

Comment of the Consumer Security Deposit Policy

In response to the letter dated June 10, 2003 and attached policy – Consumer Security Deposit Policies – RP-2002-0146, Niagara Falls Hydro has the following comments. The format of the comments follows the areas identified by the Board where input may be useful.

(1) Are there any sections in the proposed amendments that require clarification?

In review of the policy the following sections have identified as areas requiring further clarification or revision to the proposed policy.

Section 2.4.9

Niagara Falls Hydro would like to recommend that the period of refunding of deposit be revised from one (1) year residential to two (2) year residential; from five (5) year <50kW to six (6) year <50kW; from seven (7) year >50kW to ten (10) year >50kW.

Section 2.4.10

Niagara Falls Hydro would like to recommend the change of wording from a “good” payment history (GPH) to an “acceptable” payment history (APH.) It is thought that interpretation of the word, “good”, may be variably defined by the consumer.

Section 2.4.11

Niagara Falls Hydro would like to delete section (b) a satisfactory credit check made at the consumer’s expense. It is deemed that this is too generalized. If a satisfactory credit check is deemed a method to eliminate the need of a deposit, it is necessary to further define the “acceptable” methods of a credit check. In addition, it is felt that by deleting this clause of the policy, it ensures fairness to consumers. The policy itself should dictate the quantity of a deposit, if any deposit, rather than an external review of credit that may not be relevant to the payment of a utility.

Section 2.4.12

Niagara Falls Hydro would like to recommend that the maximum amount of a security deposit for a residential customer be calculated by using the average usage per customer.

Section 2.4.13

Niagara Falls Hydro would like to recommend that the maximum amount of a security deposit for a non-residential customer be calculated by using the average usage per customer.

Section 2.4.15

Niagara Falls Hydro disagrees with this evaluation of a deposit amount and would like to omit this section from the policy. Once a deposit amount is calculated, it should be payable by the consumer. The method of payment for the account should not be a contributable factor to whether the deposit is required. It is possible to default on a pre-authorized payment, as it is a personal cheque.

Section 2.4.20

Niagara Falls Hydro would like to recommend the following collection method. The security deposit shall be collected in the following manner:

- i. Preferably 100% payment
- ii. Minimum 50% cash and 50% on first bill.

Section 2.4.21

Niagara Falls Hydro feels that this section regarding the payment of interest and refund of a deposit requires further clarification and detail. Specifically, the method of calculation of the interest should be documented to ensure that the interpretation of “accrues monthly” is standard across all distributors and stakeholders.

Further, Niagara Falls Hydro feels that the interest should not be Prime. Per Retail Settlement Code, section 8.3, it is felt that the interest rate payable shall be, the lesser of the rate that a distributor earns from any security deposit provided by the consumer and the prime rate charged by the distributor’s bank. Further, it is felt that the refund of the deposit should be a credit on the customer’s bill, rather than cash or cheque.

Section 2.4.22 and Section 2.4.24

It is further stressed by Niagara Falls Hydro that the returning of the security deposit will be a credit on their account, rather than return of deposit “promptly as cash or cheque.” It is deemed that a credit on the customer’s account is the most cost effective method. It ensures that the customer has receipt of the refund.

Further detail and clarification is required to deem acceptable actions if payment of deposit or addition of a deposit is not met by the customer.

Section 2.4.25

Niagara Falls Hydro would like to recommend that upon closure of a consumer’s account, the security deposit will be returned on the “final” bill, less the amount owing.

(2) Is 3 months an appropriate period of time for LDCs to bring their security deposit policies into compliance and properly communicate those changes to their customers? If not, explain how much time is required and provide a rationale.

Niagara Falls Hydro does not feel that three (3) months is an appropriate period of time to bring existing deposit policies into compliance and properly communicate those changes to our customers.

It is anticipated that we will minimally require 6-8 months to communicate and implement changes as per the following breakdown.

- i. Two (2) months: flyers for billing cycle
- ii. Two (2) to three (3) months: development within billing system
- iii. Two (2) months: testing, communication to public and staff training

(3) As noted above, the focus on maximum requirements is to prevent an LDC from being forced to require consumers to post a security deposit or pay a higher deposit than an LDC already requires. Has this goal been accomplished?

Yes, it is felt that this goal has been accomplished.

(4) Consumer deposits would be reviewed and updated annually by each LDC. Would such a requirement have implications for any LDCs? If so, please explain.

Yes, annual reviews of a deposit amount would have implications on Niagara Falls Hydro. This review will represent system updates, as well as, resource considerations to define, review and apply the procedure.

(5) Consumers would be able to provide a GPH reference from any other Ontario utility. Would this have implications for any LDCs including the requirement to provide the reference? If so, please explain.

There would not be any negative implications to providing or receipt of a GPH reference; however, system and procedural changes are required to implement this change.

Niagara Falls Hydro feels that GPH (Good Payment History) should be changed to APH (Acceptable Payment History). The reference should be a standard form and process that must be unified across all utilities and stakeholders. A time period should be specified for each utility to comply with the request. In addition, it is felt that a fee to the customer for completing such request should be allowed.

(6) Is a more specific definition of what constitutes an acceptable credit check required in the code?

Please refer to the following before mentioned comments pertaining to Section 2.4.11.

Section 2.4.11

Niagara Falls Hydro would like to delete section (b) a satisfactory credit check made at the consumer's expense. It is deemed that this is too generalized.

If a satisfactory credit check is deemed a method to eliminate the need of a deposit, it is necessary to further define the "acceptable" methods of a credit check. In addition, it is felt that by deleting this clause of the policy, it ensures fairness to consumers. The policy itself should dictate the quantity of a deposit, if any deposit, rather than an external review of credit that may not be relevant to the payment of a utility.

(7) Is the method for calculating a security deposit for non-residential <50kW consumers using customer specific average consumption appropriate or would the use of a class (and/or sub-class) average usage be more acceptable?

Niagara Falls Hydro feels that the calculation of a security deposit using customer specific average consumption be appropriate.

Other Considerations

Cost Recovery

Niagara Falls Hydro feels that the required deposit policy changes are required and are in consensus, to the proposed policy (with comments.) It will require investment of staff and contract resources to develop, test, train, and implement the policy changes. Ongoing costs will be incurred for the annual review and refund of security deposits. These costs will be the result of new procedures and communications to our customer. We need assurance as to when and how these costs will be recovered.

Communication

It will be necessary to communicate these changes to our customers. Is there any consideration to a standard method or format of communication that will be used by all utilities?