

Lowell Light and Power

Policy 5

Customer Account, Billing and Administrative Policies

Policy 5-1.....	1
Subject: Information to Customer	
Policy 5-2.....	2
Subject: Billing	
Policy 5-3.....	3
Subject: Residential Security Deposits – Light and Power	
Policy 5-4.....	5
Subject: Commercial Security Deposits – Light and Power	
Policy 5-5.....	8
Subject: Customer Charges	
Policy 5-6.....	8
Subject: Partial Payment for Residential Customers	
Policy 5-7.....	10
Subject: Termination for Nonpayment	
Policy 5-8.....	11
Subject: Delinquent Accounts	
Policy 5-9.....	12
Subject: Benevolence	
Policy 5-10.....	13
Subject: Customer Credit Refunds	
Policy 5-11.....	14
Subject: Person(s) wishing to appear before the Board of Light & Power	
Policy 5-12.....	15
Subject: Tampering and Diversion of Electrical Power	
Policy 5-13.....	16
Subject: Aid in-Construction Payments	
Policy 5-14.....	17
Subject: Credit Card Use by Authorized Managers and Staff	
Policy 5-15.....	19
Subject: Procurement	
Policy 5-16.....	21
Subject: Cash Reserves	
Policy 5-17.....	23
Subject: Financial Targets	
Policy 5-18.....	24
Subject: Billing Adjustments for Errors	

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-1

Subject: Information to Customer

Policy:

- A.** Rates: Current rate schedules will be available to the customer, either through oral or written interpretation.
- B.** Rate Changes: Customer shall be notified of any proposed changes in the rates 30 days prior to the implementation whenever possible. Such notification shall be by practical means, be it mail, radio, newspaper, e-mail or the Lowell Light & Power website.
- C.** Billing History: Up to 12 months of a customer's billing history will be furnished at the customer's request. The request may be made in person, by phone, mail, e-mail or the Lowell Light & Power website. There is no charge for this service.
- D.** Policies and General Information: General information and service practice policies will be available and accessible to the public upon request. Requests should be made at our main office, 127 N. Broadway, during business hours. This information will also be available upon application for service and on Lowell Light & Power's website.

Revised June 4, 2009

Revised January 8, 2015

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-2

Subject: Billing

Policy:

Bills will be issued monthly and shall be paid at the Lowell Light and Power office or other locations designated by LL&P. Failure to receive the bill will not release the customer from payment obligation.

Bills are due when issued for all classes of service. The net period is 20 days from the date the customer is billed by 5:00 P.M. All balances outstanding (over ten dollars) after the due date are subject to an additional charge computed at 2% of the total bill plus a \$10.00 late payment fee. If the date the bill is due falls on Saturday, Sunday or a holiday, the next business day following the due date will be held as a day of grace for delivery of payment. Remittance received by mail must be received during the net period to avoid an additional charge.

Service shall be subject to termination 31 days after billing if unpaid or prior arrangements have not been made.

Revised June 4, 2009

Revised January 8, 2015

Lowell
Light & Power

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-3

Subject: Residential Security Deposits – Light and Power

Policy:

- A. For property owners who LL&P can lien, such as Lowell City residents, no security deposit is required.
- B. For property owners who LL&P cannot lien, a security deposit equal to the greater of two times the previous year's average residential bill or two times the highest bill for the previous 12 month's usage for the property must be paid to obtain electrical service from LL&P. Failure to pay a security deposit may result in termination of service until the deposit requirements have been met.

If the owner's property is a rental property with multiple units (such as an apartment complex), the deposit calculated above will be multiplied by "1.00 – The Current Residential Occupancy Rate in Kent County".

- C. For property owners who lease their premises to a third party and the electric services are in the tenant's name and billed directly to them, the security deposit will be the greater of two times the previous year's average residential bill or "an estimated two months' electric service rates and charges" in accordance with the part of the City of Lowell Ordinance; Sec. 22-1, subsection (a), which states: *"...Provided, however, unless otherwise agreed by a property owner in writing, such charges shall not be a lien on the property served if the owner of the property has leased the property, the owner is not, according to the lease provisions, responsible for such electric service rates and charges, the city is so notified in a writing signed by both the owner and the lessee, and proof of such lease is provided to the city as required by applicable law. Where the owner is not responsible for such charges and has not otherwise agreed in writing, the lessee shall, before the commencement of electric service to the premises, cause to be deposited with the city treasurer an amount equal to an estimated two (2) months' electric service rates and charges and shall cause such deposit to continue at that level throughout the lease term. The city shall apply the funds in that deposit (i) against any and all delinquent charges of the lessee and (ii) toward such lessee's final bill upon termination of electric service with any balance returned to lessee."*
- D. Upon final termination of service, any retained cash deposit and accrued interest if applicable, will be applied against the accounts' existing balance. Deposit

Lowell Light and Power

amounts exceeding the balance due, shall be refunded to the customer. Simple interest on deposits shall accrue at a rate comparable to market-based passbook savings accounts.

