

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 23-001

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC.

Proposed Purchase of Receivables Program

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 29th day of September, 2023, by and among New Hampshire Electric Cooperative, Inc. (“NHEC” or “the Cooperative”) and the New Hampshire Department of Energy (“the Department”), (together, “Settling Parties”) in the above-captioned proceeding. This Settlement Agreement resolves all issues to the reasonable satisfaction of the Settling Parties with respect to NHEC’s request for approval of a purchase of receivables (“POR”) program.

SECTION 1. INTRODUCTION AND PROCEDURAL HISTORY

1.1 RSA 53-E:9, II requires that each electric distribution utility propose to the New Hampshire Public Utilities Commission (“the Commission”) for review and approval a POR program for the purchase of supplier receivables. By Admin. Rule Puc 2205.16(e) adopted by the Commission effective October 12, 2022, within 90 days of such effective date each electric distribution utility was required to propose a POR program consistent with the provisions of RSA 53-E:9.

1.2 On January 9, 2023, NHEC filed a petition with the Commission requesting a waiver of the deadline contained in Admin. Rule Puc 2205.16(e) for filing a POR Program. On February 2, 2023, the Commission issued an “Order Conditionally Granting Short-Term Waiver of Puc 2205.16(e),” and included as a condition that if NHEC had not proposed a POR program by March 21, 2023, that it would have to appear before the Commission at 1:00 p.m. on that date to update the Commission on the status of its proposal. On March 1, 2023, the Department filed a Notice of

Appearance in this docket. NHEC filed its proposed POR program on March 20, 2023, through the direct testimony of Jeremy R. Clark, NHEC's Financial Planning, Analysis, and Rates Manager.

1.3 On March 27, 2023, the Commission issued a "Commencement of Adjudicative Proceeding and Notice of Prehearing Conference," setting a prehearing conference for May 2, 2023, and a deadline of April 21, 2023, for the submission of petitions to intervene in the proceeding. No intervention petitions were filed, and the Commission held the prehearing conference as scheduled, after which it approved an assented-to procedural schedule filed by the Department on May 2, 2023.

1.4 Following two sets of data requests and responses from NHEC and a technical session, the Department filed the Technical Statement of Amanda O. Noonan, Elizabeth R. Nixon, and Scott T. Balise on August 18, 2023.

1.5 The Settling Parties are submitting this Settlement Agreement 2 weeks in advance of the deadline for such a filing in the procedural schedule, along with a request that the Commission approve the Settlement Agreement through an Order *Nisi*. If the Commission approves the Agreement through an Order *Nisi*, there would be no need for the hearing scheduled for October 17, 2023.

SECTION 2. NHEC's PROPOSED POR PROGRAM

2.1 NHEC intends to offer the option of a POR Program to any Community Power Aggregation ("CPA") and competitive electric power supplier ("CEPS") that elects to use consolidated billing for its customers. A CPA or CEPS that chooses consolidated billing will have to participate in the POR Program. With consolidated billing, the CPA or CEPS charges for energy supply are

included on the utility bill, providing a single bill containing distribution and energy charges to NHEC members¹. The POR Program is not offered for member accounts billed separately by a CPA or CEPS. As proposed, a CPA or CEPS that chooses consolidated billing and is therefore enrolled in the POR Program will receive guaranteed payments from NHEC for its billed energy supply charges. NHEC will purchase the receivables from the CPA or CEPS at a discount rate, which will be calculated using the discount percentage rate (“DPR”). The receivables will not be reduced by budget billing or payment arrangements, where the amounts due to a CPA or CEPS will be based on the member’s actual usage rather than the amount the member is billed under budget billing or payment arrangements. NHEC will make a single monthly payment to the CPA or CEPS during the last week of the calendar month for all POR members billed on their behalf during the prior calendar month. Monthly payments to suppliers will be reduced by the DPR. NHEC has proposed a different DPR for residential vs. non-residential members due to the differences in uncollectible write-off percentages.

