
NIAGARA ERIE PUBLIC POWER ALLIANCE

November 21, 2003

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

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

Dear Mr. Pudge,

Members of the Niagara Erie Public Power Alliance (NEPPA), representing 11 Local Distribution Companies from Brantford to Fort Erie, respectfully submit comments in response to the O.E.B. initiative RP-2002-0146.

Allowing the return of deposits to large general service customers after 7 years of GPH, places the LDC in a position of great risk as bankruptcies can occur unexpectedly to apparently “healthy” companies. It should be noted that approximately 85% of what the LDC’s collect is done so on behalf of market participants including the IMO, Hydro One Transmission and the OEFC. Any default risk rests solely on the LDC as all other market participants receive their amounts due. Our group suggests that the Board consider that any defaults under this 7-year circumstance, result in all market participants proportionately sharing in the loss/risk.

Similarly, the reduction of the period for residential deposits poses increased risk for LDC’s. A similar sharing of the “loss” amongst the market participants should be considered. Alternatively, NEPPA suggests that consideration should be given to developing new laws to allow LDC’s to seek bad debt collection through the tax roll.

In light of proposed reductions to LDC consumer deposits, NEPPA requests the implementation of a similar reduction to the IMO prudential requirements posted by the LDC’s. To date, all of our member utilities have an excellent payment history with the IMO and formerly with Ontario Hydro. We respectfully request that we be given equal treatment, as IMO customers to have our good payment history recognized in the same manner that you think is appropriate for our customers.

In your proposal it is suggested that refunds, plus interest be returned on an annual basis, which we believe, should be “Prime Business Rate” less 3% not 2%. Is there an allowance for additional CIS costs needed to implement such a program? Collectively our credit ratings have already been downgraded because of a number of factors,

including the uncertainty surrounding regulatory assets and we believe that the Regulator needs to carefully examine its actions, which have a negative impact on LDC's.

Finally, we also request that an increased "bad debt" allowance be allotted to all LDC's to accommodate the increased risk.

We trust that our recommendations will be given serious consideration by the Board.

Sincerely,

John A. Alton
Peninsula West Utilities Limited, NEPPA Chair

cc: Brant County Power Inc.
Brantford Power Inc.
FortisOntario
Grimsby Power Incorporated
Haldimand County Hydro Inc.
Niagara Falls Hydro Inc.
Niagara-on-the-Lake Hydro Inc.
Norfolk Power Distribution Inc.
St. Catharines Hydro Utility Services Inc.
Welland Hydro Electric System Corp.

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