

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 19-057
REQUEST FOR PERMANENT RATES

DIRECT TESTIMONY OF
Christopher G. Kishimoto

Fee Free Adjustment

On behalf of Public Service Company of New Hampshire
d/b/a Eversource Energy

December 15, 2021

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STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
DIRECT TESTIMONY OF CHRISTOPHER G. KISHIMOTO

PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY
REQUEST FOR CHANGE IN PERMANENT DISTRIBUTION RATES
FEE FREE CREDIT CARD PAYMENT PROGRAM

December 15, 2021

Docket No. DE 19-057

1 **I. INTRODUCTION**

2 **Q. Please state your full name, position and business address.**

3 A. My name is Christopher G. Kishimoto. I am employed by Eversource Energy Service
4 Company as Manager, Payments and Print. My business address is 107 Selden Street,
5 Berlin, Connecticut 06037. In my role, I manage payment and print operations on behalf
6 of the operating companies of Eversource Energy, including Public Service Company of
7 New Hampshire d/b/a Eversource Energy (“Eversource” or the “Company”).

8 **Q. Have you previously testified before the New Hampshire Public Utilities Commission**
9 **(“Commission”)?**

10 A. No.

11 **Q. Please summarize your educational background.**

12 A. I earned a Bachelor of Science degree in Accounting from the University of Connecticut

1 School of Business. I am in process of earning a Master of Business Administration degree
2 from the Quinnipiac University School of Business.

3 **Q. Please summarize your professional experience.**

4 A. I have 11 years of experience in the energy industry after joining Eversource, formerly
5 Northeast Utilities, as an accountant in 2010. In 2018, I joined Eversource's Customer
6 Operations organization as a Meter-to-Cash Strategist, then transitioned to the Payments
7 and Print department as a Customer Service Consultant in 2019, before accepting a
8 Supervisor role in 2020. In that role, I helped lead the team to implement New Hampshire's
9 Fee Free program in February 2021. In April 2021, I accepted my current role as Manager,
10 Payments and Print, where, as previously stated, I manage payment and print operations
11 on behalf of the operating companies of Eversource Energy.

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

13 A. The purpose of my testimony is to describe the Company's efforts to date to implement the
14 Fee Free credit/debit card program that was authorized by the Commission in its approval
15 of the October 9, 2020 Settlement Agreement ("Settlement Agreement") in Order No.
16 26,433 (December 15, 2020) in this docket. The Settlement Agreement established the
17 framework for the program and associated cost recovery. My testimony will describe the
18 implementation of the program and the resulting costs to date.

19 **Q. Are you presenting any attachments in addition to your testimony?**

20 A. Yes, I am presenting the following attachments in support of this testimony:

Exhibit Designation	Purpose/Description
Attachment CGK-1	Fee Free Net Cost Comparison – Year 1 Results
Attachment CGK-2	Annual Monitoring Metrics

1 **Q. How is your testimony organized?**

2 A. In addition to this introductory section, my testimony is organized into the following
3 sections:

- 4 • Section II provides background on the Fee Free program, including the Company's
5 initial proposal and the terms of the Settlement Agreement; and
- 6 • Section III discusses the Company's initial experience with the program in New
7 Hampshire.

8 **II. BACKGROUND ON THE FEE FREE PROGRAM**

9 **Q. Please describe the purpose of the Fee Free credit/debit card program.**

10 A. As described in the May 28, 2019 testimony of Penelope McLean Conner in this docket,
11 customers have greater choice in the methods available for conducting business than in
12 years past. The Fee Free program was proposed to meet customer needs and expectations
13 by eliminating the transaction fee for certain credit and debit card payments and to recover
14 the cost of this arrangement through base distribution rates. In the Company's experience,
15 customers want the convenience of paying their monthly bills with a credit or debit card
16 without incurring a transaction fee and found that transaction fees were a significant driver
17 of customer dissatisfaction.

1 **Q. As initially proposed, did the Company intend to provide the option to all customers?**

2 A. No. Under Eversource's initial proposal, the fee free option would be available only to
3 residential customers because those customers are the largest customer segment and in
4 aggregate constitute the largest number of payments made. Also, non-residential
5 customers are more accustomed to credit card fees and are better able to bear the cost of
6 those fees than residential customers.

