

SUMMARY OF SECURITY DEPOSIT POLICY

CREDIT REQUIREMENTS FOR APPLICANT/MEMBERS

The Cooperative requires each Applicant, regardless of the type of service applied for, to demonstrate and/or to establish and maintain satisfactory credit in a form and manner as may be prescribed by the Cooperative. An Applicant requesting Electric Service can establish satisfactory credit and will not be required to pay an initial deposit if a utility credit risk assessment indicates the Applicant or an entity's owner-operator, managing partner, managing director or other responsible Person poses an appropriate level of credit risk, in the sole discretion of the Cooperative. All Applicants requesting Electric Service, who do not meet the foregoing requirements will be considered to have unsatisfactory credit and an initial deposit is required, unless other means of satisfying the credit risk are provided by the Applicant. Other means may include an acceptable letter of credit, enrollment in the Cooperative's Pre-Paid program, or other Cooperative-approved method.

RE-ESTABLISHMENT OF CREDIT

Every Applicant who previously has been a Member of the Cooperative and whose Electric Service has been discontinued for nonpayment of bills, theft of Electric Service, Meter tampering, or bypassing of Meter will be required to re-establish credit, which will include the payment of a deposit before Electric Service is reconnected and delivered.

DEPOSIT AMOUNT

Initial deposits for permanent residential Electric Service are assessed based on the creditworthiness of the Applicant. In the sole discretion of the Cooperative, Applicants with a moderate credit risk are assessed a deposit of two hundred fifty dollars (\$250.00) and Applicants with a high credit risk are assessed a deposit of three hundred fifty dollars (\$350.00). Additional deposits for permanent residential Electric Service will not exceed one-sixth (1/6th) of the Member's annual billing. The total of all required deposits, initial and additional, for permanent non-residential Electric Service will not exceed the greater of one sixth (1/6th) of the Applicant or Member's estimated annual billing; or the sum of the estimated billings for the next two (2) months. The Cooperative may require an Applicant or Member to pay a deposit sufficient to reasonably protect the Cooperative against the assumed risk of loss for providing any miscellaneous Electric Services such as: temporary service, seasonal service, weekend residence service, vacation residence service, security lights, street lights, Intermittent Use Facilities or any other request for a special type of service not specifically addressed in these Tariffs.

WHEN AN ADDITIONAL DEPOSIT IS REQUIRED

Deposits may be required when the average of the Member's actual billings for the last twelve (12) months is greater than the amount of the original estimated annual billings and a termination notice has been issued for the account within the previous twelve (12) months; late payment of a Cooperative bill; any form of payment dishonored or returned unpaid during the last twelve (12) months; disconnection of Electric Service for nonpayment; filing of a bankruptcy; or, an adverse letter from a utility credit risk exchange is received. The Cooperative may require that an additional deposit be paid within ten (10) days after the Cooperative has issued a written termination notice and requests the additional deposit. An Applicant or Member who is required to pay a deposit may satisfy this requirement by providing a written Letter of Guaranty from another Cooperative member who has established satisfactory credit.

USE, DISPOSITION, AND REFUND OF DEPOSITS

The Cooperative will pay interest on security deposits at an annual rate set by Public Utility Commission of Texas. Payment of interest is credited annually while a deposit is on file. Deposits and any unpaid accrued interest are credited to the account after the Applicant has paid bills for twelve (12) consecutive months, is not delinquent in the payment of current bills and none of the following events or conditions exist in the Member's account history: Electric Service disconnected for nonpayment of a bill; a payment dishonored or returned unpaid; more than two (2) occasions in which a bill was delinquent; or, the Cooperative receives notice of a bankruptcy filing. Deposits and unpaid accrued interest are credited at disconnection of service in excess of unpaid balances. A transfer of service from one premise to another within the Cooperative's service area is not considered a disconnection. At disconnection of service, any remaining credit balance is refunded by check. Deposits and Letters of Guaranty are held until the account meets the satisfactory credit criteria.

Because of the general content of this deposit summary, the Cooperative's Tariff takes precedence and is the controlling document in any perceived conflicts or discrepancies between this Summary of Security Deposit Policy and the Cooperative's Tariff.

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**FOR A COMPLETE LIST OF ALL SERVICE FEES
OR QUESTIONS CALL: 800 541 2662
OR VISIT: FarmersElectric.coop**