2.2 The DPR will be comprised of an uncollectible percentage (“UP”) component and an administrative cost percentage (“ACP”) component. The UP will be based on the actual write-off data for residential and non-residential accounts, less non-capital-credit recoveries², divided by the corresponding billed amounts for all bill components (including charges for energy service provided by NHEC as well as energy service provided by a CEPS or CPA), for the most

¹ As a non-profit, member-owned electric cooperative, NHEC uses the term “members” instead of “customers.”

² As a non-profit, member-owned electric cooperative, at the end of each year, if NHEC has a positive Distribution margin, members are allocated capital credits based on their share of the Distribution revenue they paid to the Cooperative. Each year NHEC’s Board of Directors reviews the Cooperative’s financials to determine if the company is in a good position to return capital credits. When capital credits are returned to members, they are first applied to any past due balances, including balances previously written off. If there is a remaining amount after past due balances are paid in full, the capital credits are typically posted as bill credits for active members.

recent two-year period which will be determined as of the Cooperative’s fall write-off³. The ACP component of NHEC’s proposed DPR will reflect the costs specific to the implementation of the POR program, amortized over a five-year period. NHEC estimates the costs associated with the proposal to be \$400,000, which includes both Electronic Data Interface (“EDI”) module software changes and all estimated incremental costs necessary to implement the POR program, which include staff time as well as legal and other associated costs. The ACP will be the same for both residential and non-residential accounts. An example of how the DPR will be calculated is included in Appendix 1 to this Settlement Agreement. The following anticipated initial DPRs, based on current data and estimates, are provided for illustrative purposes only:

	Residential	Non-Residential
UP	0.098%	0.016%
ACP	5.326%	5.326%
DPR	5.424%	5.342%

2.3 NHEC has proposed using actual write-off data for the previous 24-month period as an alternative to including a prior period reconciliation in the calculation of the DPR. NHEC does not anticipate incurring any additional or ongoing administrative costs related to the POR program, but NHEC will monitor administration of the program and may adjust the ACP component of the DPR at a later date should it incur incremental costs directly associated with the administration of the program.

³ The NHEC Board makes an annual write-off determination, which is typically done in the fall.

2.4 Upon completion of software changes and implementation of the POR program, NHEC will remit any existing accounts receivable balances owed to CPAs and CEPs for services provided prior to that time, less the DPR, to the corresponding CPAs and CEPS.

2.5 Since the receivables will be owned by NHEC upon implementation of POR, NHEC will include past due balances owed to CPAs and CEPS participating in POR into its collections procedures and criteria, including disconnections for non-payment.

2.6 NHEC currently sends consolidated-bill suppliers what is called an “820” EDI transaction when a member makes a payment. Because suppliers will be paid on a monthly basis regardless of member payment status under the proposed POR program, NHEC would no longer send “820” EDI transactions to suppliers participating in POR. Suppliers would, however, continue to receive an “810” EDI transaction after each member is billed, which includes the kWh usage, rate code, and amount billed.

2.7 NHEC has proposed to review and, as necessary, update the DPR in the fall of each year for bills rendered on or after January 1 of the following year. Because NHEC is a rural electric cooperative with a certificate of deregulation on file with the Commission, its rates and fees are approved by its Board of Directors, not the Commission. NHEC will therefore submit the update to the DPR in the fall of each year to the Board for review and approval. NHEC will also list updates to its DPR and any other supplier-related fees, in its Schedule of Fees which will be displayed on its website at least 30 calendar days before the effective date.

