IMPLEMENTATION OF SECURITY DEPOSIT POLICY
RP-2002-0146

Comments of Enbridge Gas Distribution Inc. ("Enbridge") concerning the Ontario Energy Board's ("OEB") Security Deposit Policies follow.

1. A utility's authority to demand a security deposit stems from the obligation to serve.

2. Material restrictions on a utility's security deposit policy will have an impact on the utility's bad debt expense. In the short term, negatively impacting the owners of the utility and in the longer term, increasing the cost of service for all customers.

3. Any limitations placed upon a utility's authority to set and apply security deposit policy should be broad, enabling the utility to manage its bad debt risk across its entire customer population.

4. Any requirements placed on the utility to provide customer payment and credit history to other LDCs must be compliant with existing and pending privacy legislation, consumer protection legislation and OEB rules concerning the dissemination of customer information.

   - will the customer's written consent be required?
   - will the providing LDC be allowed to recover the cost of providing this information from either the receiving LDC or the customer?

5. It may be more practical to establish an annual dollars billed threshold to distinguish between mass market and commercial/industrial customers rather than an energy consumption level.

6. Cross LDC policy differences are of lesser concern with respect to the natural gas LDCs due to their fewer number.

7. Security policy should be less rigid with respect to commercial/industrial customers. Security arrangements between LDCs are contractual arrangements negotiated by business parties that are capable of reaching solutions without the supervision of the OEB (i.e., form of security, cash letter, corporate guarantee, etc.).

8. Typically Enbridge requires the payment of security deposits from customers that have had service terminated for non-payment. Enbridge agrees that termination of service for non-payment should only occur as a "last resort". However, Enbridge's position with respect to active customers is that the Company should retain the right to terminate service for the failure, or refusal to pay a security deposit on the part of the customer. This authority is given to the LDC as a means of managing credit exposure, given the utility's obligation to serve. If the utility is to remain compelled to service high risk customers it needs to be in a position to collect security.

9. The return of security after one year of consistent payment history is reasonable with respect to the mass market. However, in the case of commercial and industrial customers the utility should be allowed to consider other tests of credit worthiness when making a determination to recuse the amount of a security deposit (i.e., Credit Bearer Reports, Financial Statement Review, the existence of pending litigation, etc.).

10. Enbridge bases security deposit interest paid its budgeting cost of short term debt. Interest on security deposits should reflect the LDC's cost of short term debt. This interest rate should be periodically revised to reflect the cost of short term debt underpinning the LDC’s current cost of service and rates.

11. Return of deposits.