

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

**UNITIL ENERGY SYSTEMS, INC.**

**JOINT DIRECT TESTIMONY OF**  
**CHRISTOPHER J. GOULDING AND S. ELENA DEMERIS**

**EXHIBIT CJGSED-1**

**Docket No. DE 23-\_\_\_\_\_**

**Purchase of Receivables Program**

**January 10, 2023**

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### **Exhibit**

Exhibit CJGSED-2 Illustrative Discount Percentage Rate Calculations

1 **I. INTRODUCTION**

2 **Q. Mr. Goulding, please state your name and business addresses.**

3 A. My name is Christopher J. Goulding, and my business address is 6 Liberty Lane  
4 West, Hampton, New Hampshire 03842.

5 **Q. What is your position and what are your responsibilities?**

6 A. I am the Director of Rates and Revenue Requirements for Unitil Service Corp., a  
7 subsidiary of Unitil Corporation that provides managerial, financial, regulatory, and  
8 engineering services to Unitil Corporation's utility subsidiaries including Unitil  
9 Energy Systems, Inc. (the "Company" or "UES"). My responsibilities include all  
10 rate and regulatory filings related to the financial requirements of UES and its  
11 affiliates.

12 **Q. Please describe your business and educational background.**

13 A. In 2000, I was hired by NSTAR Electric & Gas Company and held various positions  
14 with increasing responsibilities in Accounting, Corporate Finance, and Regulatory.  
15 I was hired by Unitil Service Corp. in early 2019 to perform my current job  
16 responsibilities.

17 I earned a Bachelor of Science degree in Business Administration from Northeastern  
18 University in 2000 and a Master of Business Administration from Boston College  
19 in 2009.

1 **Q. Mr. Goulding, have you previously testified before the New Hampshire Public**  
2 **Utilities Commission (“Commission”) or other regulatory agencies?**

3 A. Yes, I have testified before the Commission on various financial, ratemaking, and  
4 utility regulation matters, including utility cost of service and revenue requirements  
5 analysis. I have also testified before the Maine Public Utilities Commission and  
6 Massachusetts Department of Public Utilities on similar matters on several  
7 occasions.

8 **Q. Ms. Demeris, please state your name and business address.**

9 A. My name is S. Elena Demeris. My business address is 6 Liberty Lane West,  
10 Hampton, New Hampshire.

11 **Q. For whom do you work and in what capacity?**

12 A. I am a Senior Regulatory Analyst for Unitil Service Corp., a subsidiary of Unitil  
13 Corporation that provides managerial, financial, regulatory, and engineering  
14 services to Unitil Corporation’s principal subsidiaries: Fitchburg Gas and Electric  
15 Light Company, d/b/a Unitil, Granite State Gas Transmission, Inc., Northern  
16 Utilities, Inc. d/b/a Unitil, and UES. In this capacity, I am responsible for preparing  
17 regulatory filings, pricing research, regulatory analysis, tariff administration,  
18 revenue requirements calculations, customer research, and other analytical services.

1 **Q. Please summarize your professional and educational background.**

2 A. In 1996, I graduated from the University of Massachusetts-Lowell with a Bachelor's  
3 of Science Degree in Civil Engineering. In 2005, I earned a Master's Degree in  
4 Business Administration and in 2006 a Master's Degree in Finance from Southern  
5 New Hampshire University. I joined Unitil in July 1998 in the regulatory/rate  
6 department.

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

8 A. New Hampshire's municipal aggregation law, Revised Statutes Annotated ("RSA")  
9 Chapter 53-E authorized municipalities to aggregate electric power supply and  
10 operate approved aggregation programs. RSA 53-E:3-a. In 2021, New Hampshire  
11 House Bill 315 added Section 9 to RSA 53-E. Section 9 requires each electric  
12 distribution utility to propose to the Commission a program for the purchase of  
13 receivables from suppliers ("POR Program"). Section 9 requires utilities to make  
14 timely payment of amounts due to suppliers from customers less a discount  
15 percentage rate ("DPR"). RSA 53-E:9. The DPR is equal to the utility's  
16 uncollectable rate, adjusted to recover the capitalized and operating costs specific to  
17 implementation and operation of the POR Program, including working capital. *Id.*  
18 The DPR also includes a pro rata share of the utility's cost to administer collection  
19 efforts, and such costs must include, but not be limited to, any increases in bad debt  
20 write-offs attributable to the POR Program. *Id.* The DPR is subject to periodic  
21 adjustment as approved by the Commission. *Id.*

