

**THE STATE OF NEW HAMPSHIRE  
BEFORE THE PUBLIC UTILITIES COMMISSION**

**REBUTTAL TESTIMONY OF  
CHARLES R. GOODWIN AND STEPHEN R. HALL**

**REVIEW OF THE REASONABLENESS OF CERTAIN CHARGES  
OF PUBLIC SERVICE OF NEW HAMPSHIRE FOR SERVICES TO  
COMPETITIVE SUPPLIERS**

**Docket No. DE 12-295**

**I. Introduction and Purpose**

**Q. Please state your names, positions and business addresses.**

A. My name is Charles R. Goodwin. My business address is 107 Selden Street, Berlin, Connecticut. I am Director of Rates and Forecasting for Northeast Utilities Service Company, which provides centralized services to the Northeast Utilities operating subsidiaries, including Public Service Company of New Hampshire (PSNH), The Connecticut Light and Power Company, Yankee Gas Services Company, Western Massachusetts Electric Company, and NSTAR Gas and Electric Companies.

A. My name is Stephen R. Hall. My business address is PSNH Energy Park, 780 North Commercial Street, Manchester, New Hampshire. I am the New Hampshire Revenue Requirements Manager for PSNH.

1   **Q.     Have you testified previously before the Commission?**

2   A.     Yes, we have both testified previously before the Commission.

3   **Q.     What is the purpose of your testimony?**

4   A.     The purpose of our testimony is to provide comments on and/or rebuttal to the  
5           combined testimonies of Daniel W. Allegretti on behalf of the Retail Energy  
6           Supply Association (“RESA”), Taff Tschamler on behalf of North American  
7           Power and Gas, LLC (“NAPG”), and Kevin Dean on behalf of Electricity NH,  
8           LLC (“ENH”). We will provide general comments on the testimony and will also  
9           provide specific comments to some of the allegations made in individual  
10          testimony.

11   **Q.     Please summarize ENH’s testimony.**

12   A.     ENH describes the level of costs it has incurred for the Selection Charge and  
13          maintains that since the selection is accomplished through an EDI transaction,  
14          there is little or no cost to PSNH. ENH also describes the cost it has incurred for  
15          billing and payment service and for collection service, and notes that other  
16          utilities with which it does business do not assess those specific charges (though  
17          they may assess other charges). It recommends that all of the charges be  
18          suspended indefinitely and that to the extent the charges are found to be unjust or  
19          unreasonable PSNH be required to refund any amounts already collected.

1    **Q.     Please summarize NAPG’s testimony.**

2    A.     NAPG maintains that the charges are not based on a sound policy rationale, do  
3           not apply established utility ratemaking and cost of service principles, and  
4           undermine the law requiring competition. It recommends removing the charges  
5           from PSNH’s tariff as soon as possible, and that PSNH be required to refund the  
6           amount of charges recovered to date, or place the money in a special dedicated  
7           fund for other purposes. NAPG also states that it believes the appropriate manner  
8           for recovering the costs of billing, collection and switching is to include the costs  
9           in distribution rates paid by all customers.

10   **Q.     Please summarize RESA’s testimony.**

11   A.     RESA maintains that the charges were never cost justified and that the  
12           Commission should determine whether they act as a barrier to the development of  
13           the competitive market in New Hampshire. It recommends that the charges be  
14           revisited and that PSNH should bear the burden of demonstrating that they are  
15           cost justified.

16   **Q.     What are your general comments to the suppliers’ testimonies?**

17   A.     PSNH is not surprised by the suppliers’ position, although we do not agree with  
18           their recommendations. Initially, PSNH notes that the Commission’s order of  
19           notice stated that one of the issues to be examined was “whether it is useful for  
20           the Commission to conduct a review of the reasonableness of the approved tariff