SECTION 3. CONSISTENCY WITH THE STATUTORY PROVISIONS

3.1 Based on the terms of this Settlement Agreement, the Settling Parties support approval of NHEC's proposed POR and agree that it is consistent with the provisions of RSA 53-E:9, II. *See* Admin. Rule Puc 2205.16(e). The statutory requirements spelled out in RSA 53-E:9, II are as follows:

Each electric distribution utility shall propose to the commission for review and approval a program for the purchase of receivables of the supplier in which the utility shall pay in a timely manner the amounts due such suppliers from customers for electricity supply and related services less a discount percentage rate equal to the utility's actual uncollectible rate, adjusted to recover capitalized and operating costs specific to the implementation and operation of the purchase of receivables program, including working capital. Additionally, such discount rate adjustments shall include a pro rata share of the cost of administering collection efforts such that the utility's participation in the purchase of receivables program shall not require the utility or non-participating consumers to assume any costs arising from its use. Such pro rata costs must include, but not be limited to, any increases in the utility's bad debt write-offs attributable to participants in the purchase of receivables program, as approved by the commission. However, the allocation of costs arising from different rate components and determination of the uncollectible rate shall be equitably allocated between such suppliers, utility provided default service, and other utility charges that are a part of consolidated billing by the utility as approved by the commission. The discount percentage rate shall be subject to periodic adjustment as approved by the commission.

SECTION 4. EFFECTIVE DATE

4.1 The Settling Parties recommend that this Settlement Agreement is subject to and shall become effective upon Commission approval. The Settling Parties also recommend that NHEC be required to implement the POR program after Commission approval of the POR program and after the NHEC Board of Directors has approved the initial DPR, which is estimated to be within 13 months of Commission approval of the POR program. This time is necessary for NHEC to accomplish updates to its billing system that include programming, testing, and implementation.

SECTION 5. GENERAL PROVISIONS

5.1 This Settlement Agreement is expressly conditioned upon the Commission's acceptance of all provisions, without change or condition. If the Commission does not accept this Settlement Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Settlement Agreement, and any of the Settling Parties notify the Commission within five business days of their disagreement with any such changes, conditions, or findings, the Settlement Agreement shall be deemed to be withdrawn, in which event it shall be deemed to be null and void and without effect, shall not constitute any part of the record in this proceeding, and shall not be relied on by the Department or any party to this proceeding or by the Commission for any other purpose.

5.2 Under this Settlement Agreement, the Settling Parties agree to this joint submission to the Commission as a resolution of the issues specified herein only.

5.3 The Settling Parties agree that the Commission's approval of this Settlement Agreement shall not constitute continuing approval of, or precedent for, any particular principle or issue in this proceeding other than those specified in this Settlement Agreement.

5.4 This Settlement Agreement shall not be deemed an admission by any of the Settling Parties that any allegation or contention in this proceeding by any other party, other than those specifically agreed to herein, is true and valid. This Settlement Agreement shall not be construed to represent any concession by any Settling Party hereto regarding positions taken with respect to the Cooperative's POR program proposal in this docket, nor shall this Settlement Agreement be deemed to foreclose any Settling Party in the future from taking any position in any subsequent

proceedings. The conditions agreed to in this Settlement Agreement are settlement positions that reflect a compromise of all issues in this proceeding.

5.5 NHEC statements made in the testimony of Mr. Clark and in NHEC data responses relied upon by the Settling Parties are not expected to be the subject of cross-examination by the Settling Parties (should the Commission decide to hold a hearing), which would normally occur in a litigated case. The Settling Parties agree that testimony, technical statements and supporting documentation that have been submitted into the record in this proceeding should be admitted as full exhibits for the purpose of consideration of this Agreement and be given the weight the Commission deems appropriate. Consent by the Settling Parties to admit all such documentation does not constitute agreement by any of the Settling Parties that the content of that information is accurate or that the views of the witnesses should be assigned any particular weight by the Commission.

5.6 Admission into evidence of any supporting documentation shall not be deemed in any respect to constitute an admission by any party to this Settlement Agreement that any allegation or contention in this proceeding is true or false, except that the sworn testimony of any witness shall constitute an admission by such witness.

