

July 10, 2003

By fax and e-mail - original by courier

Ontario Energy Board
26th Floor/ P.O. Box 2319
2300 Yonge Street
Toronto, Ontario M4P 1E4

Attention: Mr. Paul Pudge, Board Secretary

Dear Mr. Pudge:

Subject: Consumer Security Deposits - RP-2002-0146

Brantford Power is pleased to provide the following comments on the proposed amendments to the Distribution System Code and Retail Settlement Code, as outlined in the Ontario Energy Board's Notice of Proceeding dated June 10, 2003:

Sections 2.4.6.1, 2.4.6.2, 2.4.9 to 2.4.27 - Coming Into Force

Brantford Power submits that three months is insufficient time for distributors to bring security deposit policies and Conditions of Service into compliance with the proposed new guidelines. We suggest that a minimum of six months is required for policy development, distributor board approval, process set-up, staff training, and customer notification.

Sections 2.4.9 and 2.4.10 - Good Payment History

We are very concerned with the proposal that distributors be obligated to refund deposits to non-residential customers in the >50 kW demand class after seven years of good payment history. Brantford Power can provide examples of long-established customers that maintained an excellent payment record right up to the time of bankruptcy. We recommend that distributors should have the ability to hold a security deposit for the duration of the business relationship with >50 kW customers. Alternatively, distributors must be permitted to develop and implement their own security deposit guidelines for this class of customer, using both direct payment experience and available credit information. Credit risk is much less diversified in the >50 kW class, and a more rigorous credit policy is warranted. To illustrate, approximately 25 customers represent 20% of our service revenue, and the cost of default by our largest customer would be in the order of 40% of our annual net income.

Section 2.4.11 - Letters Regarding Good Payment History

Distributors should not be obligated to accept out-of-date credit references, and we submit that a time limit should be stipulated for qualifying letters. Our recommendation would be that the required twelve months of good payment history must have ended no more than 12 months prior to the request. We also submit that current customers should not be required to bear the costs of credit reference letters generated for past customers, hence a miscellaneous charge should be assured for providing letters to past customers. Further clarification is needed in section 2.4.11 (b) to avoid disputes over the phrase "satisfactory credit check." We suggest a satisfactory credit check be defined as "a credit check satisfactory to the distributor, by a rating agency accepted by the distributor."

Sections 2.4.12, 2.4.13 - Maximum Security Deposit

Should a distributor choose to accept less than the maximum security deposit, we are concerned that the Board may determine that the practice does not constitute a prudent credit and collection policy.

Section 2.4.16 - Billing Cycle Factor

Under the current market design, codes and distributor billing practices, we submit that an appropriate Billing Cycle Factor for monthly-billed customers is 3.0. To adequately secure a distributor against payment default, a security deposit must be based on the length of the billing cycle plus two months.

Sections 2.4.18, 2.4.19 - Form of Payment

Distributors should be permitted to require payment of security deposit by cash or certified cheque from customers with a history of returned cheques. Where a cheque is accepted, and subsequently returned, the distributor should be permitted to require replacement by cash or certified cheque, and should be authorized to disconnect if payment is not forthcoming.

Section 2.4.20 - Security Deposit Installment Plan

Any installment plan for payment of security deposits should be at the discretion of the distributor. Distributors should not be required to provide installment payments to customers with poor payment history. The section should also be expanded to indicate that distributors are authorized to disconnect service for customer failure to make security deposit installment payments.

Section 2.4.21 - Interest Rate

In our view, the proposed requirement for the accrual of interest at the Bank of Canada's Prime Business Rate is inappropriate. The level of interest paid on security deposits should reflect the interest earned by distributors on cash reserves. Typically, interest on these holdings is accrued at the Prime Business Rate less 1.75-2.0%.

Sections 2.4.22, 2.4.23 and 2.4.24 - Return of Security Deposit

The last sentence in Paragraph 21 of the Board's covering letter states: "...it is proposed that LDCs refund the deposit *upon a customer's request.*" That statement, as well as Section 2.4.22, is inconsistent with Sections 2.4.23 and 2.4.24, which propose that distributors conduct an annual review of security deposits and initiate the return or reduction of deposits where warranted by good payment history. Given the various systems and processes in place in Ontario, we suggest that either customers or distributors could initiate return of security deposits.

Should you have any questions please contact me at (519)759-4222, ext. 3222, by fax at (519)753-6130, or by email at jloucks@city.brantford.on.ca.

Yours truly,

John Loucks
Director of Administration and Planning