- E.** Any accrued interest will be paid at the time the deposit is refunded or at such time that the account is closed.
- F.** Customers will be eligible to receive deposit refunds only after the final termination of service and settlement of final payment.
- G.** LL&P may require a customer to establish or increase the account deposit if management deems the account has become a credit risk, or if increased energy usage causes the required deposit amount to fall short of the requirements in section (A) or (B) of this policy. Failure to pay any additional security deposit may result in termination of service until the deposit requirements have been met.
- H.** At the customer's request, after 13 months, LL&P will review the customer's actual usage and payment history. If the customer's actual deposit exceeds the current deposit requirements according to section (A) or (B) *and* the account has remained current, as in section (E), the excess deposit will be refunded to the customer including any interest accrued on the excess amount.
- I.** Customers returning to LL&P who left an account balance on their previous account must pay in advance (a) the entire unpaid balance from the previous account, plus (b) a deposit equal to two times the highest previous bill for the new account before obtaining service.
- J.** Any customer requesting a new account (X) with a current active account (Y) will be required to meet the security deposit requirements of section (A) or (B) as well as pay any past due balance on the current account (Y) before a new request will be accepted. The security deposit on the disconnected account (Y) will first (a) be applied to any balance owing after the final meter reading and then (b) transferred to the new active account (X) after the final bill is paid in full or (c) refunded. No payments will be applied to the new account (X) until the discontinued account (Y) is paid in full.

Revised June 4, 2009

Revised January 8, 2015

Revised December 13, 2018

Revised December 12, 2019

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-4

Subject: Commercial Security Deposits – Light and Power

Policy:

- A. For property owners who LL&P can lien, such as Lowell City businesses, no security deposit is required.
- B. For property owners who LL&P cannot lien, a security deposit equal to the greater of two times the previous year's average commercial bill for the same rate class or two times the highest bill for the previous 12 month's usage for the property must be paid to obtain electrical service from LL&P. Failure to pay a security deposit may result in termination of service until the deposit requirements have been met. The deposit will be calculated by LL&P using the best available information including (but not limited to):
 - a. Account history (if applicable)
 - b. Usage and demand history from a comparable facility (provided by customer or LL&P)
 - c. Usage and demand estimated from an inventory of customer's equipment (provided by customer or contractor)

If the owner's property is a rental property with multiple units (such as a commercial strip mall), the deposit calculated above will be multiplied by "1.00 – The Current Commercial Occupancy Rate in Kent County".

- C. For property owners who lease their premises to a third party and the electric services are in the tenant's name and billed directly to them, the security deposit will be the greater of two times the previous year's average commercial bill for the same rate class or "an estimated two months' electric service rates and charges" in accordance with the part of the City of Lowell Ordinance; Sec. 22-1, subsection (a), which states: *"...Provided, however, unless otherwise agreed by a property owner in writing, such charges shall not be a lien on the property served if the owner of the property has leased the property, the owner is not, according to the lease provisions, responsible for such electric service rates and charges, the city is so notified in a writing signed by both the owner and the lessee, and proof of such lease is provided to the city as required by applicable law. Where the owner is not responsible for such charges and has not otherwise agreed in writing, the lessee shall, before the commencement of electric service to the premises, cause to be deposited with the city treasurer an amount equal to an estimated two (2) months' electric service rates and charges and shall cause such*

Lowell Light and Power

deposit to continue at that level throughout the lease term. The city shall apply the funds in that deposit (i) against any and all delinquent charges of the lessee and (ii) toward such lessee's final bill upon termination of electric service with any balance returned to lessee."

