

**Ontario Energy
Board**
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**Commission de l'Énergie
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August 14, 2002

TO: All Licensed Electricity Distributors

**CC: Canadian Federation of Independent Business, Electricity Distributors
Association, Retail Council of Canada, Advocacy Centre for Tenants Ontario,
Milton Chamber of Commerce, Alcoa Wheel Products Collingwood, Sautel**

RE: Consumer Security Deposits and Related Matters

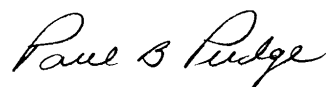
A range of concerns have been raised by various parties including distributors ("LDCs"), consumers, and stakeholder associations regarding the consumer security deposit policies of electricity LDCs. Board staff will be coordinating a working group to consider stakeholder input regarding these issues and the Board will advise interested parties of the results.

The Board is particularly conscious of LDCs' concerns that they may be unable to recover a bad debt through rates if the Board determines that they were imprudent by not obtaining a security deposit. As the Board indicated in the letter of December 6, 2001, LDCs are not intended to be held generally accountable, or at risk, for uncollected commodity costs from consumers. While the Board cannot restrict its own discretion to act on the individual facts of each case brought before it, it is reasonable to expect that the Board, in determining the prudence of not demanding a security deposit, would give weight to arguments supporting such a decision where it is an existing customer, with a good payment history and there is no reason to anticipate a decline in payment performance. In any case, the decision of whether or not the bad debts should be recoverable in rates would be subject to other rate-making considerations including materiality, management's ability to control, prudence and the cause of the expense.

Of immediate concern to the Board is the issue of disconnection of service for non-payment of a security deposit requested by an LDC. The Board is of the view that disconnection of service is a grave matter, and that any LDC should seriously consider the consequences of such potentially harmful action. The Board has not made a determination on whether non-payment of a consumer security deposit is grounds for termination of service pursuant to section 31 of the *Electricity Act, 1998*.

For further information, please contact Chris Cincar at 416-440-7696 or by e-mail at chris.cincar@oeb.gov.on.ca.

Yours truly,



Paul B. Pudge,
Board Secretary