

Horizon Utilities Corporation **Commercial Customer - Credit Policy**

Effective: March 2005

INTRODUCTION

This credit policy has been issued by Horizon Utilities Corporation to make it compliant with OEB Retail Settlement and Distribution System Codes that became effective February 24, 2005.

DEFINITIONS

Disconnection/Collection Trip

Disconnection/Collection Trip is a visit to a customer's premises by an employee or agent of Horizon Utilities Corporation to demand payment of an outstanding amount or to disconnect or limit distribution of electricity to the customer failing payment.

Good Payment History (GPH)

A Good Payment History, as determined by the OEB is maintained by not having any of the events outlined in section 10.0 occur within a time period established for each customer class.

Interruption of Service Notice

An interruption of service notice is a formal letter delivered to the customer by Horizon Utilities Corporation advising the customer that their hydro service may be disconnected for non-payment and that service beyond a date cannot be guaranteed.

Interruption of Service Order

An interruption of service order is issued after the customer has been contacted by phone with regards to an Interruption of Service Notice and Horizon Utilities Corporation has scheduled to service to be disconnected for non-payment.

New Customer

A new customer for the purposes of this policy is defined as a customer who has had no previous payment history with Horizon Utilities Corporation and has not provided a letter of reference from another utility in Canada.

Commercial Customer (General Service >50kW Demand)

A commercial customer is defined by the OEB as a non-residential customer in a greater than 50 kW demand rate class who is not a Large Commercial Customer. These customers have meters capable of measuring and recording peak demand and a customer in this rate class will have a demand component on their bill.

LDC

A Local Distribution Company (LDC) is the regulated entity responsible for the distribution of electricity for a defined service area. Horizon Utilities Corporation is the LDC for most of the Hamilton Area and the City of St. Catharines. In some of the more rural areas of Hamilton, Hydro One is the LDC. If your Hydro Bill comes from Hydro One your electrical service is not covered by these policies. You may receive a water and or sewer bill from Horizon Utilities Corporation but be in the Hydro One service area.

OEB

The Ontario Energy Board (OEB) is the provincial government entity responsible for LDC regulation.

Returned Item

A returned item is defined as any method of payment offered by a bank. It will include any cheque or preauthorized payment that has been returned to Horizon Utilities Corporation by the bank for any of the following reasons: a Stop Payment has been placed on the item, a Non Sufficient Funds reason was placed on the returned item or the bank indicates that the funds have not been cleared. In summary a returned item will be any item not honoured by the bank, including all forms of paper or electronic items.

Security

Security must be in the form of cash, cheque or an automatically renewing, irrevocable Letter of Credit from a Bank as defined in the Bank Act, 1991, c.46 (see Appendix A) at the discretion of the customer.

1.0 SECURITY REQUIREMENT

Security must be provided to Horizon Utilities Corporation by all Commercial customers that fail to qualify for a security deposit exemption and are billed by Horizon Utilities Corporation.

Exceptions:

- 1.01** Federal, Provincial and Municipal governments, their agencies and their guarantees.
- 1.02** School Boards
- 1.03** All new customers who have a 7 year Good Payment History with either Horizon Utilities Corporation, another Local Distribution Company or Gas Utility in Canada. If a customer is claiming an exemption due to a payment history with a non Horizon Utilities Corporation utility the customer must provide a letter from that utility documenting a satisfactory payment history for the same legal entity. The payment history must be from an active account in order to qualify for an exemption. Thereafter, this exception will continue to apply as long as the condition in 1.04 continues to be met.
- 1.04** All existing customers that maintain a 7-year Good Payment History with Horizon Utilities Corporation.
- 1.05** At the customer's expense, they may provide a credit check that demonstrates they are a good credit risk from a nationally recognized credit bureau. If the customer is to provide the credit bureau report it must be for a period within the past 6 months. Alternatively Horizon Utilities Corporation will arrange for a credit report at the customer's expense if requested.

2.0 AMOUNT OF SECURITY

The amount of the security will be the following:

- 2.01** For a monthly billed customer. The average monthly load over the most recent twelve-month period prorated over 75 days or 2.5 months. Where an average monthly load for the customer is not available Horizon Utilities Corporation will calculate the load based upon its' best estimate.
- 2.02** Where a customer is facing a security deposit requirement resulting from a poor payment history as defined under S. 10.02, the amount of security will be calculated on the highest monthly bill occurring in the last 12 months.

Where a customer is facing a security deposit requirement resulting from a poor payment history as defined under S. 10.03, S 10.04, S 10.05 the amount of security will be calculated on the average monthly bill occurring in the last 12 months times the billing cycle factor. In the case of additional occurrences under these sections, the amount of security requirement will be calculated on the highest monthly bill occurring in the last 12 months.

- 2.03** Horizon Utilities Corporation will review annually and alter if necessary the deposit amount upon the occurrence of the following:
 - a) Lack of maintenance of a Good Payment History
 - b) Anniversary of service installation
 - c) A significant consumption change. If the original deposit is based upon historical consumption data that is inconsistent with consumption experienced with the current customer the amount of security will be adjusted once a new consumption pattern has been established

Security must be in the form of cash, cheque or an automatically renewing, irrevocable Letter of Credit from a Bank as defined in the Bank Act, 1991, c.46 (see Appendix A) at the discretion of the customer.

3.0 REDUCTION/ WAIVER OF SECURITY REQUIREMENT

- 3.01** A new customer who cannot qualify for an exception under 1.01,1.02, 1.03 or 1.05 above will be eligible for a ½ month reduction in the security amount calculation otherwise applicable, provided they sign up for a preauthorized payment plan. This option is only available to those new customers who have no payment history with any utility and have yet to establish a credit score with a credit bureau.