- D. For non-property owners who would like to set up temporary electric service (a building contractor, for example), a security deposit of \$500 must be paid to obtain electrical service from LL&P. Failure to pay a security deposit may result in termination of service until the deposit requirements have been met. After the first month's bill, the deposit will be reviewed by LL&P staff from time-to-time and may be adjusted – up or down – depending on the kWh and kW usage. Failure to pay an additional required security deposit(s) may result in termination of service until the deposit requirements have been met.
- E. Upon final termination of service, any retained cash deposit and accrued interest if applicable, will be applied against the accounts' existing balance. Deposit amounts exceeding the balance due, shall be refunded to the customer. Simple interest on deposits shall accrue at a rate comparable to market-based passbook savings accounts.
- F. Any accrued interest will be paid at the time the deposit is refunded or at such time that the account is closed.
- G. Commercial customers will be eligible to receive a refund of their deposit only after the final termination of service and settlement of final payment.
- H. LL&P may require a customer to establish or increase the account deposit if management deems the account has become a credit risk, or if increased energy usage causes the required deposit amount to fall short of the requirements in section (A),(B), or (C) of this policy. Failure to pay any additional deposit due may result in termination of service until the deposit requirements have been met.
- I. At the customer's request, after 13 months, LL&P will review the customer's actual usage and payment history. If the customer's actual deposit exceeds the current deposit requirements according to section (A) or (B) and the account has remained current, as in section (F), the excess deposit will be refunded to the customer including any interest accrued on the excess amount.
- J. Customers returning to LL&P who left an account balance on their previous account must pay in advance (a) the entire unpaid balance from the previous account, plus (b) a deposit equal to two times the highest previous bill for the new account before obtaining service.

Lowell Light and Power

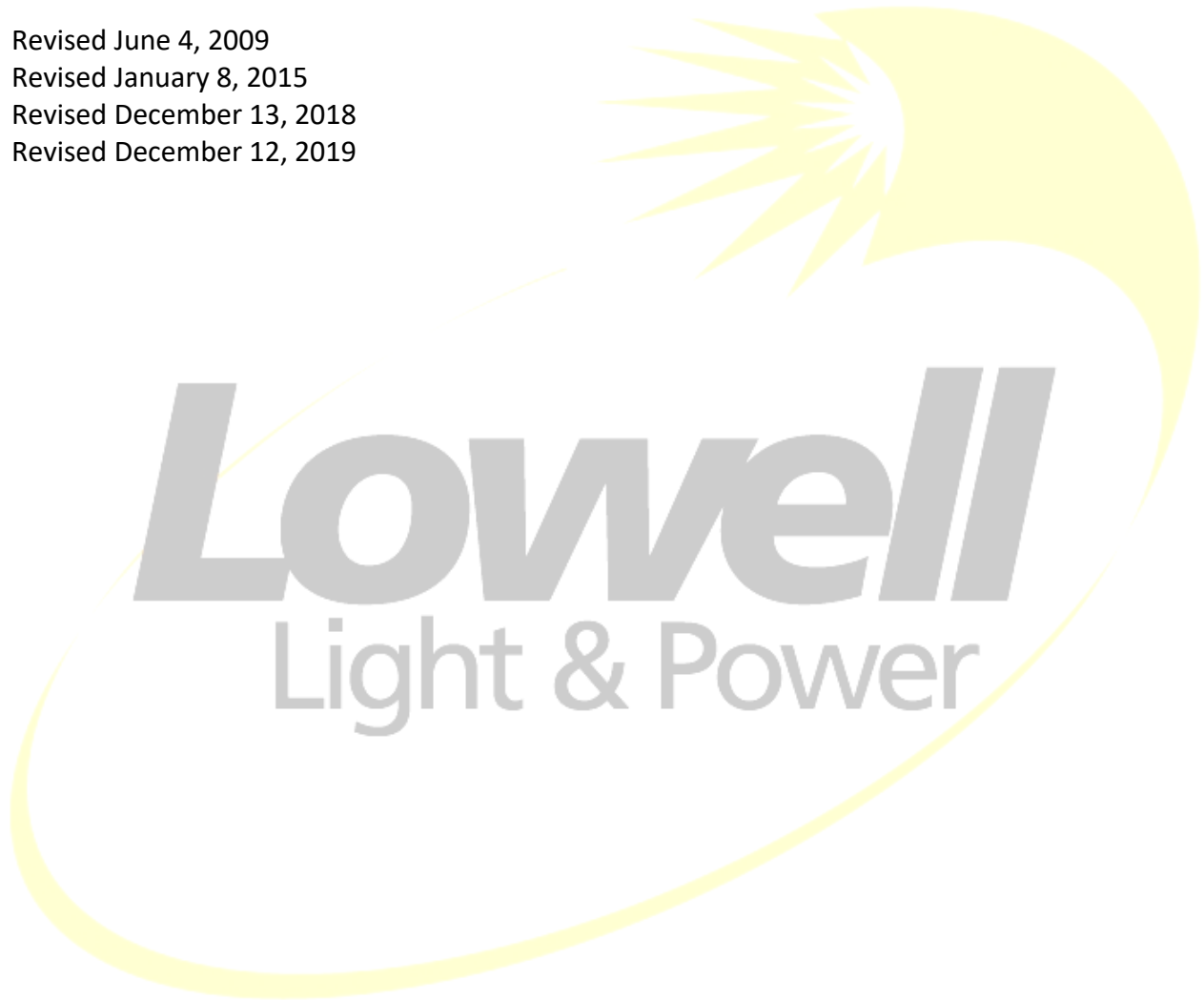
- K.** A security deposit may be waived if in the sole opinion of LL&P the customer has (1) previously established a sufficiently positive payment history with LL&P and (2) the usage and demand of the new service is estimated to be substantially unchanged from that of the customer's previous usage and demand. Waiver of the deposit requirement shall not relieve the customer of the obligation to comply with these provisions if later required by LL&P, whose judgment shall be final.

