

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

ORIGINAL	
N.H.P.U.C. Case No.	DE 12-295
Exhibit No.	1
Witness	Panel 1
DO NOT REMOVE FROM FILE	

PETITION FOR REVIEW OF THE REASONABLENESS AND APPROPRIATENESS
OF PSNH'S APPROVED CHARGES FOR SELECTION, BILLING, AND PAYMENT AND
COLLECTION SERVICES TO COMPETITIVE ELECTRICITY SUPPLIERS

Docket No. DE _____

TESTIMONY OF AUGUST G. FROMUTH

On Behalf of PNE Energy Supply LLC d/b/a Power New England ("PNE")

August G. "Gus" Fromuth is the Managing Director of Freedom Logistics, PNE, and Resident Power. Mr. Fromuth is Vice Chairman of the NEPOOL Participants Committee and Chair of the End User Sector. The End User Sector is comprised of companies and institutions purchasing electricity directly from the wholesale market, consumer advocates, public interest organizations, and government entities.

Mr. Fromuth served for seven years in Washington in the Reagan Administration's Commerce Department as a Deputy Assistant Secretary. Mr. Fromuth was educated at George Washington University (BA) and Johns Hopkins School of Advanced International Studies.

PNE is the only New Hampshire-based competitive supplier, with applications for supplier licenses pending in Massachusetts and Rhode Island.

Freedom Logistics is a licensed competitive supplier in Maine and a licensed broker in a number of New England states, including New Hampshire. Its main focus has been the management of load asset accounts of large customers in New England that participate directly in the ISO-NE wholesale market ("MPEU's").

Resident Power is a licensed aggregator in New Hampshire, focusing on residential and small commercial customers.

I. INTRODUCTION

PNE Energy Supply LLC d/b/a Power New England ("PNE") is a duly- registered CEPS in PSNH's service territory. PNE serves a relatively large number of residential and small commercial customers in PSNH's territory.

In this proceeding, PNE has petitioned the Commission for a Review of the Reasonableness and Appropriateness of PSNH's Approved Charges for Selection, Billing, and Payment and Collection Services to Competitive Electricity Suppliers.

The problem posed by PSNH's charges is that they impede the development of a competitive market for small customers, rather than enhancing the development of the market, which as I understand is the purpose of this proceeding. To the best of my knowledge and belief similar charges are not levied by PSNH's affiliates CL&P, WMECO and NSTAR. They are also not levied by Unitil, Liberty Utilities, or NGrid in Massachusetts and Rhode Island.

II. PSNH'S SERVICES AND SCHEDULE OF CHARGES FOR ENERGY SERVICE PROVIDERS

PSNH's Terms and Conditions for Energy Service Providers are contained in its Electricity Delivery Service Tariff – NHPUC No. 8, Original Pages 31 through 40. PSNH's "Services and Schedule of Charges" are set out in Section 2, original pages 32 through 36.

A. Selection Charge

Section 2(a), Customer Change of Supplier provides, *inter alia*, as follows:

The Company will be entitled to make a Selection Charge for any changes initiated by a Customer, Supplier, or an authorized agent to a different Supplier or to Default Service or Self-Supply Service.

Selection Charge\$5.00 per Request

B. Billing and Payment Service Charge

Section 2(f), Billing and Payment Service provides, *inter alia*, as follows:

The Company will provide Billing and Payment Service as an option to Suppliers who have entered into a written agreement for Billing and Payment Service with the Company for a minimum of one year. The monthly Billing and Payment Service Charge, listed below, is for billing arrangements which can be accommodated by the Company's billing systems without significant programming changes:

Billing and Payment Service Charge\$ 0.50 per bill rendered

C. Collection Services Charge

Section 2(g), Collection Services provides, *inter alia*, as follows:

The Company will provide Collection Services in conjunction with Billing and Payment Service for Suppliers who have entered into a written agreement for such service with the Company for a minimum of one year.

Collection Services Charge.....0.252% of total monthly receivable dollars

III. DISCUSSION

The issue of how the costs associated with the provision of competitive supplier services by the utilities should be recovered has become of concern within the past year because of the relatively large increase in the enrollment by competitive suppliers of residential and small commercial customers, primarily by PNE. PNE utilizes consolidated billing through PSNH for these customers, whereby the customer receives only one bill for both delivery by PSNH and energy from PNE.

PSNH's Selection Charge is incurred by PNE when it enrolls a PSNH customer. Although the \$5.00 charge may sound small, it is a very large percentage of the first month's profit for a small customer. The enrollment process is fully automated and utilizes Electronic Data Interchange (EDI) capability which is possessed by both PNE and PSNH. There is no manual intervention by any PSNH employee.

PSNH's Billing and Payment Service Charge is presumably to recover the cost of rendering its bill for Delivery service, but in place of the PSNH's Default Energy Charge on the lower part of the bill, PSNH includes the price charged by the competitive supplier and the total amount due. When PSNH receives payment from the customer for the supplier portion of the bill, PSNH electronically remits that amount to the supplier. The billing and payment process is fully automated and there is no manual intervention by any PSNH employee.

PSNH's Collection Services Charge is applicable to collection activities by PSNH on behalf of competitive suppliers. The services provided by PSNH are very similar to, and performed in conjunction with, collection activities employed by PSNH for its own active and inactive delinquent accounts.

IV. RECOMMENDATION AND CONCLUSION

PSNH has a very large and sophisticated customer management and billing system. In view of all of the foregoing, the incremental costs incurred by PSNH in performing the foregoing automated services are very low, and possibly zero. This conclusion is supported by the fact that similar charges are not levied by PSNH's affiliates CL&P, WMECO and NSTAR. They are also not levied by either Unitil or Liberty Utilities, or NGrid in Massachusetts and Rhode Island.

It has long been acknowledged that rate design is more of an art than a science. Even if the incremental costs incurred by PSNH were not zero, the Commission may require PSNH to recover such costs through base rates and not through explicit charges on the competitive suppliers if it believes such an approach would eliminate a drag on the development of a competitive market for small customers. It would seem that NU management, with approximately 500,000 of CL&P's residential customers being served by competitive suppliers,

does not see a need for CL&P to bill competitive suppliers for the services addressed herein, then PSNH should not be doing it either.

In the PUC's consideration of ways to enhance participation in the retail market for smaller customers, elimination of PSNH's charges for Energy Service Providers would most likely be a good place to start.

/s/ August G. Fromuth

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