7 **Q. Did the Company develop estimates of the costs associated with the program?**

8 A. Yes. Under Eversource's initial proposal, the Company developed cost estimates based on
9 the terms of the contract with its payment vendor, which had a sliding-scale cost structure
10 where the pre-transaction cost was aligned with the ratio of credit to debit card payments
11 and the average payment amounts. The transaction fee that would be incurred by the
12 Company for having the vendor process these transactions would start at a particular rate
13 but could increase or decrease depending upon the average payment amount and ratio of
14 credit/debit card transactions that actually occur in a particular quarterly period. The
15 sliding scale cost structure was necessary because the experience and expertise of both the
16 Company and the vendor indicated that an increasing portion of residential customers
17 would migrate to this service within the first few years of its offering.

18 **Q. Did the Company have certain expectations on customer migration?**

19 A. Yes. At the time of the rate case filing in May 2019, the expected migration rose from
20 about 5 percent of customers in the first year to 14 percent by year four. Also, based on
21 what the Company had seen in other states, customer migration to fee free payment options

1 was happening without advertisement or promotion to customers. Likewise, Eversource
2 did not intend to promote the fee free option and Eversource's expectations for migration
3 were based on not promoting the option.

4 **Q. Did the Company make changes to its proposal based on input from parties during**
5 **the rate case?**

6 A. Yes. Over the course of the rate case, parties commented on the Company's proposal and
7 suggested various changes to it. Among the issues were whether the fee free option should
8 be available for recurring payments and the kinds of metrics that should be reported to
9 understand the migration. Additionally, during the course of the case, Eversource obtained
10 additional information from its affiliate in Connecticut on customer migration rates. In the
11 end, these comments and additional information led to adjustments to the Company's
12 proposal, and ultimately informed the program framework in the Settlement Agreement.

13 **Q. Please describe the structure of the Fee Free program as authorized in the Settlement**
14 **Agreement.**

15 A. As described in Section 12 and in Appendix 6 of the Settlement Agreement, the final
16 program design was substantially the same as the Company had proposed. The Fee Free
17 credit/debit card payments were to be implemented as an option for residential customers
18 for one-time, rather than recurring, payments. Customers who wish to pay by credit or
19 debit card each month are required to enter their credit or debit card payment information
20 for each payment made.

21 Also, the Company agreed to monitor the customer adoption rate and report on the adoption
22 rate to the Commission Staff (now the Department of Energy Staff) and the Office of the

1 Consumer Advocate (“OCA”) and to work with the settling parties to determine whether
2 amendments to the program, such as expansion to commercial customers or to allow for
3 recurring payments, should be recommended to the Commission for approval in the future.

4 **Q. Does the Settlement Agreement contain certain assumptions related to adoption rates**
5 **and costs for the program?**

6 A. Yes, as described in Appendix 6 of the Settlement Agreement, the updated yearly adoption
7 rates as a percent of total payments were adjusted to 5 percent, 6.3 percent, 7.6 percent and
8 8.9 percent for years 1 through 4, respectively. As a result of lowering the adoption rate
9 assumptions, the costs also came down to an anticipated \$520,497 per year average over
10 the first four years. The first-year costs were expected to be the lowest at around \$375,000,
11 which was the amount included in rates.

12 Specifically, Section 12.3 of the Settlement Agreement allowed the Company to recover
13 \$375,000 of program-related costs in base rates annually beginning January 1, 2021,
14 subject to reconciliation at the time of the Company’s next rate case, with carrying charges
15 on the over- or under-recovered balance calculated using the Prime Rate. Further, if the
16 actual costs resulting from customers’ adoption of the fee free option exceed the \$375,000
17 allowed in rates in the first year, the Company shall increase the amount in rates to an
18 amount reflecting the estimated cost, but not more than \$520,500, effective February 1,
19 2022. Section 12.3 stated that testimony and supporting materials relating to such increase,
20 if requested, shall be included in the materials submitted with the Company’s Stranded
21 Cost Recovery Charge filing for effect on February 1, 2022.