1 Pursuant to RSA 53-E:7, X, the Commission initiated a rulemaking in January 2022  
2 to promulgate rules to implement RSA 53-E (i.e., Docket No. DRM 21-142). On  
3 October 7, 2022, the Commission filed final rules implementing the provisions of  
4 RSA 53-E (the “Puc 2200 Rules”). The Commission set October 12, 2022 as the  
5 effective date for the Puc 2200 Rules.

6 Among other things, the PUC 2200 Rules require each electric distribution utility to  
7 propose a POR Program within 90 days of the effective date of the Puc 2200 Rules  
8 (i.e., by January 10, 2023). Puc 2205.16(e). The purpose of our testimony is to  
9 present the Company’s proposed POR Program in compliance with Section 9 and  
10 the Puc 2200 Rules.

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

12 A. Section II of our testimony presents the details of the Company’s proposed DPR  
13 calculation. Section III provides detail on the mechanics of the Company’s proposed  
14 POR Program. Section IV discusses UES’s proposed timeline to implement the POR  
15 Program. Section V provides the conclusion to our testimony.

16 **II. DISCOUNT PERCENTAGE RATE COMPONENTS & CALCULATION**

17 **Q. What is the purpose of the proposed DPR?**

18 A. Consistent with Section 9, the DPR applies to payment of amounts due to suppliers  
19 to account for the utility’s uncollectable rate and the ongoing costs to administer  
20 collection efforts.

1 **Q. Is the Company proposing to offer the POR Program to all Competitive**  
2 **Suppliers that choose Consolidated Billing service from the Company?**

3 A. Yes. As noted above, RSA 53-E:9 requires that each electric distribution utility  
4 propose a POR Program to purchase receivables from “suppliers.” The statute  
5 defines suppliers to include an aggregator functioning as a load serving entity or a  
6 competitive electricity supplier serving an aggregation. RSA-E:9.I. The statute  
7 further provides that the term supplier “shall also include competitive electricity  
8 suppliers generally to the extent and for such customer rate classes as the  
9 commission finds, after notice and hearing, that it is for the public good.” *Id.*

10 The Company proposes to offer the POR Program to all Competitive Suppliers that  
11 choose Consolidated Billing service from the Company. If the Company were to set  
12 up its accounting and billing processes to differentiate between Competitive  
13 Suppliers serving municipal aggregations and all other Competitive Suppliers, it  
14 would be overly complex and likely more expensive to implement and administer.  
15 Also, offering the POR program more broadly promotes retail choice and customer  
16 access to competitive markets. For these reasons, offering the POR Program to all  
17 Competitive Suppliers that choose Consolidated Billing service from the Company  
18 is for the public good.

1 **Q. Is the Company proposing DPRs for different customer classes?**

2 A. Yes, the Company proposes class-specific DPRs for two class groupings: (1) the  
3 Residential Service Class; and (2) the General Service Class.<sup>1</sup>

4 **Q. Why is the Company proposing DPRs for different customer classes?**

5 A. The Company is proposing DPRs for two different customer classes because of the  
6 difference in uncollectible percentages that exist between the Residential Service  
7 Class and General Service Class.

8 **Q. Please summarize the elements of the DPR.**

9 A. Consistent with Section 9, the DPR is comprised of three elements: the Uncollectible  
10 Percentage (“UP”), the Administrative Cost Percentage (“ACP”) and the Past Period  
11 Reconciliation Percentage (“PPRP”). Expressed as a formula that is:  $DPR = UP +$   
12  $ACC + PPRP$ . We discuss each element of the DPR in the subsections that follow.