1 charges separate from a review of PSNH's revenue requirements in the context of  
2 a future rate case." Order of Notice at 4. Though they advocate for the reduction  
3 or elimination of these charges, the suppliers do not offer any support for  
4 reviewing these charges outside the context of a rate case. PSNH, however, states  
5 that it has no issue with a reexamination of the charges, provided that such an  
6 examination is performed in the context of a rate case. Interestingly, the party  
7 who filed the petition initiating this docket, PNE Energy Supply, agrees with  
8 PSNH on this point. In its objection to PSNH's motion to dismiss in this docket,  
9 PNE stated:

10 "PNE's Petition does not seek to engage in single issue ratemaking, or  
11 seek a declaratory ruling. In its order of Notice, the Commission correctly  
12 noted that 'PNE said that it is not seeking a rate adjustment in this  
13 proceeding and that any rate adjustment that resulted from the  
14 Commission's review would take place in a subsequent PSNH general rate  
15 case.' Accordingly, PNE is not proposing any change to PSNH's present  
16 or future allowed revenue level. PNE is simply proposing that the revenue  
17 associated with the current supplier charges not be recovered from  
18 competitive suppliers because they impede the development of a  
19 competitive market for small customers, rather than enhancing the  
20 development of a competitive market."

21 Clearly, it's not possible to simply eliminate various charges to suppliers in this  
22 proceeding without changing PSNH's revenue level. However, the suppliers who  
23 sponsored testimony are recommending exactly that.

24 If the Commission were to eliminate or substantially reduce the charges to  
25 suppliers, it would constitute an exogenous event under the settlement approved  
26 in PSNH's last distribution rate case, thus warranting an increase in PSNH's  
27 distribution revenue level. Thus, suppliers are essentially asking the Commission

1 to eliminate the charges to improve their bottom lines and to require all customers  
2 (even those who do not take service from a competitive supplier) to pick up the  
3 tab by moving the costs into distribution rates. They are also asking the  
4 Commission to take deliberate action to cause an exogenous event to occur.  
5 Finally, suggestions that the Commission may retroactively adjust tariffed rates  
6 outside of a rate case proceeding and order refunds of amounts lawfully collected  
7 are unfounded and should be rejected out of hand.

8 **Q. Please describe the Exogenous Events provision contained in the settlement**  
9 **in Docket No. DE 09-035.**

10 A. The Exogenous Events provision of the rate case settlement allows PSNH to  
11 adjust its distribution rates upward or downward for certain defined events if the  
12 total revenue impact of all such events exceeds \$1,000,000 in any calendar year.  
13 One of those events is a “State Initiated Cost Change” which is defined, in part, as  
14 follows:

15 “any externally imposed changes in...other precedents governing income  
16 [or] revenue,... which impose new obligations, duties or undertakings, or  
17 remove existing obligations, duties or undertakings, and which  
18 individually decrease or increase PSNH’s distribution costs, revenue, or  
19 revenue requirement.”

20 Since the suppliers’ proposals to eliminate or reduce the charges would result in a  
21 decrease in PSNH’s revenue, a Commission order granting those proposals would  
22 qualify as an exogenous event. The amount of revenue from all of the charges at

1 issue was approximately \$500,000 in calendar year 2012, and over \$1 million for  
2 the 12-month period ending May 31, 2013. Thus far in 2013 (through May), the  
3 charges have totaled over \$800,000.

4 If the Commission were to accept the suppliers' position prospectively, PSNH's  
5 distribution rates would need to be increased on July 1, 2014 to recover the  
6 revenue shortfall resulting from the policy change, assuming there are no  
7 offsetting changes elsewhere.

8 **Q. How are the revenues from the charges treated during a distribution rate**  
9 **case?**

10 A. For ratemaking purposes, the revenues PSNH receives from the charges are  
11 credited to PSNH's distribution revenue requirement, thus decreasing distribution  
12 rates. Therefore, the assertion of ENH that the existence of the charges creates a  
13 "profit center" for PSNH and NAPG's assertion that distribution rates already  
14 fully recover the costs of billing and collection services do not accurately reflect  
15 the full story. The revenues from these charges are applied during a distribution  
16 rate case to offset the cost of providing service, thus reducing rates for distribution  
17 customers.

