

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 23-002

Unitil Energy Systems, Inc. Proposed Purchase of Receivables Program

Technical Statement of Amanda O. Noonan, Elizabeth R. Nixon, and Scott T. Balise
New Hampshire Department of Energy

June 8, 2023

Background and Summary

Pursuant to RSA 53-E:7.X, the New Hampshire Public Utilities Commission (Commission) initiated a rulemaking in January 2022 to promulgate rules to implement RSA 53-E. See Docket No. DRM 21-142. On October 5, 2022, the Commission adopted Chapter Puc 2200, Municipal and County Aggregation Rules (Puc 2200 Rules) implementing the provisions of RSA 53-E and established October 12, 2022, as the effective date for the Puc 2200 Rules.

Among other things, the Puc 2200 Rules require each electric distribution utility to propose a purchase of receivables program (POR Program)¹ within 90 days of the effective date of the Puc 2200 Rules (i.e., by January 10, 2023). Consistent with that, Unitil Energy Systems, Inc. (Unitil or the Company) filed its proposed POR Program on January 10, 2023.² It is the opinion of the Department of Energy (Department) that the POR Program proposed by Unitil is consistent with the Puc 2200 Rules and RSA 53-E-9, and the Department recommends the Commission approve Unitil's proposed POR Program.

Description of Proposal

As proposed in its filing, Unitil will 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. With consolidated billing, the CPA or CEPS charges for energy supply are included on the utility bill, providing a single bill containing

¹ SB 286, passed by the NH Legislature and signed by the Governor in 2019, directed the New Hampshire Public Utilities Commission to develop rules to implement the provisions of RSA 53-E. SB 315, passed in 2021, required electric distribution companies to propose a program for the purchase of receivables for review and approval by the New Hampshire Public Utilities Commission. The Commission adopted rules to implement the provisions of 53-E, including the requirement for electric distribution utilities to propose a purchase of receivables plan for the Commission's review.

² See Unitil's testimony and attachments:

https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-002/INITIAL%20FILING%20-%20PETITION/23-002_2023-01-10_UES_JOINT-DIRECT-TESTIMONY-GOULDING-DEMERIS.PDF and
https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-002/INITIAL%20FILING%20-%20PETITION/23-002_2023-01-10_UES_ATT-JOINT-DIRECT-TESTIMONY-GOULDING-DEMERIS.PDF

distribution and energy charges to customers. A CPA or CEPS that elects to bill its customers separately, stand-alone billing, cannot participate in the POR Program. For a CPA or a CEPS that elects consolidated billing, the CPA and CEPS must also participate in the POR Program. As proposed, a CPA or CEPS electing consolidated billing and thereby participating in the POR Program will receive guaranteed payments from the utility for its energy supply charges. The receivables will be purchased from the CPA or CEPS by the utility at a discount rate, which is calculated using the discount percentage rate (DPR). Unitil will make monthly payments to the CPA or CEPS on the last business day of each month.

There are three components that combine to make up the DPR: an uncollectible percentage, an administrative cost percentage (ACP), and a past period reconciliation percentage. For the first year of the POR, the past period reconciliation percentage is not included in the calculation of the DPR. While Unitil has proposed purchasing the existing receivables of a CEPS electing to participate in the POR Program, no true up to reconcile actual and estimated uncollectible expenses would be conducted until the DPR is recalculated after the initial DPR. Unitil proposes establishing the DPR for effect April 1 of each year and anticipates making an annual reconciliation filing on or around February 1 of each year.

Unitil has calculated two DPRs, one for use when purchasing receivables for its residential class and the other for its general service class. In the illustrative example calculation in the filing, the proposed DPR for residential class receivables is 0.97%; the proposed DPR for the general class receivables is 0.32%. The initial actual DPR for each class will need to be updated after approval of the POR proposal.

Analysis and Recommendation

The Department reviewed the petition, and testimony, and data request responses; and engaged in a technical session with Unitil and the other parties to this docket. As shown in its calculation of the DPR, Unitil has proposed using the prime rate as defined by Puc 1202.13.³ The use of the prime rate in the DPR calculations is consistent with its use for customer deposits under the Puc 1200 rules and in other Commission approved rate components for Unitil and its gas affiliate, Northern Utilities, including the revenue decoupling adjustment factor (RDAF), the system benefits charge (SBC), the external delivery charge (EDC), the stranded cost recovery charge (SCRC), the cost of gas (COG) factor charge, the Gas Assistance Program, and the regulatory assessment adjustment mechanism. See CPCNH 1-6 in Attachment AON/ERN/STB-1. The Department supports the use of the prime rate in the calculation of the DPR.