13 A. Uncollectable Percentage

14 **Q. Please describe the cost elements recovered through the UP.**

15 A. The UP is calculated for each customer class (i.e., Residential and General Service)  
16 based on actual uncollectible expense data for all customers in the applicable class,  
17 for the most recent period for which such data is available, divided by the total

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<sup>1</sup> For purposes of the POR Program, the General Service Class consists of G-1, G-2, and Outdoor Lighting tariff customers.



1 amounts billed for the applicable customer class for the same period, including late  
2 payment fees if included in uncollectible expense.

3 During the first year of the POR Program, the UP is calculated as the uncollectible  
4 expense for the applicable customer class based on actual data for Default Service  
5 Customers, divided by the total amounts billed by the Company for Default Service  
6 Supply, including late payment fees if included in uncollectible expenses.

7 **Q. Please provide an estimate of the initial proposed UP.**

8 A. As shown in Exhibit CJGSED-2, Schedule 2, and summarized in the table below,  
9 based on historical data for the 12-month period ending December 2021, the  
10 Company estimates the following UPs:

Customer Class	UP
Residential	0.94%
General	0.26%

11 B. Administrative Cost Percentage

12 **Q. Please describe the cost elements recovered through the ACP.**

13 A. The ACP reflects the cost to implement the POR Program and the estimated costs  
14 to administer collection efforts.

15 **Q. Does the Company expect to incur costs for the administration of collection  
16 efforts, and if so, how did the Company determine the pro rata share of the cost  
17 of administering collection efforts?**

18 A. The Company expects to leverage existing technology and utilize currently

1 employed personnel to administer the POR Program. Therefore, at this time, the  
2 Company has not quantified an estimated cost for the ongoing administration of the  
3 POR Program. However, the Company will regularly evaluate and track (as  
4 necessary) any incremental costs directly associated with the ongoing administration  
5 of the POR Program and to the extent it starts to incur such costs on a recurring  
6 basis, it may seek approval from the Commission to adjust the ACP component of  
7 the DPR to recover those costs. With regard to labor costs in particular, the Company  
8 may propose to evaluate the inclusion of such costs as part of its next base  
9 distribution rate case.

10 **Q. Is the Company proposing to include costs specific to implementation of the**  
11 **POR Program in the ACP, and if so, what is the Company’s estimate for the**  
12 **costs?**

13 A. Yes, UES employs a vendor to assist with Electronic Data Interchange (“EDI”)  
14 transactions and UES conducts these transactions in accordance with Electronic  
15 Business Transactions (“EBT”) standards. UES will need to conduct testing to  
16 integrate POR data into this process. This testing will include, among other things,  
17 validating file naming conventions and ensuring the data fields are correct for  
18 processing properly formatted EDI files for suppliers into EBT. As shown in Exhibit  
19 CJGED-2, Schedule 2, page 4, the Company estimates implementation costs of

1           \$5,250 for this data testing, which UES will conduct with the assistance of its outside  
2           vendor.<sup>2</sup>

3       **Q.    Please provide an estimate of the initial proposed ACP.**

4       A.    As shown in Exhibit CJGED-2, Schedule 2, page 4, and summarized in the table  
5           below, the Company estimates the following ACPs:

Customer Class	ACP
Residential	0.02%
General	0.02%

6       C.    Past Period Reconciliation Percentage (“PPRP”)

7       **Q.    Please describe the PPRP.**

8       A.    The PPRP is a true-up mechanism that reconciles actual and estimated uncollectible  
9           and administrative expenses.

10      **Q.    Has the Company provided an illustrative example of how the PPRP will work?**

11      A.    Yes, an illustrative example of how the PPRP will work for the uncollectible  
12           expenses has been provided on page 1 and 2 of Exhibit CJGED-2, Schedule 4. The  
13           illustrative reconciliation calculation has been provided on page 2. The calculation  
14           reconciles the actual 2021 UP of 0.94% for the residential rate class to an illustrative  
15           UP for 2021 of 0.93% and for the small/regular general rate class the calculation  
16           reconciles the actual 2021 UP of 0.26% to an illustrative UP for 2021 of 0.23%.

