April 17, 2008

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Suite 2700
Toronto, Ontario
M4P

Via e-mail to BoardSec@oeb.gov.on.ca and by mail

Dear Ms. Walli,

Re: Electricity Distributors: Customer Service, Rate Classification and Non-Payment Risk - Staff Discussion Paper
EB-2007-0722

Thank you for the opportunity to comment on the above-mentioned staff report. In particular, our company would like to comment on the 'Management of Customer Non-Payment Risk' section.

On July 19, 2007, Niagara-on-the-Lake Hydro Inc. responded to the Board's first request for comments describing a customer bankruptcy notice that we had just received. This large customer was, prior to the bankruptcy, deemed a 'good payment history customer' in terms described in the Distribution Supply Code, and as such was not required to provide a deposit. The Retail Company that had signed this customer received their full payment, remaining risk-free for a mere $0.30 monthly administrative charge. On the other hand, our company is now forced to write-off this full amount and trust that we can recover the amount from our customers through future rates.

We write to you at this time to inform you that this trend is continuing as we have had yet another bankruptcy of a 'good payment history customer' that was also contracted to a Retailer. In discussions with other Distributors, this is becoming a more common occurrence in the current economic environment.

NOTL Hydro reviewed the seven July, 2007 submissions with enthusiasm as all but one Distributor identified the need to make changes to the Code and/or market rules.

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Multiple submissions identified the need to address the fact that Retailers, under distributor consolidated billing, face no payment default risk and yet are eligible for healthy profits - reward without the risk. One non-Distributor submission suggested that ex-ante solutions such as accelerated billing should be considered but appeared not to address the fact that several companies go into bankruptcy without any prior warning signs for Distributors to implement such measures. The EDA document provided was considered by staff to be but a single submission when in fact it represented the joint input of over 80 LDC's in Ontario and should be weighted accordingly. This well constructed document not only outlined the inequities of the current default payment risk system but also provided a number of practical solutions.

Board staff reviewed the July, 2007 submissions and state "…staff believes that the risk mitigation measures currently available to distributors are generally adequate." Staff recommendations focus on accelerated billing as the preferred risk mitigation measure. While we do not dismiss accelerated billing as a potential tool for Distributors when customers are showing early signs of potential default, it does not fully address the serious issues and risks discussed above. The Staff report fails to address the fairness of Retailers sharing default payment risk.

The Ontario Energy Board Act lists Board objectives as 1) protecting the interest of customers and 2) to facilitate the maintenance of a financially viable electricity industry. We respectfully observe that the collective comments and suggestions put forth by the 80 plus Distributors through the EDA submission needs serious consideration to avoid potential financial hardship amongst Distributors. We do not accept that we should solely bear the risk of default payment especially when encumbered by inadequate rules. As Distributors, we have a close bond with our customers. As such, we question the fairness of millions of non-Retail customers in Ontario absorbing (through rates) the Retailer commodity component of defaulted payments. These customers chose not to sign with a Retailer and yet potentially bear the default risk of these profitable companies. Are customers' best interests protected in this situation, or are Retailers?

We appreciate the opportunity to comment on the Board report and trust that the Board will take this opportunity to instigate the necessary changes to equitably distribute the default payment risk and provide stakeholders with the appropriate tools to minimize such risks.

Sincerely,

Jim Huntingdon
President