1 **Q. Hasn't the amount of revenue from the charges increased in recent years**  
2 **resulting in an "overrecovery" of costs?**

3 A. The revenues have increased in recent years due to increased migration, and a  
4 concomitant increase in billing and collection services requested by suppliers.  
5 However, while the revenue from the charges has increased, there is no  
6 "overrecovery". The revenue PSNH receives from the application of the charges  
7 is treated in identical fashion to all other expenses and revenues that determine  
8 PSNH's distribution revenue requirement. To the extent that such costs and  
9 revenues change from the test year level, PSNH is at risk for any such change.  
10 There is no doubt that many costs have increased since the last rate case, yet  
11 PSNH's rates are not being adjusted to reflect those increases, other than for the  
12 items specified in the rate case settlement. The fact that PSNH is not earning its  
13 allowed rate of return supports the conclusion that there is no "overrecovery"  
14 occurring. Suppliers want the Commission to focus on a single component of the  
15 revenue requirement and change that component, while ignoring all other  
16 components. This "single issue ratemaking" is not the Commission's long  
17 standing ratemaking policy.<sup>1</sup>

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<sup>1</sup> Recall that PSNH discussed this issue in its Motion to Dismiss filed in Docket No. DE 12-093:

In addition, the Petition asks the Commission to engage in single-issue ratemaking, which is clearly disfavored. *In Re Statewide Low-Income Electric Assistance Program*, 87 NHPUC 349 (2002); *see also In Re Connecticut Valley Elec. Company*, 86 NHPUC 947 (2001). In the *Connecticut Valley Electric* case, the Commission has described the reasons why this is disfavored:

Single-issue rate cases are frowned upon in utility ratemaking because the objective of ratemaking is not to ensure recovery dollar for dollar of every

1   **Q.     ENH maintains that since the charges for billing and collection are based on**  
2       **embedded costs, it creates an “unreasonable subsidization of PSNH’s**  
3       **distribution services by competitive suppliers”. Do you agree with this**  
4       **statement?**

5   A.    No, we do not. ENH is correct in stating that PSNH’s charges for such services  
6       were based on embedded costs – as were all other distribution charges. However,  
7       there is no “subsidization” since, as discussed above, the revenue received from  
8       the application of the charges is credited to PSNH’s revenue requirement during a  
9       distribution rate case. Therefore, suppliers are paying PSNH on an equivalent  
10      basis to what customers pay through distribution rates.  
11      ENH proposes that the Commission require the charges to be determined based on  
12      incremental cost, presumably to eliminate the alleged subsidization. Reducing or  
13      eliminating the charges would result in suppliers being subsidized by all  
14      customers, even those customers who do not purchase energy from a competitive  
15      supplier. RESA, Constellation, and other suppliers argued stridently against the  
16      imposition of a nonbypassable charge on customers in Docket No. DE 10-160,

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expenditure made by a utility, but rather to ensure that the company has a reasonable opportunity to earn a reasonable overall return on investments dedicated to public utility functions. In order to make this ultimate determination, it is necessary to match ordinary and necessary expenses with income from the same period, and determine whether the net income is sufficient to provide a reasonable return on allowable rate base. Single-issue rate cases do not allow for this determination of overall net income. They focus on the change in a single expense (or revenue) item since the last rate case, ignoring completely what changes may have taken place in the other factors of net income.

*In Re Connecticut Valley Elec. Company*, 86 NHPUC at 952-53.



1       *Investigation into the Effects of Customer Migration*, yet they are urging the  
2       Commission in this docket to impose such a nonbypassable charge on customers  
3       in the form of higher distribution rates to the benefit of their bottom lines. This  
4       type of arrangement would be unfair to customers. It would create an unlevel  
5       playing field for customers if the Commission were to reduce or eliminate the  
6       charges, since suppliers would then be charged for the costs based on incremental  
7       costs (or would be charged nothing for the services), yet customers are charged  
8       for the costs based on embedded cost.

