



BY COURIER

Mr. Paul Pudge
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th Floor
Toronto, ON M4P 1E4

Dear Mr. Pudge:

**Re: Consumer Security Deposit Policies
Board File No. RP-2002-0146**

I am pleased to forward comments to the Board on the proposed Consumer Security Deposit Policies on behalf of the Cornerstone Hydro Electric Concepts Association (CHEC). The Cornerstone group has provided a number of responses to the Board in the past as part of a group effort. In doing this, we can provide the Board with the combined musings of multiple LDC's while limiting the amount of documents required. Our group has adopted a common Conditions of Service Document (filed with the OEB), and is in the process of amalgamating our Policy documents.

This submission is made on behalf of the following participating members of the CHEC group: Center Wellington Hydro Ltd.; COLLUS Power Corp.; Erie Thames Powerlines Corp.; Grand Valley Energy Inc.; Gravenhurst Hydro Distribution Systems Ltd.; Lakefront Utilities Inc.; Lakeland Power Distribution Ltd.; Midland Power Utility Corporation; North Bay Hydro Distribution Ltd; Orangeville Hydro Ltd.; Orillia Power; Parry Sound Power Corporation; Rideau St. Lawrence Distribution Inc.; St. Thomas Energy Inc.; Wasaga Distribution Inc.; Wellington North Power Inc.; Westario Power Inc.; West Coast Huron Energy Inc.; Woodstock Hydro Services Inc.

We have attempted to structure our comments to first cover the main questions posed by the Board, followed by general comments on the proposed changes.

1. Compliance: Is three months an appropriate time for LDC's to bring their security deposit policies into compliance and properly communicate those changes to their customers ?

The Board is proposing a both minimum and maximum guideline for LDC's to adopt as a guide in establishing their Security Deposit Policies. As such, the LDC Board members will require an opportunity to review the potential impact on risk associated with establishing a policy that swings too far one way or the other. This would require at the very minimum an official Board meeting. Following adoption by the LDC Board of Directors, the proposed changes outlined by the OEB would require specific adjustments to the CIS software. Past experience has shown a minimum of 3 months to implement new changes to the billing software in a carefully planned environment. It is true that CIS vendors have pushed through some mandated changes in more haste, however the entire market has suffered from the after effects of these rushed changes. The re-design of a Security Deposit Policy does not necessarily require such a hasty modification and as such should be given the time to be carefully outlined. In addition, the DSC states in section

2.4.8 *“A distributor shall provide advance public notice of any changes to its Conditions of Service. Notice shall be, at a minimum, provided to each customer by means of a note on and/or included with the customer’s bill.”*

Given the fact that the DSC requires notification of consumers, as well as an opportunity for consumers to respond prior to adopting changes, an additional minimum of two months would be required following the decision of the local Board of Directors to allow for notification and customer comments. As such, a minimum six month period to a maximum 9 month period would be required in order for the LDC to be in compliance with the code once the code has been officially amended by the OEB.

2. Section 2.4.6.1 *“A distributor’s Condition of Service shall include the Distributor’s security deposit policy...”*

It would be potentially easier for all concerned if the Conditions of Service were to include “reference” to the Distributor’s security deposit policy and the DSC rather than actually include the policy within the document. As the Retail Market matures thereby requiring changes, it is best to have a document that provides consistency. As currently planned, if an LDC would like to adjust the policy on types of security accepted, the LDC would be forced to provide public notification, and make a new submission to the OEB. The governing principal of any Conditions of Service is that the Legislation and Codes supercede any statement in the COS. As such, adoption of new standards in the DSC should be sufficient to ensure uniformity across the Province. This would allow the COS to remain a stable document providing consumers a level of consistency within the market.

3. Section 2.4.6.2 *“a distributor may use any risk mitigation options...”*

Along with section 2.4.6.1, the code should clearly state “including ultimate disconnection for non-payment”. The non-payment of a security deposit should be treated with the same level of importance as non payment of any invoice. In the case of a new connection, a customer moving into the territory with no previous history would be required to pay a deposit prior to connection. A customer that has lost their “good payment history” due to the factors laid out in the proposed changes to the DSC, should be given an opportunity to pay, but ultimately should understand that non-payment is a serious matter with serious consequences.