1 **Q. What does the \$375,000 allowed in base rates represent?**

2 A. As shown in Attachment CGK-1, the \$375,000 allowed in base distribution rates represents
3 the first-year net cost of the Fee Free program expenses, assuming a penetration rate of 5.0
4 percent of total customers in the first year of the program or a total volume of 263,447
5 payments. The total cost of the credit card fees for those customers that chose to pay their
6 bills using a credit card at a cost of \$1.48 per payment was assumed to be \$389,901 with
7 offsetting savings of \$15,443 for a net cost of \$374,458 in the first year. The offsetting
8 savings estimate represented incremental credit card usage over and above the 3 percent
9 penetration rate prior to the start of the program.

10 **IV. PROGRAM IMPLEMENTATION AND INTIAL EXPERIENCE**

11 **Q. When did the Company implement the Fee Free program in New Hampshire?**

12 A. Following the Commission's approval in December 2020, the Company began work on
13 implementing the fee free option and it was first available to customers on February 11,
14 2021.

15 **Q. What has been the experience thus far with customer adoption rates?**

16 A. As described above, the Company's adjusted adoption expectations were for 5 percent, 6.3
17 percent, 7.6 percent and 8.9 percent of customer payments to be made using this option in
18 years 1 through 4, respectively. As of October 31, 2021, in the first 9 months of the
19 program, the Company has seen a year-to-date adoption rate of 5.4 percent of total
20 residential customer payments, which is above expectations. The Company estimates that
21 the annual adoption rate will be about 5.7 percent of total customer residential payments

1 or 286,000 residential credit card payments. This annual estimate exceeds the assumed
2 volume presented in Appendix 6 of the Settlement Agreement.

3 **Q. What are the anticipated costs of the program in the first year?**

4 A. As described above, \$375,000 was included in base rates as the anticipated net cost in the
5 first year of the program. The actual cost to date has been \$267,110 in the first 9 months
6 the program with estimated offsetting savings of \$4,998, resulting in a net cost of \$262,112
7 for the first 9 months. At current program participation rates, the Company expects the
8 cost for the first 12 months of the program will be approximately \$400,000 with estimated
9 offsetting savings of approximately \$8,000, resulting in a net cost of \$392,000 for the first
10 twelve months. This exceeds the projected first year estimate by \$18,000 but is below the
11 annual cap of \$520,500.

12 **Q. Do you expect to see adoption rates continuing to trend above expectations?**

13 A. Yes, the Company expects adoption rates to trend above expectation based on current
14 performance. When the Company revised its New Hampshire projections based on actual
15 participation in the Connecticut program, the Company underestimated the impact of
16 COVID on the program growth. Per the initial filing, the Company has not advertised the
17 fee free program on the Company website, and customers do not know the credit card
18 payment is fee free until they make a credit card payment. The higher-than-expected
19 program growth is driven by repeat customers; 52 percent of all New Hampshire residential
20 credit card payments made since the fee-free program went live on February 11, 2021 were
21 made by customers who paid by credit card five or more times. The Company expects the

1 rate of increase to continue as more customers learn about the program.

2 **Q. Is the Company proposing any changes in light of this trend?**

3 A. Although the actual costs are trending slightly higher than estimated, the Company is not
4 requesting that the amount in rates be raised at this time. As identified in Section 12.3 of
5 the Settlement Agreement, any over- or under-recovered balances associated with the
6 program will be reconciled at the time of the Company's next rate case.

7 **Q. Is the Company recommending any changes to the program at this time?**

8 A. No. Section 12.2(b) of the Settlement Agreement requires the Company to monitor the
9 adoption rate by customers and report on the adoption rate to the settling parties to
10 determine whether amendments to the Fee Free program, such as expansion to commercial
11 customers or to allow for recurring payments, should be recommended to the Commission
12 for approval. At this time, the Company is not recommending any changes to the program
13 and will continue to monitor and report on the costs and adoption rates on an annual basis.

14 **Q. Is the Company including any reports regarding the program?**

15 A. Yes. The Company is reporting based on suggested tracking used in the Connecticut fee
16 free program. The Company provided a list of specific monitoring activities and metrics
17 in response to TS-2-001 during the rate case. Included with this testimony as Attachment
18 CGK-2 is the Company's first compliance report based on data from initial implementation
19 on February 11, 2021 through October 31, 2021 based on those metrics identified during
20 the rate case as described above.

1 **Q. Does this conclude your testimony?**

2 **A. Yes, it does.**