9       **Q.    NAPG states that the current billing charge is based on 1998 costs and**  
10       **therefore should be eliminated, and that there is no cost justification for the**  
11       **charge for collection services. Please comment on these allegations.**

12      A.    PSNH provided cost justification for the billing and collection services charges as  
13       part of the restructuring docket. NAPG apparently believes that because such  
14       analysis is dated, it is now somehow no longer valid. That's not the case. While  
15       costs may have changed in the interim, the analysis is fundamentally sound.  
16       NAPG is essentially complaining that since the marginal cost of providing service  
17       is low, the charges should be reduced or eliminated. As stated above, this would  
18       run counter to the Commission's precedent of using embedded costs in approving  
19       distribution rates.

1 Even if one assumes that the charges need to be updated to reflect current costs,  
2 they should not be based on incremental cost, since that would create an unlevel  
3 playing field for customers, as discussed above.  
4 Moreover, with regard to billing and collection services, those services are  
5 optional and suppliers can always avoid the charges by performing the services on  
6 their own or contracting with another entity for the services. We will discuss this  
7 in more detail later in this testimony.

8 **Q. Was there a cost analysis performed for the selection charge at the time of**  
9 **restructuring?**

10 A. No, there was not, as suppliers have noted in their testimony. If the Commission  
11 wishes to fully examine this charge, it should be done in the context of a  
12 distribution rate case so that PSNH can account for it as part of a cost of service  
13 study. The Commission should not, however, create an exogenous event by  
14 simply eliminating the charge.

15 **Q. Suppliers maintain that there is very little incremental cost associated with**  
16 **switching customers, since the switching is done electronically through EDI**  
17 **transactions. Are their contentions accurate?**

18 A. As a general rule, when viewed on an incremental cost basis, yes. With a  
19 “normal” transfer of a customer to or from competitive supply or from one  
20 supplier to another, the incremental cost is low. However, suppliers conveniently

1 ignore the initial costs PSNH incurred to program its billing systems to  
2 accomplish switching of customers, and the ongoing maintenance and upgrading  
3 of those systems. Those costs are included in distribution rates (net of any  
4 revenue from selection charges) and are paid for by all customers. As part of a  
5 cost of service study, such costs would be appropriately allocated to various  
6 classes of customers and/or to suppliers in the form of a selection charge  
7 calculation. The suppliers' argument that they should not be charged anything  
8 due to the very low incremental cost is akin to a UPS customer arguing that it  
9 should not have to pay anything for delivery of a package to its premises, since  
10 the marginal cost of delivering a package to them is very low if the delivery truck  
11 is going to be in the neighborhood anyway.

12 Suppliers also have ignored the potential for PSNH to incur significant costs for  
13 switching in unusual situations, such as the situation that occurred in February  
14 following the default of PNE Energy Supply. PSNH incurred significant costs  
15 associated with transferring customers as required by ISO-NE, and it withheld  
16 payment to PNE to cover those costs plus the selection charges. In a separate  
17 proceeding, PNE is seeking recovery of the withheld amounts plus damages and  
18 PSNH faces the risk that it may not be able to recover the costs it incurred to  
19 switch customers as required by ISO-NE. Basing a selection charge on  
20 incremental cost would ensure that PSNH would incur a significant loss if such a  
21 situation were to occur in the future. Further, PNE has also contended to the  
22 Commission that PSNH is not authorized to recoup the costs of carrying out the

1 responsibilities of a host utility (such as assuming the load of a defaulting  
2 supplier) under the ISO-NE rules. Thus, in initiating this docket, PNE has  
3 contended that certain charges relating to suppliers should be eliminated, and it  
4 has now also contended that PSNH is not permitted to recover other supplier-  
5 related costs. It appears that regardless of whether the costs are based upon  
6 PSNH's embedded or marginal costs, suppliers believe that PSNH, or all  
7 customers, regardless of whether they use a competitive supplier, should bear all  
8 of the costs of accommodating suppliers' businesses.

9 As stated earlier, PSNH has no objection to a full examination of the selection  
10 charge or the other charges at issue in this docket, as long as such examination is  
11 done as part of a distribution rate case and charges are adjusted in concert with  
12 distribution rate setting.