As described in Unitil's petition, the uncollectible percentage component of the DPR is based on actual uncollectible expense data for all customers in the applicable customer class (residential or general service) for the most recent 12-month period. The Department supports the use of a 12-month look-back period when determining uncollectible expenses, as it would be more reflective of any changes in economic conditions that may impact uncollectible expenses than would be captured by a longer period. The Department notes that Unitil does not specifically address how unpaid amounts for customers enrolled in a budget billing program or in

³ See Puc 1202.13. "Prime rate" means the rate reported in the Wall Street Journal on the first business day of the month preceding the beginning of each calendar quarter, or the average of the rates so reported on that day.

a payment arrangement are handled as part of the uncollectible expenses. The Department recommends that these unpaid amounts not be included in uncollectible expenses while the budget billing or payment arrangement plan is active.

The ACP of Unitil's proposed DPR consists of the cost of software changes to implement the POR Program. Unitil does not anticipate incurring any additional or ongoing administrative costs related to the POR Program; however, the company will monitor administration of the POR program and may request approval from the Commission at a later date to adjust the DPR should it incur incremental costs directly associated with administration of the POR Program. The Department supports Unitil's view that the pro rata share of the costs of administering collection efforts referenced in RSA 53-E:9, II should be interpreted as the incremental costs incurred by Unitil. In the Department's view, this approach is consistent with the requirement in RSA 53-E:9, II that a utility and its customers not participating in the POR Program should not bear costs associated with its use.

The Department has reviewed the cost estimate of \$5,250 and supporting documentation provided by Unitil for software changes necessary to implement the POR Program and concludes they are reasonable. As these estimated costs are relatively minimal, Unitil has proposed recovery of these costs in full in the first year of the POR program through the ACP component of the DPR. In response to a data request issued to Unitil by the Department, Unitil indicated it would defer the costs of implementation to a regulatory asset until the DPR was set. See DOE 2-3 in Attachment AON/ERN/STB-2. As no costs will be incurred by Unitil until it has received approval from the Commission for its proposed POR Program, the Department recommends that implementation costs be recorded in a deferral account, which does not require prior Commission approval.

As noted above, under Unitil's proposed POR Program, a CPA or a CEPS that elects consolidated billing must also participate in the POR Program. In response to a data request, Unitil stated that its POR Program was designed this way so as to not create an incentive for suppliers to participate in the POR Program only for those receivables that are at high risk for collection. See CPCNH 1-13 in Attachment AON/ERN/STB-3. In the DOE's opinion, this is a responsible approach by Unitil. This protects the integrity of the DPR, which is based on the company's overall uncollectible experience - not just its uncollectible experience with payment troubled accounts or accounts with a higher collection risk; and minimizes potential exposure of its other customers to higher uncollectible expenses.

As proposed, Unitil would make payments to a CPA or CEPS participating in the POR Program on the last business day of each month. RSA 53-E requires that payments be made to CPA or CEPS in a timely manner. Unitil noted there is an average 40.70 day lag between issuance of a bill to and payment from a customer. See CPCNH 1-13 in Attachment AON/ERN/STB-3. By remitting payment to the CPA or CEPS on the last business day of the month, Unitil asserted the lag in payment to the CPA or CEPS would be approximately 45 days, a close parallel to its own lead-lag experience. See CPCNH 1-13 in Attachment AON/ERN/STB-3. Recognizing the lag utilities experience between the issuance of a bill and payment from a customer, the Department supports payment to a CPA or CEPS monthly on the last business day of each month as an approximation of Unitil's own experience.

The Department has reviewed Unitil's proposal for a POR Program, including the conditions under which the POR Program is available to a CPA or a CEPS and the methodology and calculations for the two proposed DPRs separated by customer class. Based on its review, the Department concludes that the POR Program proposed by Unitil is consistent with the Puc 2200 Rules and RSA 53-E-9, and the Department recommends the Commission approve Unitil's POR program.