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BY COURIER

Ontario Energy Board
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June 25, 2003

Attn: Mr. Paul B. Pudge
Board Secretary

Re: Consumer Security Deposit Policies - Notice of Proceeding to Amend the Distribution System Code and Retail Settlement Code, Board File No. RP-2002-0146.

Dear Mr. Pudge:

Enersource Hydro Mississauga Inc. ("Enersource") wishes to participate in the written hearing of the above-mentioned proceeding. Our comments will address: (1) the specific amendments to the Code; (2) the issues identified by Board staff and included in your letter of June 10, 2003.

In summary, the position of Enersource on the main issues is as follows:

- The proposed amendments increase bad debt risks. We therefore recommend that the proposed amendments be deferred until the re-basing of rates has been accomplished.
- Potential losses from unpaid General Service accounts can be considerable. We therefore recommend that only one-third (1/3) of the deposit should be refunded upon customer request. The balance plus accrued interest should be refunded when the account is closed.

Specific Amendments to the Code

S. 2.4.9: This section defines “Good Payment History (GPH)” for General Service customers as five and seven years of GPH as further defined in S. 2.4.10. This definition forms the basis for other amendments such as 2.4.24, which deals with deposit refunds.

The result is that LDCs are required to refund deposits to General Service customers after five or seven years of GPH. We submit that this is a potentially dangerous provision that could result in significant losses to LDCs.

In 1999, the base year for the current rates, electrical utilities in Ontario were allowed to apply any amount unpaid by property owners to their Municipal tax account, thus providing protection for the utility. In 2000, this protection was removed. To protect themselves from increased risks, LDCs were forced to incur extra costs to collect deposits, and at Enersource, these deposits are refunded only when the account is closed. LDCs have not received any kind of allowance for the increased collection costs under the current rules, let alone the even higher costs under the proposed rules.

With the elimination of the tax roll protection, with the restrictions imposed by the Government regarding the winter power cut-offs for customers that fail to pay their account, and with the proposed amendment that requires LDCs to refund deposits to General Service customers, LDCs are faced with a worrisome increase in bad debt risk as credit protections are diminished. In our experience, large companies in business for many decades have declared bankruptcy with little warning, despite good payment practices. These accounts would have been classified as GPH customers under the proposed amendments.

Our recommendations to the Board are:

- Since the current rates were based on the 1999 financial results when utilities were afforded the credit protections mentioned earlier, we submit that any amendments that increase bad debt risk, should be deferred until the re-basing of rates has been accomplished.
- If the Board does proceed with some of the proposed amendments, we recommend that deposits for General Service customers should not be refunded in full, but rather that one-third (1/3) of the deposit be refunded. By comparison, the IMO requires deposits from all LDCs, but provides for reduced amounts for good payment history and sound credit rating.

S. 2.4.10: We submit that a consumer that has not paid his account until served with a disconnection notice, should not be considered a GPH customer. Consequently, we recommend that this section be revised as follows:

2.4.10 For the purposes of section 2.4.9, a consumer is deemed to have a good payment history if, during the time period set out in section 2.4.9, the consumer has received no ~~more than one~~ disconnection notices from the distributor...

S. 2.4.14: The reference to the 4.3¢ per kWh to be used as the commodity price when computing the security deposit, should apply as long as the 4.3 cents per kWh is in effect. The proposed amendment should indicate that subsequently, the price to be used is the rate used by the IMO to calculate prudential obligations.

Other suggested revisions are underlined:

2.4.14 For the purposes of calculating the estimated electricity bill under section 2.4.12 or 2.4.13 for a consumer who is billed at 4.3 cents per kWh under SSS or distributor-consolidated billing, the distributor shall use 4.3 cents per kilowatt hour as the commodity price of electricity ~~for consumers who are low volume or designated consumers who are charged that amount for the commodity of electricity~~ and the appropriate rate used by the IMO to calculate prudential obligations for wholesale market participants who are not distributors or for consumers who do not pay 4.3 cents per kWh under SSS or distributor consolidated billing ~~low volume or designated consumers for all other consumers~~. For the purposes of calculating the estimated bill under section 2.4.12 or 2.4.13 for consumers who are billed under split billing, the commodity portion of the bill shall be estimated at zero.

S. 2.4.19: Please refer to our comments under “Other Issues Identified by Board Staff”, paragraph (1).

S. 2.4.21: The interest accrued should be paid out only when the security is refunded when the account is closed. If the accrued interest is paid out every twelve months,

- Costly programming changes will be required
- A line item must be added to the bill. This would be contrary to the Government’s Bill Simplification effort.

S. 2.4.22: In our comments of S. 2.4.9, we recommend that certain proposed amendments be deferred until rates are re-based and that only 1/3 of the deposit for a General service customer should be returned upon customer request. However, if the Board decides to proceed with some of its amendments, we recommend that S. 2.4.22 be revised to differentiate the Residential and General Service rules, as follows:

2.4.22 Where a consumer who has paid a security deposit develops a good payment history and maintains a good credit rating issued by a reputable agency (e.g. Dunn & Bradstreet or Equifax), ~~which would have been sufficient under section 2.4.9 so as to exempt the consumer from the obligation to pay a security deposit~~, the Residential consumer may demand the

return of the security deposit and the distributor shall promptly return it. The General Service consumer may demand the return of 1/3 of the security deposit and the distributor shall promptly return it.

S. 2.4.23: In our opinion, this paragraph should not apply to the General Service customers as the proposed twelve-month reviews are too costly. As submitted elsewhere, we believe that security deposits should not be automatically refunded to General Service customers after an annual review. Please refer to our comments under “Other Issues Identified by Board Staff”, paragraph (1).

S. 2.4.24: For General Service customers, we recommend that 1/3 of the security deposit be refunded upon customer. Please refer also to our comments under “Other Issues Identified by Board Staff”, paragraph (1).

Other Issues Identified by Board Staff

- (1) Clarifications:
 - Amendment S.2.4.19 refers to “an open-ended” and irrevocable letter of credit. Does this mean an irrevocable letter of credit that has no expiry date?
 - The second paragraph of your letter (starting on line 21) says: “Accordingly, it is proposed that LDCs refund the deposit upon a customer’s request.” This appears to contradict S 2.4.24, which requires a distributor to promptly return the deposit after the 12-month review even though the customer does not request it. Please refer to the above S. 2.4.24 recommendation.
- (2) Three months is not a sufficient period of time for LDCs to implement their security deposit policies. Enersource requires considerably more time to change the system, re-design processes, hire additional staff, provide training and implement all the changes. Considering all the other changes that LDCs must implement, such as MPMA Rebates, Bill Standardization, etc., we fail to see the need of this proposal at this time. Please refer to our comment of S.2.4.9 that recommends a deferral until rates are re-based.
- (3) Yes, we concur that the goal has been accomplished.
- (4) An annual review and update of the consumer deposits will require additional implementation and manpower costs.
- (5) The requirement to provide a GPH reference to the customer will result in additional costs.

- (6) No, we do not believe that a more specific definition of what constitutes an acceptable credit check is required. In our opinion, the LDC should make that assessment at its discretion.
- (7) The method for calculating a security deposit for non-residential <50 kW should be customer specific.

As requested, please find enclosed 3 copies of this submission and an electronic disk.

Yours truly,

Chris Buckler
Vice President, Marketing and Regulatory Affairs
cc G. Ceksters, R. Amar