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July 11, 2003

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

Dear Mr. Pudge:

***Re: OEB File Number RP-2002-0146
Consumer Security Deposit Policies***

Please consider the following submission from Guelph Hydro Electric Systems Inc. pertaining to the Board's Proceeding to Amend The Distribution System Code and The Retail Settlement Code with regard to Consumer Security Deposits.

We are currently dealing with EBT Global Item 636, new IMO reporting requirements and staff shortages due to vacation requirements, among other issues, and we regret we have missed the Board's July 10 deadline for this submission. However, given the above, we respectfully request that the Board give consideration to our submission.

The maximum amount of the deposit for the residential class is to be based on the class average consumption. We propose that this does not adequately cover the collection risk for this customer class. In Guelph the average monthly Residential consumption is around 750 kWh, however, the range is 25 kWh to over 3,000 kWh. We recommend that the customers' actual consumption for the basis of the calculation. LDC's bear most of the collection risk in the electricity market, collecting a deposit is a major method to mitigate this collection risk.

The proposed interest rate is the "Prime Business Rate". We propose the amount should be based on actual investment rates available to a utility. We propose the prime business rate is higher than a customer could reasonable expect from any investment. The net result is a financial loss to the utility.

The definition of a "good payment history" considers 5 years for non-residential < 50 kW and 7 years for non-residential > 50 kW. We propose that the credit risk for a general service customer is not a function of their payment history. Our experience had shown that

businesses keep their hydro accounts current even in periods of poor cash flow. A business could be insolvent without the utility having any advance warning signs. We propose the deposits for the general service customers be held until the account is finalized.

I trust you will find this satisfactory. If you require additional information, please call me at (519) 837-4702.

Yours sincerely,

GUELPH HYDRO ELECTRIC
SYSTEMS INC.

J.A. MacKenzie, P.Eng.
President & CEO

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Encl.