13 **Q. What type of analysis would be necessary to determine the appropriate level**  
14 **of each charge?**

15 A. To determine cost-based pricing for supplier services, the traditional embedded  
16 distribution cost of service study model would need to be modified to add  
17 suppliers as a service category. Further, the costs of all supplier-related and  
18 competitively supplied customer-related rate base and expenses would need to be  
19 identified and segregated from the overall distribution revenue requirement. Such  
20 costs would then need to be allocated, or directly assigned, to competitive  
21 suppliers and/or the competitively supplied customers as either a fixed cost, a cost

1 per bill cost, or a cost per transaction. These costs would include PSNH's  
2 proportional share of any billing system applications that were built or modified  
3 by Northeast Utilities to accommodate competitive energy service, other supplier  
4 related billing and transactional systems, related labor costs, and related  
5 administrative and general costs.

6 **Q. Would this analysis comport with established ratemaking principles?**

7 A. Yes, it would. The Commission has historically based distribution rates on  
8 embedded costs, and only used marginal cost pricing in situations where  
9 embedded cost pricing would result in a loss of revenue (or no realization of new  
10 revenue). NAPG's argument that such pricing does not follow established utility  
11 ratemaking and cost of service principles is simply wrong. NAPG and the other  
12 suppliers are requesting specialized treatment for these particular charges outside  
13 the context of a rate case. They are doing so in order to enhance their bottom  
14 lines rather than to benefit customers.

15 **Q. Wouldn't a reduction of suppliers' costs result in significant benefit to**  
16 **customers, and a corresponding boost to the competitive market?**

17 A. No, it would not. Initially, PSNH makes clear that it is mindful that the  
18 Commission has stated that this docket is intended "to investigate whether  
19 PSNH's charges for customer selection, billing and collection are just and  
20 reasonable" and not to "examine the effects of the charges on the development of

1 the competitive market, or the effect of the charges on the profitability of  
2 competitive suppliers.” *Public Service Company of New Hampshire*, Order No.  
3 25,528 (June 25, 2013) at 5. However, the suppliers themselves have contended  
4 that these charges are harmful to the competitive market, and, by extension,  
5 customers. *See, e.g.*, NAPG Testimony at 15 (contending that PSNH’s charges  
6 should be reduced to “minimize harms to suppliers and consumers” during any  
7 investigation) and RESA Testimony at 4 (questioning whether the charges act as a  
8 barrier to market developments). Furthermore, the Commission has previously  
9 stated that:

10 In determining just and reasonable rates, “[we] must balance the  
11 consumers’ interest in paying no higher rates than are required  
12 with the investors’ interest in obtaining a reasonable return on their  
13 investment.” *Appeal of Eastman Sewer Company, Inc.*, 138 N.H.  
14 221, 225 (1994). The protection of investors’ interests, however,  
15 must be secondary to the Commission’s primary concern of  
16 protecting the consuming public.

17 *Public Service Company of New Hampshire*, Order No. 22,784, 82 N.H. P.U.C.  
18 787, 796 (Nov. 6, 1997). Thus, to determine whether the charges are just and  
19 reasonable the Commission must balance the interests of the Company and  
20 customers and must know whether there would be a significant benefit to  
21 customers, rather than to suppliers, from the elimination of the charges.  
22 Accordingly, it is necessary to put the level of charges into perspective and  
23 compare those charges to the energy service rates paid by customers.

1 In its response to Staff 1-1 (Attachment 1 hereto) NAPG provided a calculation of  
2 the charges as a percent of total revenue. That calculation shows that the charges  
3 amount to only 2.2% of total energy revenue. If one assumes that the energy  
4 price charged to customers is 7.5¢ per kWh (as assumed in the attachment), then  
5 the charges are approximately 0.17¢ per kWh (or a little over one dollar per  
6 month for the average residential customer). Even if we were to assume that  
7 suppliers would flow through 100% of the benefit to customers, it's hard to  
8 imagine that a 0.17¢ reduction per kWh would have a meaningful impact on the  
9 competitive market, or would influence a customer's decision to take service from  
10 a competitive supplier. Thus, PSNH questions any claims that the charges  
11 meaningfully impact the competitive market, or that their elimination would  
12 "minimize harms" to consumers. Moreover, for those suppliers who currently  
13 perform their own billing and collection services, reducing or eliminating the  
14 billing or collection charges would have no impact at all.

