

Renfrew Hydro Inc. - Electric Distribution Services

29 Bridge Ave. W., Renfrew, Ontario K7V 3R3
Phone 613-432-4884 Fax 613-432-7463

Ontario Energy Board
PO Box 2319
26th Floor
Toronto, Ontario
M4P 1E4

Att: Paul B. Pudge – Board Secretary

Reference: **RP-2002-0146 – Notice of Proceeding - Consumer Security Deposit Policies**

Renfrew Hydro Inc. wishes to participate in the written hearing with respect to the proposed licence amendment regarding Consumer Security Deposits. Renfrew Hydro Inc. respectfully submits the following comments and concerns for your consideration.

Section 2.4.6.1

A distributor's security deposit policy shall include at a minimum the following:

- Methods of enforcement where a security deposit is not paid.

Comments: A distributor should have the right to disconnect power if a consumer deposit is required and is not paid. The Ontario Energy Board should emphasize this right to disconnect power for non payment of a consumer security deposit by clearly stating this right to disconnect in the Distribution Code. Distribution Companies need a definitive confirmation from the Ontario Energy Board on this matter.

Section 2.4.9A

A distributor may require a security deposit from a consumer.....unless the consumer has a good payment history of (7) years in the case of a non residential consumer in a > 50 kw demand rate class.

Comments: Renfrew Hydro Inc.'s greatest exposure to risk is in the greater than 50 kw demand class. History at Renfrew Hydro shows that customers in this class go into receivership or bankruptcy after many years of good payment history. Here are three concrete examples:

Company A – Manufacturer – Signed as customer – May , 1990
Deposit Refunded – March 1992
Went into Receivership – March 2003
In business 13 years, Amount owing \$114,000.00
This company had not missed a payment until the receivership.

Company B – Manufacturer - Signed as a customer – May 1998
Went into bankruptcy February 2002
In business 12 years, Amo unt owing \$6000.00

Company C – Manufacturer – Signed as customer May 1988
Went into bankruptcy August 2002
In business 14 years, Amount owing \$3000.00

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These examples emphasize that security deposits for this class of customer should be held as long as they are in business. Renfrew Hydro Inc. had to post a prudential with Hydro One which has an annual cost of \$18,000.00 and this has been deemed necessary to reduce Hydro One's risk. This same requirement should be made of this class of customer. In most cases these customers pay market price for the commodity which increases the risk. The deposit should be seen as a cost of doing business and should be applied to the customers final bill when they close the business. We would also like to point out that in many cases these companies employ significant amount of people and disconnection of service is the last resort. A permanent deposit enhances the ability to work with a customer when they are in financial difficulty.

If the Ontario Energy Board does not change the deposit policy for this class of customer as we have recommended then any losses incurred by the Distribution company should be recognized as a "Z" factor and be recoverable through a rate adjustment.

SECTION 2.4.10

A consumer is deemed to have a good payment record if, the consumer has received no more than one disconnection notice from the distributor,

Comments: A disconnection notice is given as a last resort when all efforts to work with the customer have failed. A good payment history is indicated if the customer has received **no** disconnection notice during the time period. This section should be changed to read no disconnection notice.

SECTION 2.4.12

One of the problems faced by the Distribution utility is a rental property that has low rent and high energy bills because the building is old and inefficient. This type of rental property poses a higher risk to the Distribution utility if the deposit is based on an average load for a residential electric heat class. For this reason we recommend that the Ontario Energy Board make allowance in its code for the calculation of a deposit amount for these properties outside the norm. These units bear a higher non payment risk and the Code should make an allowance for these accounts.

These comments are submitted for your consideration and are made in fairness to both the distribution Utility and the consumer.

Yours truly,

Tom Freemark – President
Renfrew Hydro Inc.
29 Bridge St.
Renfrew, Ontario
K7V 3R3

jtfreemark@on.aibn.com