4. Section 2.4.9 *“Good Payment History timelines”*

The timelines set out for Residential customers are generally acceptable. With regards to the Non-Residential classes however, it is questionable if timelines should even be adopted. Many businesses and industries will ensure payment (or partial payment) of critical invoices particularly water, electricity, and gas even in times when they may be struggling financially, as these services are imperative to ongoing operations. The LDC may have no indication of problems until such time as the customer closes its doors and files for bankruptcy protection. With the inherent delay in billing practices due to pricing and meter reading timelines, this will inevitably always leave the LDC with a minimum shortfall of at least one, if not two months of consumption. An industrial customer tied to the automotive market could be doing fine until some labour unrest in another dependant plant totally removed from them places their operation in peril. This can occur at any time, and years of good payment history will have no effect on their ability to pay at any given time.

5. Section 2.4.10 “Good Payment History factors”

The proposed statement covers the following...

- No more than one disconnect notice
- No cheque returned for insufficient funds
- No pre-authorized payment returned
- No disconnect / collection trip occurred

Obvious by its absence is the customer that simply missed a payment due to lack of funds, yet did come in to make a payment prior to a disconnect notice being issued. We suggest there should be the ability to refer to a customer's repeated late payments as a sign of risk as this truly does not differ significantly from an NSF cheque or a returned pre-authorized payment.

6. Section 2.4.11 “Letter of Good Payment History from other Distributors or Gas Utilities”

We have concerns over accepting good payment history letters from another location or utility. In most cases, Residential Customers move to follow a new career, or to upgrade their living conditions (move from an apartment into a house). These added can significantly change their living expenses thereby rendering any previous history inapplicable. With regards to Commercial Establishments moving into a new territory, this is typically due to expansion plans, and there are many stories of companies that did well in one location, yet failed in a new location due to an inaccurate estimate of the potential to expand their market. The LDC should be able to incorporate a good payment history from another Utility as a possible opportunity to reduce or not ask for a deposit, but keeping the issues outlined above, the LDC should not be bound to waive deposits simply based on payments made in other locations.

7. Section 2.4.12 “Average load for customer class”

Many LDC's do not separate classes of Residential customers by fuel type. This could place an unnecessary burden on consumers that primarily use gas for heating vs those who use electricity as their prime fuel. It is hoped that the OEB is not proposing that LDC's begin to track consumers by fuel source to establish sub-classes in the residential market.

8. Section 2.4.14 “The distributor shall use 4.3 cents per kWh as the commodity price”

As the 4.3 cent price is only in place at the whim of the prevailing Government, perhaps the reference should be to the “legislated commodity price used for billing purposes for consumers who are charged that amount for the commodity, and the appropriate rate used by the IMO to calculate prudential obligations for all other consumers.” This allows for changes by the Government without having a need to institute changes to the DSC.

9. Section 2.4.20 “Providing Security Deposits in installments”

A distributor should be allowed to give the consumer the ability to make their security deposits in installments, however for consumers who are leasing or renting, it is possible that they will have moved out before the 4 month period has expired, leaving the LDC without a last month's payment. LDC's should be allowed to demand payment prior to connection for rental locations especially if they have a poor previous credit record. Many of us have had customers that have left us owing on their accounts, then returned in a few months requesting a new connection.

10. ***Section 2.4.21 “Interest Rates”***

The interest rate an LDC must pay on deposits should be limited to the interest they are allowed to earn by holding the monies collected. Typically an LDC of medium size can earn Prime less 1%. Forcing the LDC to pay 1% more to the customer than what they earn places an unfair burden on the Utility.

11. ***Section 2.4.23 “review of customer payment history”***

The proposed addition to the DSC states a Distributor shall review a consumer’s security deposit at least once every twelve months. Allowing for the distributor to perform the calculation on quarterly intervals or even semi-annually would eliminate the need for Distributors to perform the calculation on a monthly basis. This allows the Distributor to better manage the software environment they have within their CIS systems.

Should you have any questions with regards to the comments or suggestions put forward by our group, please contact me at your convenience by e-mail at dvaiciunas@collus.com or by phone at (705)- 446-5152 or by Fax at (705) 445-0791.

Respectfully submitted,
Cornerstone Hydro Electric Concepts Association Inc.

Darius Vaiciunas
Chair

cc CHEC Member LDC’s
file