15 **Q. Do suppliers value the billing and collection services provided by PSNH?**

16 A. Yes, they do. In response to discovery requests (ENH responses to PSNH 1-8 and  
17 1-21, NAPG responses to PSNH 1-6 and 1-18, and RESA response to PSNH 1-7  
18 and 1-16, all included as Attachment 2 ) all three witnesses stated that they  
19 receive value<sup>2</sup> from the billing and collection services PSNH provides.

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<sup>2</sup> RESA stated that its members "would expect to receive some value from PSNH collection activities".

1 Notwithstanding the value that they receive, the witnesses still maintain that the  
2 service should be provided by PSNH at no charge. They are asking the  
3 Commission to force PSNH, a regulated for-profit entity, to continue to provide  
4 those valuable services (which can be obtained in the competitive marketplace),  
5 yet charge them nothing for the services.

6 **Q. Are there any provisions of New Hampshire law that suggest that free service**  
7 **from a regulated entity runs contrary to the notion of free and fair**  
8 **competition?**

9 A. Yes, there are many. First, providing a valuable service for free – in addition to  
10 being contrary to good business practice – is contrary to New Hampshire law.  
11 *See* RSA 378:14 (“No public utility shall grant any free service, nor charge or  
12 receive a greater or lesser or different compensation for any service rendered to  
13 any person, firm or corporation than the compensation fixed for such service by  
14 the schedules on file with the commission and in effect at the time such service is  
15 rendered.”). Further, in its findings in House Bill 1392 in the 1996 session, the  
16 general court found that “market forces can now play the principal role in  
17 organizing electricity supply for all customers instead of monopoly regulation.”  
18 New Hampshire’s state constitution requires that “free and fair competition in the  
19 trades and industries is an inherent and essential right of the people and should be  
20 protected against all monopolies and conspiracies which tend to hinder or destroy  
21 it.” And RSA 374-F:3, VII states that “Choice for retail customers cannot exist



1 without a range of viable suppliers. The rules that govern market activity should  
2 apply to all buyers and sellers in a fair and consistent manner in order to ensure a  
3 fully competitive market.”

4 Apparently, counsel for RESA agrees that the state’s policy is to discourage  
5 monopoly service and government intervention in the private marketplace. In  
6 testimony before the Commission filed on January 12, 2006 in Docket No. DW  
7 04-048, RESA’s witness, Douglas Patch, stated:

8 “Our state has a history of encouraging free enterprise and of avoiding  
9 government intervention in and government operation of what are  
10 traditionally private functions unless it is absolutely necessary. This  
11 philosophy is reflected in the New Hampshire Constitution, Part II, Article  
12 83, which the New Hampshire Supreme Court has said ‘declares our  
13 fundamental preference for free enterprise.’ *Appeal of Omni*  
14 *Communications, Inc.* 122 N.H. 860, 862 (1982). As the Omni court noted,  
15 referring to the Commission: ‘The role and duty of such a commission is  
16 to oversee and regulate those few necessary monopolies so that the  
17 *constitutional rights of free trade and private enterprise* are disrupted as  
18 little as possible.’ [emphasis added] 122 N.H. at 862, 863.”