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<sup>2</sup> The Company’s estimated implementation cost is based on a verbal quote provided by its outside vendor. This estimate will be updated once the vendor completes and submits its formal scope of work to the Company.

1       D. Total DPR Estimate

2       **Q.     Based on the illustrative UP, ACP, and PPRP, what is the Company’s**  
3       **calculated DPR?**

4       A.     As summarized in the table below, and as shown in Exhibit CJGED-2, Schedule 1,  
5       the Company’s calculation results in the following illustrative DPRs:

	<b>Residential</b>	<b>General</b>
UP	0.94%	0.26%
ACP	0.02%	0.02%
PPRP	0.01%	0.04%
<b>DRP</b>	<b>0.97%</b>	<b>0.32%</b>

6

7       The initial DRPs will not include a PPRP. The PPRP has been included to  
8       demonstrate how the mechanics of the calculation will work.

9       **III.    POR PROGRAM MECHANICS**

10      **Q.     Does the Company have experience in implementing and administering POR**  
11      **Programs?**

12      A.     Yes. The Company’s affiliate, Fitchburg Gas and Electric Light Company  
13      (“FG&E”), has developed, implemented, and currently administers a POR Program  
14      in Massachusetts. The Company was able to leverage its experience operating the  
15      Massachusetts POR Program in the design of the POR Program proposed in this  
16      docket.

1 **Q. What is the Company's proposal with regard to the frequency of payments to**  
2 **Competitive Suppliers?**

3 A. UES will make a single monthly payment on the last Business Day of the calendar  
4 month to each participating Competitive Supplier for all POR customers billed on  
5 their behalf during the prior calendar month of service. The Company will pay the  
6 supplier the full amounts due from Customers for Generation Service, less the DPR.

7 **Q. How will the Company treat existing receivables in the POR Program?**

8 A. The Company proposes to purchase all existing receivables upon implementation of  
9 the POR Program utilizing the initial DPRs for the Residential and General customer  
10 classes.

11 The amounts purchased for the existing receivables will be subject to full  
12 reconciliation through the PPRP.

13 **Q. What is the Company's proposal with regard to ongoing reporting and**  
14 **adjustment of the DPR?**

15 A. As noted above, Section 9 provides for periodic adjustment as approved by the  
16 Commission. Accordingly, the Company proposes that the DRP be set annually for  
17 effect April 1 for a 12-month period. On or about February 1 of each year, the  
18 Company will make an annual reconciliation filing, providing the Commission with  
19 a calculation of the DRP for the forthcoming year and documentation supporting  
20 that calculation.

1 **Q. What requirements will Competitive Suppliers need to meet in order to**  
2 **participate in the POR Program and receive payments?**

3 A. The relationship between Competitive Suppliers and UES is governed by a  
4 Competitive Electric Supplier Trading Partner Agreement (the “TPA”) and the  
5 Company’s Terms and Conditions for Competitive Suppliers tariff. The Company  
6 will require Competitive Suppliers to execute a TPA to participate in the POR  
7 Program and receive payments.

8 **Q. Will the Company need to amend its Terms and Conditions for Competitive**  
9 **Suppliers tariff and its Competitive Supplier Trading Partner Agreement to**  
10 **implement the POR Program?**

11 A. Yes. The Company will need to amend its Terms and Conditions for Competitive  
12 Suppliers tariff and its Competitive Supplier Trading Partner Agreement to  
13 implement the POR Program. The Company expects to file revisions to its Terms  
14 and Conditions for Competitive Suppliers tariff and its Competitive Supplier  
15 Trading Partner Agreement as part of this proceeding.

16 **IV. IMPLEMENTATION TIMELINE**

17 **Q. How long will it take to implement the Company’s proposed POR Program?**

18 A. The Company estimates that it will require up to four months from the  
19 Commission’s final order in this proceeding to conduct the necessary testing,  
20 systems evaluation and time to update the initial DPR calculation for the latest

1 information. Payments to Competitive Suppliers will not commence until the  
2 completion of POR Program implementation.

3 **V. CONCLUSION**

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

5 **A.** Yes, it does.