NOTE: All customers who qualify for a security waiver must maintain a GPH as defined by Horizon Utilities Corporation or be required to undergo a credit review.

4.0 INTEREST ON SECURITY

Interest shall accrue monthly on security deposits made by way of cash or cheque commencing on receipt of the total deposit required by Horizon Utilities. The interest rate shall be at the Prime Business Rate as published on the Bank of Canada website less 2 percent, updated quarterly. The interest accrued to December 31st of each year shall be applied to the first bill of each calendar year or on return or application of the security deposit or closure of the account, whichever comes first, and may be paid by crediting the account of the customer. A cheque will be issued only to those customers no longer in the Horizon Utilities Corporation service area and whose final bill has been rendered and paid.

5.0 CREDIT RATING

Where a customer has a credit rating from a recognized credit rating agency, the maximum amount of a security deposit, which the distributor may require the customer to pay, shall be reduced in accordance with the following table:

Credit rating (Using Standard & Poor's Rating Terminology)	Allowable Reduction Security Deposit
AAA- and above or equivalent	100%
AA-, AA, AA+ or equivalent	95%
A-, from A, A+ to below AA or equivalent	85%
BBB-, From BBB, BBB+ to below A or equivalent	75%
Below BBB- or equivalent	0%

6.0 PAYMENT OF SECURITY

Should security be required, payment of the deposit may be made over a maximum of four equal monthly payments.

7.0 RETURN OF SECURITY

All security requirements will be reviewed no less than annually. Cheques will only be issued after a final bill has been rendered and paid. All other security adjustments, including refunds due to GPH, will appear on the customer's next bill. All security deposits will be returned within 6 weeks of a final bill being rendered. A final bill can only be rendered once Horizon Utilities Corporation has been notified of an account status change, a forwarding address has been supplied and a final read has been made at the service location.

8.0 OTHER CHARGES

Horizon Utilities Corporation will also ask the customer to pay charges, including: late payment interest charges, returned item charges, disconnect and reconnection charges, security deposit amounts and other charges as may be approved by the Horizon Utilities Corporation Board and the OEB.

9.0 COLLECTION PROCEDURES

Customers with overdue accounts, in addition to having to pay a security deposit, will be subject to the standard collection procedures of Horizon Utilities Corporation, including: notices of late payment, late payment penalties including interest charges on overdue payments, collection agency activity, notification of credit bureaus and termination of service as appropriate. Service may be terminated for non-payment of any balance after proper notice has been given. Any payments made at the door of a customer must be made with cash, certified cheque or money order.

10.0 LOSING A RECORD OF GOOD PAYMENT

Customer Segment
Commercial

Payment History Record
7 Year

Horizon Utilities Corporation will apply the following criteria in assessing a customer's payment history:

10.01 In making a late payment (which occurs when the 1st Interruption of Service Notice is issued within a 7-year period) the customer will be given the option of signing up for a preauthorized payment plan. NOTE: This option will not be available to a customer with a returned item recorded in their payment history

The customer will no longer qualify as a customer with a Good Payment History and will be subject to an immediate security review if any of the following events occur:

10.02 When a customer receives a second (2) Interruption of Service Notice within a 7-year period

10.03 When Horizon Utilities Corporation receives a second (2) returned item within a 7-year period, providing it was not the result of a bank error

10.04 When the customer receives an Interruption of Service Notice in a 7-year period and there is one (1) returned item on the account during that same period

10.05 When an Interruption of Service Order is issued and collection activity at the service location is required

When directed under bankruptcy or CCAA court protection, to final bill the account of a customer under protection and establish a new customer account for billing purposes, this new customer account is established without historical credit history and deemed a new customer for credit provisions and will be subject to the applicable Horizon Utilities Corporation Credit Policies.

**THIS CREDIT POLICY MAY BE CHANGED BY HORIZON UTILITIES CORPORATION
IN ITS DISCRETION FROM TIME TO TIME.**

OTHER TERMS AND CONDITIONS may apply. Please consult a Horizon Utilities Corporation customer service representative for further details.

APPENDIX A

Approved Banks

Schedule I

*Amicus Bank
Bank West
BMO Bank of Montreal
Canadian Imperial Bank of Commerce
Canadian Tire Bank
Canadian Western Bank
Citizens Bank of Canada
CS Alterna Bank
First Nations Bank of Canada
Laurentian Bank of Canada*

*Manulife Bank of Canada
National Bank of Canada
Pacific & Western Bank of Canada
President's Choice Bank
RBC Royal Bank
Scotiabank
Sears Bank Canada
TD Bank Financial Group
Ubiquity Bank of Canada*

Schedule II

*ABN AMRO Bank of Canada
Amex Bank of Canada
Bank of America Canada
Bank of China (Canada)
Bank of East Asia (Canada)
Bank of Tokyo-Mitsubishi (Canada)
Bank One Canada
BNP Paribas (Canada)
Citibank Canada
Comerica Bank – Canada
Credit Suisse First Boston Canada
CTC Bank of Canada
Deutsche Bank Canada
Dresdner Bank Canada
Habib Canadian Bank
HSBC Bank Canada
ING Bank of Canada.*

*International Commercial Bank of Cathay (Canada)
IntesaBci Canada
J.P. Morgan Canada
J.P. Morgan Bank Canada
Korea Exchange Bank of Canada
MBNA Canada Bank
Mizuho Bank (Canada)
National Bank of Greece (Canada)
Rabobank Canada
Societe Generale (Canada)
Sottomayor Bank Canada
State Bank of India (Canada)
Sumitomo Mitsui Banking Corp of Canada
UBS Bank (Canada)
UFJ Bank Canada
United Overseas Bank (Canada)*