19 Further, in its January 17, 2013 Objection to PSNH’s Motion to Strike Portions of  
20 RESA’s Pre-filed Testimony in Docket No. DE 12-097, RESA maintained:

21 “Such efforts are what NH’s founding fathers recognized in part II. Article  
22 83 of the NH Constitution, cited in the purpose clause of the restructuring  
23 statute (RSA 374-F:1,I) where it says: ‘Free and fair competition in the  
24 trades and industries is an inherent and essential right of the people and  
25 should be protected against all monopolies and conspiracies which tend to  
26 hinder or destroy it.’ RSA 374-F:3,VII says: ‘Choice for retail customers  
27 cannot exist without a range of viable suppliers. The rules that govern  
28 market activity should apply to all buyers and sellers in a fair and  
29 consistent manner in order to ensure a fully competitive market.”

30 The point of all of the above is to demonstrate that New Hampshire law clearly  
31 tilts toward a preference for market forces providing competitive services rather

1 than monopolies providing competitive services. Billing and collection services  
2 are competitive services that are available in the marketplace. It's remarkable that  
3 in this docket, competitive suppliers want the Commission to force a regulated  
4 utility to provide competitive services for free, in contravention of New  
5 Hampshire law.

6 **Q. Is there a legal mandate for PSNH to provide billing services?**

7 A. No, there is not. The requirement for PSNH to provide billings services was  
8 included in the Commission's Order No. 22,875 in Docket No. DR 96-150. In  
9 that order, the Commission ruled:

10 "With respect to billing, we clarify that distribution companies will retain  
11 the responsibility to bill all customers for distribution services.  
12 Competitive suppliers, or their designated agent(s), will assume the  
13 responsibility for billing customers for the energy services they provide.  
14 However, for the convenience of the customers, we will require  
15 distribution companies to offer competitive suppliers the option of  
16 including their unbundled energy charges on a single consolidated bill,  
17 prepared by the distribution company. Again, the distribution company  
18 would be compensated for this billing service pursuant to a Commission  
19 approved tariff."

20 *Electric Utility Restructuring*, Order No. 22,875, 83 NH PUC 126 (Mar. 20, 1998)  
21 at 17-18. As a result of this order, PSNH offers billing service as an option to  
22 competitive suppliers and is compensated for it pursuant to a Commission  
23 approved tariff. However, in view of the existence of competitive providers of  
24 billing and collection services and the vibrant competitive market that has  
25 emerged for energy services, the time has come to remove this requirement from  
26 utilities, or at least to allow utilities to price such services at market rather than at

1 cost. In fact, suppliers could avoid the “tax” that ENH alleges exists by  
2 performing these services themselves or by purchasing such services from the  
3 competitive market today.

4 As a provider of default energy service, PSNH’s role is to provide a safety net for  
5 customers. That role should not include performing services for competitive  
6 suppliers at little or no cost.

7 **Q. What is your proposal for the Commission in this docket?**

8 A. First, in response to the Commission’s concern as expressed in the order of notice,  
9 the Commission should not alter any of the supplier charges outside of a  
10 distribution rate case, due to the impact on PSNH’s distribution revenue, the  
11 interplay between the revenue PSNH receives for supplier services and PSNH’s  
12 distribution revenue requirement, the risk of establishing a precedent for single-  
13 issue ratemaking, and the fact that such action would constitute an exogenous  
14 event. If the Commission wishes to conduct a detailed examination of the cost of  
15 providing the services at issue in this docket, a detailed cost study would be  
16 required as part of the next rate case. Any such examination should include a  
17 policy determination of whether billing and collection services should be provided  
18 at a market price if that price is greater than PSNH’s cost of providing the service.  
19 Notwithstanding PSNH’s recommendation above, if the Commission agrees with  
20 suppliers that the charges for the services should be reduced or eliminated, PSNH  
21 proposes that it then be relieved of any requirement to perform billing and

1 collection services for suppliers. Relieving PSNH of this burden would level the  
2 playing field for all competitive suppliers of billing and collection services, and  
3 would completely eliminate the issues raised in this docket regarding the pricing  
4 of those services. It would also eliminate the “tax” and “subsidization” that  
5 suppliers allege currently exists, since suppliers would either no longer purchase  
6 such services from PSNH or would do so through a negotiated contract for those  
7 services.

8 **Q. Does this complete your testimony?**

9 A. Yes, it does.