



Section 1.03 DEPOSITS, GUARANTEES AND CREDIT POLICY

The Company may require a deposit to ensure payment of bills when due if the Customer has not established satisfactory credit as defined by the South Dakota Administrative Rules 20:10:19:04. A deposit may be required, on not less than fifteen (15) days prior notice to the Customer, if the Customer has unsatisfactory credit or unknown credit. In determining credit standing, the Company shall only use credit reports reflecting the purchase of utility services unless the Customer is unable to establish satisfactory credit with that information, and consents in writing to the use of additional credit reports. Any credit history used is mailed to the Customer. The Customer's refusal to permit use of credit rating or credit services other than that of a utility will not affect the determination of the Company as to the Customer's credit history. A deposit is not to exceed the estimated charge for furnishing service to the Customer of one-sixth of an annual bill. If a Customer's credit standing becomes unsatisfactory after a deposit has been refunded or if the deposit is inadequate to cover one-sixth of the estimated annual bill, a new or additional deposit may be required upon reasonable written notice by the Company.

Pursuant to South Dakota Administrative Rules 20:10:19:08, the Company will pay interest on deposits, each year, at the rate of seven percent. Accrued interest will either be paid to the Customer on an annual basis, or credited to the Customer by a deduction made on the Customer's December electric service bill, or paid when a deposit is refunded on either termination of service or following 12 consecutive months without having service disconnected for nonpayment and without receiving three or more disconnection notices.

Deposits held by the Company, when the Customer ends service or service is terminated, plus any accrued interest, will be refunded by the Company to the Customer, less the amount of any unpaid bills on the Account.

Whenever service has been disconnected for nonpayment of a bill, before reconnection is made, the Company has the right to require the Customer to a) pay the reconnection fee stated in Section 1.04 of these General Rules and Regulations; b) make a deposit as required above; and c) make a satisfactory settlement with the Company for the delinquent bill and for service rendered between the last Meter Reading date and the date service was disconnected.

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The Company may, in lieu of a cash deposit, accept an agreement signed by a guarantor, satisfactory to the Company, whereby payment of a specified amount not exceeding the deposit requirement is guaranteed. The term of the guarantee agreement shall be for no longer than twelve (12) months, and shall automatically terminate after the Customer has closed and paid the Customer's Account with the Company, or when the Customer establishes satisfactory credit that would result in the return of a deposit, or at the guarantor's request upon 60 days written notice to the Company. However, no guarantee agreement shall be terminated without the



Fergus Falls, Minnesota

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Customer first having made satisfactory settlement with the Company for any past-due balance for which the Customer owes the Company at that time. On termination of a guarantee agreement, a new guarantee agreement or deposit may be required by the Company, upon reasonable notice to the Customer and if the Customer has not established satisfactory credit.

To establish or re-establish satisfactory credit, the Company may, in lieu of accepting a cash deposit or a guarantee agreement, place a Customer on an early payment list as defined by South Dakota Administrative Rules 20:10:19:05. Customers placed on an early payment list are required to pay a bill within five (5) business days of the due date on the bill. A Customer on the early payments list will be subject to disconnection if the bill is not paid within five (5) business days.

The Company may permit a nonresidential Customer to establish or re-establish satisfactory credit by providing a letter of credit or posting a surety bond for an amount not to exceed the total of the Customer's indebtedness for utility service, or by negotiating some other option reasonably satisfactory to the Company.

A Residential Customer with unknown credit has the right to choose the manner of establishing satisfactory credit from among the options available to Residential Customers under this Section.

A nonresidential Customer with unknown credit has the right to choose the manner of establishing satisfactory credit from among the options available to nonresidential Customers under this Section.