



July 4, 2003

Mr. Paul Pudge
Board Secretary
Ontario Energy Board
P.O. Box 2319
28th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Sir:

Re: Consumer Security Deposit Policies – RP-2002-0146

In regards to the proposed amendments to the Distribution System Code and the Retail Settlement Code, Kenora Hydro would like to express concern regarding section 2.4.21 *Interest shall accrue monthly at the Prime Business Rate as published on the Bank of Canada website on security deposits made by way of cash or cheque commencing on receipt of the total deposit required by the distributor.*

Kenora Hydro currently earns interest on their bank account at Prime Business Rate, minus 1.9%. Therefore, if interest were accrued and applied as proposed in Section 2.4.21, Kenora Hydro would be subsidizing the interest that the customer earns on their deposit since the proposed interest amount is greater than what Kenora Hydro receives from its bank.

Sincerely,

D.E. (Dave) Sinclair
President & CEO