Revised June 4, 2009

Revised January 8, 2015

Revised December 13, 2018

Revised December 12, 2019



Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-5

Subject: Customer Charges

Policy:

Customers requiring the services listed below shall be charged as follows:

Broken Meter Seal/Pulled Meter	\$35
Disconnect/Reconnect Fee for Nonpayment-After Hours	\$100
Disconnect/Reconnect Fee for Nonpayment-Business Hours	\$50
New Account or Account Relocation Administration Fee	\$30
Returned Check/Payment	\$40
Test Meter at Customers Request	\$20 for single phase and \$40 for all others
Theft of Service	\$100 plus actual or estimated cost of energy
Third Party Collection Fee	27% of total balance due
Other Service Work Not Listed for Non-Profit Organizations	Actual labor and material costs not including overhead labor costs
Other Service Work Not Listed for For-Profit Organizations	Actual labor and material costs including overhead labor costs

Revised June 4, 2009

Revised January 8, 2015

Revised April 12, 2018

Revised January 9, 2020

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-6

Subject: Partial Payment for Residential Customers

Policy:

A customer may be allowed to pay a portion of the account balance to avoid termination of service. The following criteria must be met:

The customer using the partial payment plan must sign a payment agreement before the plan is effective. A completed written agreement must be on file within three days following partial payment approval to avoid immediate termination of service.

Revised June 4, 2009

Revised January 8, 2015

The logo for Lowell Light & Power is centered on the page. It features the word "Lowell" in a large, bold, sans-serif font. Below it, the words "Light & Power" are written in a smaller, regular sans-serif font. The entire logo is set against a background of a yellow sunburst graphic that radiates from behind the text, and a large, thin yellow oval that encircles the logo.

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-7

Subject: Termination for Nonpayment

Policy:

Service shall be subject to termination on the first of the month for nonpayment of the previous month's electric bill unless prior arrangements have been made.

- A.** A termination notice will be delivered by first class mail and shall include the following:
 - a.** The past due balance.
 - b.** The latest date payment can be made to avoid termination of service.
- B.** Failure to receive the statement or termination notice will not release the customer from payment obligation. LL&P will proceed on schedule unless the customer requests and is eligible for an extension as outlined in Policy 5-6. Service will not be restored until the total past due balance is paid plus any associated nonpayment disconnect/reconnect fees.
- C.** If the service remains disconnected for seven days, the account will become inactive and a final bill will be calculated. Deposits will be applied to the balance due. Before service is restored the balance due and all applicable fees for service reconnection must be paid in full.
- D.** Upon customer request, LL&P will send a third-party notification if the service is subject to termination.

Revised June 4, 2009

Revised January 8, 2015

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-8

Subject: Delinquent Accounts

Policy:

Delinquent accounts are those accounts with a balance due 30 days following termination of service. Delinquent accounts will be forwarded to a third party collector following the 30-day period. In order for Light and Power to service a customer's account or to collect any amounts a customer may owe, Light and Power may contact a customer by telephone at any telephone number associated with the customer's account, including wireless telephone numbers, which could result in charges to the customer. Light and Power may also contact a customer by sending text messages or e-mails, using any e-mail address a customer provides Light & Power. Methods of contact may include using pre-recorded/artificial voice messages and/or use of an automatic dialing device.

A customer requesting service with a delinquent account will not be eligible for service or be permitted to continue existing service at another location, under any name, until the delinquent account is paid in full.

Revised June 4, 2009

Revised February 13, 2014

Reviewed January 8, 2015 – No Change

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-9

Subject: Benevolence

Policy:

The Board is sensitive to the needs of the community and recognizes its leadership role. The board also commends those individuals and organizations working toward the betterment of Lowell at large. While the Board is committed to supporting these efforts, it is keenly aware that its mission is to provide affordable and reliable power service to the citizens of Lowell. Tangible donations are therefore limited to and by the following restrictions:

Qualifying Parties:

Only not-for-profit agencies or organizations actively working within the City of Lowell shall be considered. Parties requesting assistance must provide proof of a non-profit and non-taxable status at the time of application.

