by a collection officer to advise the Mortgage Company of the transfer of utility arrears to taxes.
- (v) If the property has been sold, a letter of advisement of utility arrears is sent to the new property owner.

10. **BILLED ACCOUNTS - BAD DEBT WRITE OFF PROCEDURES**

- (a) An electronic file is transferred to CKKU collection agency containing all eligible accounts on a monthly basis.
- (b) The Treasurer will provide Council with a report of all eligible final billed accounts transferred to the collection agency on a quarterly basis, for approval to be written off to reserve for bad debts.
- (c) If the customer has opened a new account or has another account in CKKU service area, the past due amount will be transferred to that account for collection.
- (d) If suitable arrangements for payment have been made with a Collections Officer the account will be removed from the collection agency transfer.
- (e) Upon approval by the Director of Revenue, uncollectible final billed accounts under \$50.00 will be written off semi-annually to reserve for bad debts. A semi-annual report containing all uncollectible final billed accounts is submitted to Council for write-off approval.

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**Schedule "A " to Collections Policy - Utilities**

<b>Service</b>	<b>Fee</b>
Cheques not honoured Returned by Financial Institution	\$ 30.00
Disconnection Fee	\$ 50.00 plus GST
<b><u>Residential Customers</u></b>	
Minimum Tenant Deposit – Natural Gas	\$150.00
Minimum Tenant Deposit – Water	\$ 50.00
<b><u>Commercial Customers</u></b>	
Minimum Tenant Deposit – Natural Gas	\$200.00
Minimum Tenant Deposit – Water	\$ 50.00