



November 24, 2003

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

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

Dear Mr. Pudge:

In response to your request of November 10, 2003, Hydro Vaughan Distribution Inc. (HVDI) is pleased to provide comments with regards to the subject proposals. Our review of the amended proposal has identified the following issues:

1. We support a number of the proposed amendments such as the extended transitional period for the refunding of security deposits, the application of refunds to customer account balances, the use of irrevocable letters of credit and the establishment of a customer deposit interest rate of prime business rate less 2%.
2. We will continue to await your further guidance on the issue of prudence. In light of the provisions of the new security deposit policies, specific clarification is required from the OEB as to the liability of Hydro Vaughan if following these policies places HVDI at increased risk for uncollectible costs resulting from business failures.
3. The issue of the resultant impact of the new deposit policy on prudential obligations remains unaddressed in your most recent communication. It is anticipated that the implementation of these proposals will result in the refund of approximately 80% (\$ 9M) of the existing customer deposits over time. This will directly increase HVDI's prudential obligations, and associated costs, as these deposits will no longer be available to offset IMO Prudential requirements.
4. We do not favour extension of the "opt-in credit rating" alternative to non-residential customers under 5 MW and over 50 kW due to the diminished security protection.

If you would like to further discuss these issues please contact Mr. John Glicksman, Vice-President Finance and Chief Financial Officer (905-832-8371 ext. 6411), or myself.

Sincerely,

Dennis Nolan
Vice-President Corporate Services
& Secretary of the Board
Hydro Vaughan Distribution Inc.

c.c. Brian Bentz
John Glicksman