Application Process:

Requests must be made in writing to the Board at the following address:

Chairman of the Board
Lowell Light and Power
Lowell, MI 49331

Requests shall be considered during the next regularly scheduled board meeting.

Limitations:

The budget limit for benevolence shall be established on a yearly basis and shall not exceed \$5,000. In the event the budget limit is met with prior commitments within the fiscal year, additional requests shall not be considered.

The Board shall not donate goods, services or financial support in excess of \$1,000 during a one-year period to any agency or organization.

Revised June 4, 2009

Reviewed January 8, 2015 – No Change

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-10

Subject: Customer Credit Refunds

Policy:

If a customer who has terminated service with LL&P has a credit balance, the customer will be refunded by check, drafted during the next regularly scheduled accounts payable period. Credits less than five dollars (\$5.00), will not be refunded by check but will be payable at the cash drawer during regular work hours.

Revised June 4, 2009

Reviewed January 8, 2015 – No Change

The logo for Lowell Light & Power is centered on the page. It features the word "Lowell" in a large, bold, grey sans-serif font. Below it, the words "Light & Power" are written in a smaller, grey sans-serif font. The entire logo is set against a background of a large, stylized yellow sun with rays, partially enclosed by a yellow swoosh that curves around the bottom and right sides of the text.

Lowell
Light & Power

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-11

Subject: Person(s) Wishing to Appear Before the Board of Light and Power

Policy:

Anyone wishing to appear before the Lowell Light and Power Board of Directors and be on the agenda must submit a formal letter requesting permission to do so and the intent of the visit or item to be addressed. The Chairman or the Board's attorney will decide if permission will be granted based on the written request.

If permission is granted, the individual will be limited to the subject matter or intent of the visit as denoted in the written request. Unless otherwise granted by the Chairman, the presentation shall be limited to 15 minutes.

Following consideration of the issues as presented, the Board, at its discretion will choose whether or not to act and in what manner. A timely written response will be submitted by either the General Manager or the Lowell Light and Power attorney.

Revised June 4, 2009

Revised January 8, 2015

A large, semi-transparent watermark logo for Lowell Light & Power is centered on the page. It features the word "Lowell" in a large, bold, sans-serif font, with "Light & Power" in a smaller font below it. The logo is partially overlaid by a yellow curved graphic element that starts from the right side and curves around the bottom of the page.

Lowell
Light & Power

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-12

Subject: Tampering and Diversion of Electrical Power

Policy:

LL&P will seek remedy for the illegal use of electricity or tampering with LL&P property. The illegal use of electricity is a violation of Michigan State Law and is strictly prohibited.

Upon suspect of tampering or product diversion, LL&P staff will conduct an inspection of the physical conditions at the location of the alleged tampering. If required, the customer of record will be notified, legal proceedings will be initiated, and the following steps will be taken:

- A.** The electrical service at the location will be terminated until all charges are paid in full. This shall include all energy charges due.
- B.** The customer's deposit, if any, will be applied to the amount due. The customer will then be required to apply for service as a new applicant. A maximum cash security deposit, according to LL&P Operating Policy 5-3 or 5-4, shall be required before service is restored.
- C.** All information pertaining to the location, the customer of record, and any other parties involved, will be turned over to the Lowell Police Department and/or proper authorities.

Revised June 4, 2009

Revised January 8, 2015

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-13

Subject: Aid-In-Construction Payments

Policy:

An aid-in-construction payment will be required for labor and/or facilities furnished by LL&P as described in the Lowell Light and Power Operating Policies. For charges that will exceed \$500, payment must be rendered before work commences. An irrevocable letter of credit from a lending institution may be used to delay payment until work is completed by LL&P.

In cases where it is required to reimburse LL&P for actual expenditures, including appropriate overheads, the customer shall make payment to LL&P for the estimated cost of the work. Upon the closing of the work order by the LL&P Accounting Department, LL&P will refund to the customer the difference between the estimated cost and the actual cost in the event the actual cost is less than the estimated cost. If the actual cost exceeds the estimate, the customer will be invoiced for the difference between the actual and the previously paid estimated amount. The customer will be required to sign an agreement to accept responsibility for payment before work commences.

