

Commercial Utility Deposits

ISSUE

The City of Saskatoon's (City) utility service bylaws, [Bylaw No. 7567](#), The Waterworks Bylaw and [Bylaw No. 2685](#), The Electric Light and Power Bylaw, mandate that all commercial and industrial customers must provide a deposit for each new utility account regardless of past payment history or any other mitigating factor. As the respective sections within the bylaws have been in place for several years, a jurisdictional review was done to ensure the City continues to treat commercial utility customers in a fair and equitable manner. Based on these findings, Administration is proposing amendments to the utility service bylaws to allow for some discretion in when commercial deposits are applied.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council:

1. That the proposed amendments to Bylaw No. 7567, The Waterworks Bylaw, 1996, and Bylaw No. 2685, The Electric Light and Power Bylaw, as outlined in this report be approved; and
2. That the City Solicitor be requested to make the necessary amendments to Bylaw No. 7567, The Waterworks Bylaw, 1996, and Bylaw No. 2685, The Electric Light and Power Bylaw.

BACKGROUND

The current deposit guidelines, as outlined in the relevant utility service bylaws, have been in place since 1996. These guidelines include defining the amount of the deposit to be collected and the process for returning the deposits to the utility account holders. The amount for these deposits is to be equivalent to two months of estimated consumption and it is credited back to the customer's account following a two-year satisfactory account credit history. In section 6. (2) of The Electric Light and Power Bylaw (Bylaw 2685) and section 38. (2) of The Waterworks Bylaw (Bylaw 7567), which discuss the deposit requirements for commercial and industrial customers, the language currently reflects that a deposit will be required on all new accounts and does not allow for discretionary decision making.

Prior to 1996, the utility service bylaws mandated that customers pay a deposit equivalent to four months estimated consumption.

DISCUSSION/ANALYSIS

Current Status

As mentioned above, the City collects a deposit amount equal to an estimated two months of utility billing consumption for all new commercial and industrial utility accounts.

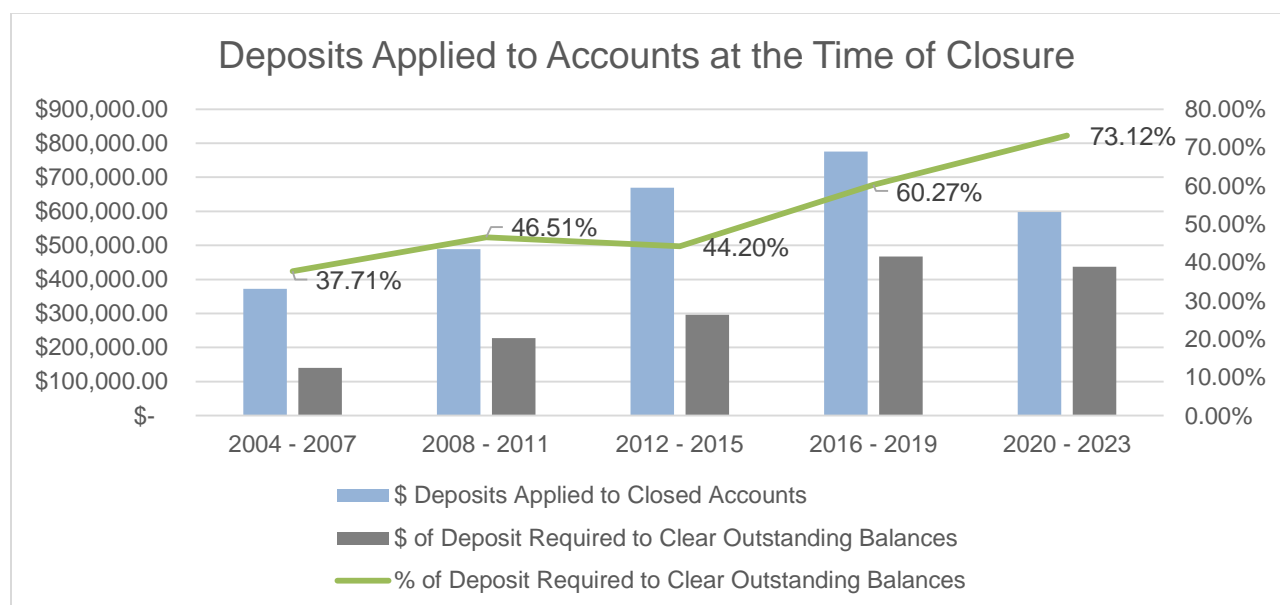
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Currently there are 1,515 commercial accounts with deposits on file totalling approximately \$1.6 million and no discretion as to whether a customer is required to pay a deposit or not. These accounts are reviewed regularly, and the deposits are credited to the customer's account following a two-year satisfactory account payment history. Through the bylaws, the City does reserve the right to reinstate the deposit requirement at any time if the customer's payment history makes reinstatement necessary. If the account is closed before meeting the above criteria, the deposit is credited back to the account against any remaining balances and, if a further credit remains, it is refunded back to the account holder.