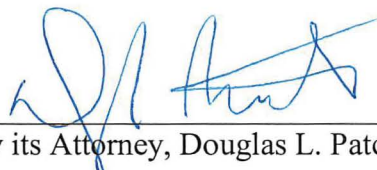
5.7 The rights conferred and the obligations imposed on the Settling Parties by this Settlement Agreement shall be binding on or inure to the benefit of any successors in interest or assignees as if such successor or assignee was itself a signatory party. The Settling Parties agree to cooperate in advocating that this Settlement Agreement be approved by the Commission in its entirety and without modification.

5.8 The discussions that produced this Settlement Agreement have been conducted on the understanding that all offers of settlement and settlement discussions relating to this docket shall be confidential, shall not be admissible as evidence in this proceeding, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise. The content of these negotiations, including any documents prepared during such negotiations for the purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

5.9 This Settlement Agreement may be executed by facsimile, electronically, and in multiple counterparts, each of which shall be deemed to be an original, and all of which, taken together, shall constitute one agreement binding on all Settling Parties.

New Hampshire Electric Cooperative, Inc.

Dated: September 29, 2023



By its Attorney, Douglas L. Patch

New Hampshire Department of Energy

Dated: September 29, 2023

/s/ Alexandra K. Ladwig

By its Attorney, Alexandra K. Ladwig

DE 23-001
New Hampshire Electric Cooperative, Inc.

Settlement Agreement

Appendix 1

New Hampshire Electric Cooperative
Sample Calculation of Discount Percentage Rate
Based on 2022 Actuals

Docket No. DE 23-001
Attachment JRC-1
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	2021	2022	Total	Reference	
1					
2	Uncollectible Percentage (UP)				
3	Residential Net Write-off	\$69,117	\$136,019	\$205,135	NHEC records
4	Residential Period Revenue	\$100,489,212	\$109,111,557	\$209,600,769	NHEC records
5	Residential Write-off as a Percent of Revenue (UP)	0.069%	0.125%	0.098%	Line 4 / Line 5
6					
7	Non-Residential Net Write-off	\$8,600	\$4,450	\$13,051	NHEC records
8	Non-Residential Period Revenue	\$37,516,140	\$43,887,302	\$81,403,442	NHEC records
9	Non-Residential Write-off as a Percent of Revenue (UP)	0.023%	0.010%	0.016%	Line 7 / Line 8
10					
11	Administrative Cost Percentage (ACP)				
12	POR Implementation Cost		\$400,000	Estimate	
13	Amortization Period (years)		5	Proposal	
14	POR Amortized Implementation Cost		\$80,000	Line 12 / Line 13	
15					
16	POR Ongoing Administrative Costs		\$0	Estimate	
17					
18	Total Implementation and Administrative Costs		\$80,000	Line 14 + Line 16	
19	2022 Supplier Billed Revenue		\$1,502,118	NHEC records	
20	Administrative Cost Percentage (ACP)		5.326%	Line 18 / Line 19	
21					
22	Discount Percentage Rate (DPR)				
23	Residential UP		0.098%	Line 5	
24	ACP		5.326%	Line 20	
25	Total Residential DPR		5.424%	Line 23 + Line 24	
26					
27	Non-Residential UP		0.016%	Line 9	
28	ACP		5.326%	Line 20	
29	Total Non-Residential DPR		5.342%	Line 27 + Line 28	
30					
31	Sample POR Scenario				
32	Monthly Supplier Residential Billing		\$100,000	Hypothetical	
33	POR Residential DPR		5.424%	Line 25	
34	Reduction of Supplier Payment		\$5,424	Line 32 * Line 33	
35					
36	Monthly Supplier Non-Residential Billing		\$100,000	Hypothetical	
37	POR Non-Residential DPR		5.342%	Line 29	
38	Reduction of Supplier Payment		\$5,342	Line 36 * Line 37	