Revised June 4, 2009

Reviewed January 8, 2015 – No Change

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-14

Subject: Credit Card Use by Authorized Managers & Staff

Policy:

The Board recognizes that the efficient and economical operation of the utility is enhanced by the staff's ability to conveniently transact business with a broad range of vendors and services. Therefore, the Board has determined that it is appropriate for designated managers and staff members to use board-approved credit cards for those purchases necessary to conduct the business of the utilities. Within the limitations of this policy, credit cards may be used for transactions where direct business credit arrangements are not practical.

- A. Authorization** - The use of credit cards by managers and employees of LL&P is authorized subject to the procedures and policies of the Board.
- B. Oversight** – The General Manager is responsible for all aspects of the administration of credit card use including: the issuance of credit cards, accounting, monitoring, retrieval of credit cards and for overseeing compliance with the Credit Card Policy.
- C. Permitted Use** – Credit cards shall not be used by a manager or employee of the Board except for the purchase of goods or services necessary for official business of the utilities.
- D. Documentation** – A manager or employee using credit cards issued by LL&P, within 15 days of the purchase, submit to management the documentation detailing the goods or services purchased, the cost of the goods or services, the date of the purchase and the official business for which the purchase was made. The manager or employee shall be responsible for the cost of all credit card purchases for which such detail is not provided.
- E. Individual Responsibility** – The manager or employee who is issued a credit card shall be responsible for its protection and custody and shall notify the General Manager immediately if such card is lost or stolen.
- F. Credit Card Return** – The manager or employee who is issued a credit card shall return the credit card to the General Manager immediately upon the termination of his or her employment with the Board.

Lowell Light and Power

- G. Accounting** – The General Manager shall maintain a system of internal accounting controls to monitor the use of credit cards by the managers and staff. All managers and staff are required to comply with any regulations or restrictions that may be issued by the General Manager to ensure compliance with the controls and the monitoring of the use of credit cards.
- H. Charge Approval** – The General Manager or the Administrative Manager shall review all charges prior to payment. Any charge which has been made contrary to the Credit Card Policy shall be charged to the individual who made the charge and such individual shall be liable for the unauthorized charge and shall make payment for such charge including any service charge which may accrue on the unauthorized charge. Use of a board issued credit card for non-utility business may be grounds for cancellation of the credit card use and disciplinary action up to and including termination.
- I. Payment on Account** – Within 60 days of the original statement date, the utility shall pay the full balance due, including interest, on all extensions of credit under a credit card arrangement.
- J. Authorized Credit Limit** – The individual limit for each credit card shall be established by the General Manager. The combined credit limit for all credit cards issued shall be set and approved by the Board and shall not exceed 1% of the total budget of the utility.
- K. State Law** – All charges made under the terms of this Credit Card Policy shall be subject to the terms of Michigan Public Act 266 of 1995 as it may be amended. This Credit Card Policy is issued in accordance with such Act and nothing herein shall be deemed to supersede the provisions of such Act. In the event of any discrepancy between this Credit Card Policy and such Act, such Act shall be controlling.

Revised June 4, 2009

Revised January 8, 2015

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-15

Subject: Procurement

Policy:

The General Manager shall ensure that the methods and process used in procuring goods and services shall be open, competitive, timely, fair, efficient, and conducted in a cost effective manner.

The process of selecting and purchasing supplies, equipment and services shall be conducted using appropriate methods to ensure that the utility will receive the best value considering:

- A. Highest quality goods and services
- B. Suitability to the need
- C. Total acquisition cost
- D. Completion/delivery time requirements
- E. Required quantities

The Manager shall not fail to use appropriate methods including soliciting and considering alternative products and services from alternative qualified competitive vendors except in circumstances when seeking competitive quotes, proposals or bids is impractical or unjustifiable due to:

- A. The limitation of qualified vendors serving the market or products meeting the specific requirements.
- B. Reasonable uncertainty that competitive vendors can be relied upon to meet the required delivery or project schedules.
- C. Known or perceived disparities in the skill, knowledge, integrity, experience, judgment or performance of specific vendors.
- D. The existence of specialized requirements, including fit, function, size, weight, specification, durability or compatibility for the intended purpose.

Lowell Light and Power

- E. Known and meaningful material differences in quality, performance, repair history, reputation, warranty, contract terms, reliability, customer support or compatibility of the product or service.
- F. The additional administrative time and related costs (for the comparative/ competitive process) would be unjustified and foreseeably exceed any material savings that may be gained.

The purchase of any product or service with a cost in excess of \$50,000 for budgeted and/or approved projects (derived from and correlates to approximately .60% of FY 2019's budgeted revenue) or \$25,000 for discretionary purchases/items (derived from and correlates to approximately .30% of FY 2019's budgeted revenue) shall be considered and approved by the Board of Light and Power unless obtaining such board approval will cause an unacceptable delay and a failure to comply with the time requirement for delivery or project completion. The manager shall inform the board chair in advance of any approving such urgent purchases without board approval.