Reasons Why Deposits Are Collected

There are a few reasons why commercial/industrial accounts have required a deposit as they present a higher level of risk than an average residential account. The main reason being that the average consumption, and therefore the balance owing, for commercials/industrial accounts is far higher. In addition, the City does not conduct credit checks for utility customers, which means there is no way to measure a customer's reliability prior to delivering service. By applying a deposit, the City is better able to mitigate risks as they pertain to the collectability of utility balances owed. For example, in the past twenty years, the City has applied deposits in the amount of approximately \$7.2 million to commercial and industrial accounts. Of those accounts, approximately \$1.5 million was applied to debt outstanding at the time of the account closure, with approximately \$550,000 applied to arrears. Without these deposits, the City would have engaged in other collections activities to recoup the amounts owing. After applying the deposits to closed accounts, there was still approximately \$570,000 outstanding for the City to collect on.

One other item to note, is that current trends demonstrate accounts created in the past ten years have an over 50% increased need to have the deposit amount applied to a customer's final bill as shown below.



Other Jurisdictions

Requiring deposits for new commercial/industrial utility accounts is a common practice across the utility industry. A jurisdictional scan of thirteen Canadian utility providers (Appendix 1), found that all have language in their bylaws and regulations which allow for the application of deposits to new commercial accounts. Of the thirteen service providers reviewed, five providers had little to no flexibility regarding the decision to apply a deposit to a new commercial/industrial account. The remaining eight providers did have more flexibility in their ability to use a level of discretion when determining the need for the deposit. There is variance existing across the service providers regarding the amount of the required deposits and the details surrounding the conditions that must be met for an account to require a deposit. There is also considerable variance across the utility providers as to when a deposit may be waived or decreased for a customer wishing to start a new commercial/industrial utility account. These points of variance include, but are not limited to, customer payment history on other accounts, external credit checks, ownership of property and discretion of Administration.

Recommended Amendments to the Utility Service Bylaws

Despite the risks associated with not taking deposits on all new commercial accounts, Administration does recommend an amendment allowing some discretion on whether every account should be subject to a deposit. Currently there is not discretion and customers with outstanding payment history are still required to provide a deposit. This discretion would be based on the following factors and would be the responsibility of the Director of Corporate Revenue to approve. The factors will include, but may not be limited to:

1. Customer payment history on other City of Saskatoon accounts;
2. If the account is signed up for direct debit; and
3. Whether the account holder is the owner of the property.

By allowing some discretion, the City would be more inline with other utility service providers within Saskatchewan and Western Canada, recognize customers with good payment history, while still ensuring that the City is not exposed to greater risks of non-payment for utility services.

FINANCIAL IMPLICATIONS

The proposed changes are not expected to have any negative financial impacts on utility collections or revenue as the discretion to not apply the Utility Deposit is not expected to be widely used (i.e., only in situations where customers have a long-standing payment history and are very unlikely to default on future payments).

OTHER IMPLICATIONS

There are no privacy, legal, social, or environmental implications identified.

NEXT STEPS

Upon approval by City Council of the proposed changes, the City Solicitor's Office will draft the necessary Bylaw amendments.

APPENDICES

1. Utility Deposit Jurisdictional Scan

REPORT APPROVAL

Written by: Theresa Chapman, Revenue Collections and Customer Service Manager
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