The two spending authority levels described in the previous paragraph will be reviewed annually after the upcoming fiscal year's budget has been approved by the LL&P Board and City Council. If budgeted revenue significant changes (up or down) from the previous fiscal year, the LL&P staff and Board will use the same methodology (.60% and .30% of budgeted revenue) to recalculate the spending authority levels with final approval needed by the City Council.

Preference shall be given to vendors located within the Lowell Light & Power service area whenever possible. When there are justifiable price differences, however, bids from vendors located outside the Lowell Light and Power service area may be selected over a bidder within.

Revised June 4, 2009

Revised January 8, 2015

Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-16

Subject: Cash Reserves

Policy:

To help ensure timely completion of capital improvements, enable the utility to meet requirements for large unexpected expenditures, minimize potential adverse rate impacts on customers and to ensure bills are paid in a timely fashion, LL&P has established the following minimum cash reserve policy. This policy identifies the minimum amount of cash the utility should keep in reserve. Actual cash reserves may vary substantially above the minimum and is dependent on several factors including the life cycle of assets currently in service, establishment of rates, capital improvement program and amount and timing of bond issuances. The methodology used to establish this policy is based on the following factors:

- A. Working Capital Lag** – Timing differences between when expenses are incurred and revenues received from customers. Establishing a minimum cash reserve helps to ensure cash exists to pay expenses in a timely manner. The determination of working capital requirements included review of operating and maintenance expenses and review of the power supply expenses.
- B. Investment in Assets** – Catastrophic events may occur requiring substantial cash reserves to replace damaged assets. Some examples include ice storms, earthquakes, wind storms, floods, or tornadoes. Certain catastrophic events are partially covered by FEMA, FEMA reimbursements often take between 6 months and 3 years. The utility should ensure adequate cash reserves exist to replace assets in a timely fashion.
- C. Annual Debt Service** – Debt service payments do not occur evenly throughout the year and often requires payments each six months. This provision helps ensure adequate cash reserves exist to fund the debt service payment when the payment is due.
- D. Capital Improvement Program** – Some capital improvements are funded through bond issuances and some through cash reserves. The establishment of a minimum cash reserve level helps to ensure timely replacement or construction of assets.

LLP will maintain a minimum of 120 days cash on hand calculated by using revenues from sales of electricity divided by 365 days in a year and multiplied by 120 days minimum cash requirements. The formula is listed in the following table.

Lowell Light and Power

Example Review of Minimum Cash Reserves to Policy		
Revenues from Sales of Electricity	\$	8,487,708
Days in Year		365
Cash requirements per day	\$	23,254
Number of Days		120
Minimum Cash	\$	2,790,479

The minimum cash requirements will be compared with all LLP's cash reserves excluding legally restricted funds such as debt service reserve funds. (Board designated cash reserves are not considered legally restricted for purposes of this policy).

Revised May 13, 2021



Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-17

Subject: Financial Targets

Policy:

At least once every fiscal year, LL&P staff will calculate and present to the LL&P Board the following financial targets for the purpose of board awareness, overall financial health and planning, and transparency to the ratepayers:

- A. **Cash on Hand:** Minimum of 120 days, as per Policy 5-16
- B. **Rate of Return:** Target of at least 6.40%
- C. **Debt to Equity:** Target of less than the industry average (currently at 34%)
- D. **Debt Coverage Ratio:** Minimum of 1.20 to 1.40 range
- E. **Fixed Coverage Ratio:** Minimum of 1.00 to 1.10 range
- F. **Age of System:** Target of less than 50% depreciated
- G. **Capital Expenditure:** Reinvest as much into the system as depreciation in fiscal year
- H. **PILOT Payment to the City of Lowell:** Target of 4.50%

The financial targets listed above are intended to be guidelines and things for LL&P to consider when making decisions and preparing budgets; not hard and fast mandates that the utility must meet/reach all of the time.

Adopted: March 8, 2018

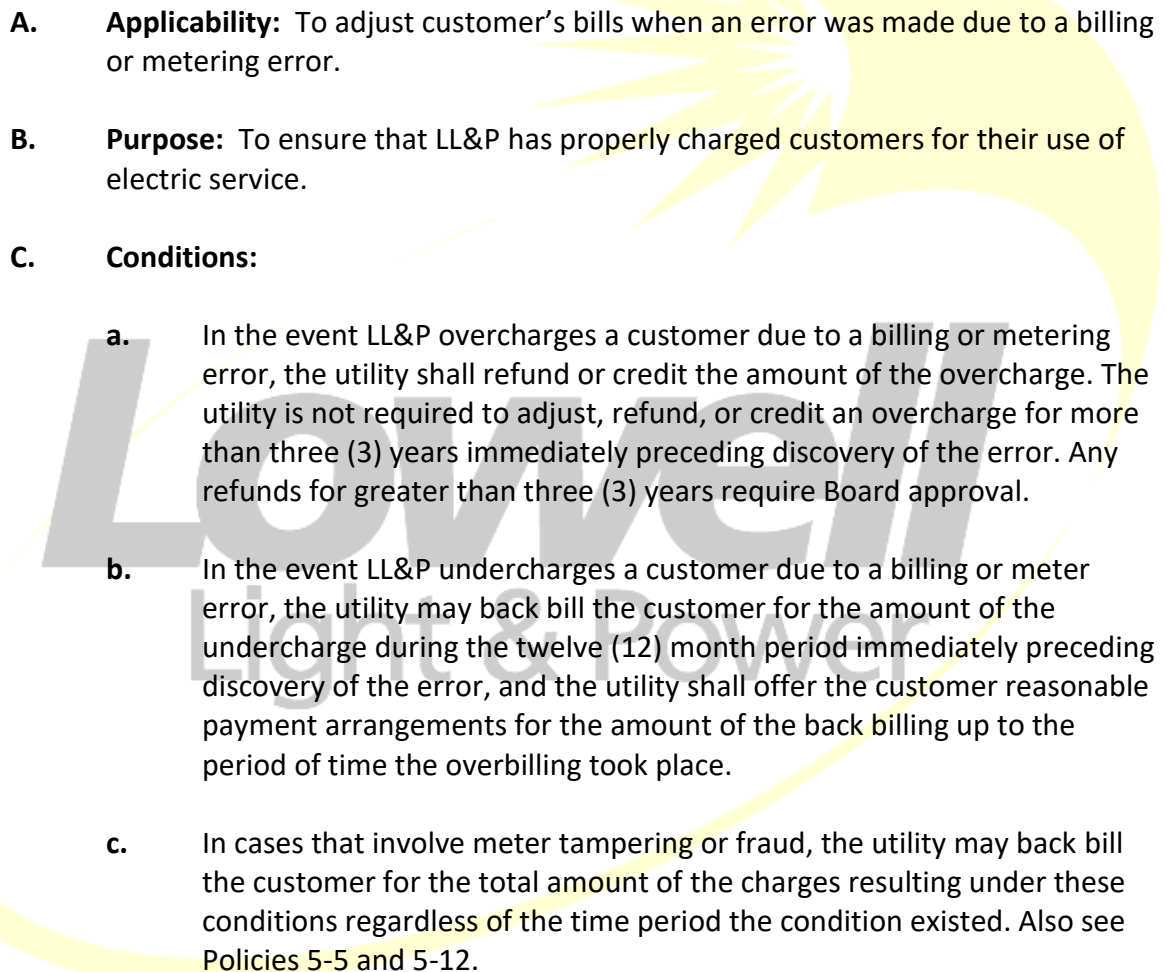
Lowell Light and Power

Customer Account, Billing and Administrative Policies

Policy 5-18

Subject: Billing Adjustments for Errors

Policy:

- 
- A. Applicability:** To adjust customer's bills when an error was made due to a billing or metering error.
 - B. Purpose:** To ensure that LL&P has properly charged customers for their use of electric service.
 - C. Conditions:**
 - a.** In the event LL&P overcharges a customer due to a billing or metering error, the utility shall refund or credit the amount of the overcharge. The utility is not required to adjust, refund, or credit an overcharge for more than three (3) years immediately preceding discovery of the error. Any refunds for greater than three (3) years require Board approval.
 - b.** In the event LL&P undercharges a customer due to a billing or meter error, the utility may back bill the customer for the amount of the undercharge during the twelve (12) month period immediately preceding discovery of the error, and the utility shall offer the customer reasonable payment arrangements for the amount of the back billing up to the period of time the overbilling took place.
 - c.** In cases that involve meter tampering or fraud, the utility may back bill the customer for the total amount of the charges resulting under these conditions regardless of the time period the condition existed. Also see Policies 5-5 and 5-12.

Note: In some cases, the adjusted amount can be clearly identified and quantified, while in other cases the error can only be estimated. All efforts will be made to ensure either billings or refunds are as accurate as possible.

Adopted: March 8, 2018