

STATE OF NEW HAMPSHIRE

COMMISSIONER
Jared S. Chicoine

DEPUTY COMMISSIONER
Christopher J. Ellms, Jr.



TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-3670

Website:
www.energy.nh.gov

DEPARTMENT OF ENERGY
21 S. Fruit St., Suite 10
Concord, N.H. 03301-2429

June 8, 2023

Daniel C. Goldner, Chairman
New Hampshire Public Utilities Commission
21 South Fruit Street
Concord, NH 03301

Re: 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,
Department of Energy

Dear Chairman Goldner:

Enclosed for filing in this matter is the New Hampshire Department of Energy's (DOE) Joint Technical Statement of Amanda O. Noonan, Elizabeth R. Nixon, and Scott T. Balise, with Attachments, filed pursuant to the parties' assented-to procedural schedule filed in this docket on March 28, 2023, and approved by the Commission in a Procedural Order issued March 30, 2023. The Technical Statement contains the DOE's opinion that Unitil Energy Systems, Inc.'s (Unitil) proposed Purchase of Receivables (POR) Program is consistent with the requirements of RSA 53:E and the Puc 2200 rules, and recommends the Commission approve Unitil's proposed POR program.

Consistent with the Commission's current practices, this letter is being filed only in electronic form.

Sincerely,

/s/ Alexandra K. Ladwig

Alexandra K. Ladwig
Staff Attorney/Hearings Examiner
Department of Energy

Cc: Service List

ClerksOffice@puc.nh.gov

alexandra.k.ladwig@energy.nh.gov

amanda.o.noonan@energy.nh.gov

campbellm@unitil.com

Clifton.Below@CPCNH.org

demeris@unitil.com

elizabeth.r.nixon@energy.nh.gov

Energy-Litigation@energy.nh.gov

golding@communitychoicepartners.com

gouldingc@unitil.com

henry@cpcnh.org

jmiranda@rc.com

main@unitil.com

mandymerrill60@gmail.com

mary.e.schwarzer@energy.nh.gov

Mathews@unitil.com

ocalitigation@oca.nh.gov

pentzj@unitil.com

Scott.T.Balise@energy.nh.gov

thomas.c.frantz@energy.nh.gov

SCOTT T BALISE
DEPARTMENT OF ENERGY
21 SOUTH FRUIT ST STE 10
CONCORD NH 03301
scott.t.balise@energy.nh.gov

HENRY HERNDON
henry@cpcnh.org

JEFF PENTZ
UNITIL ENERGY SYSTEMS INC
pentzj@unitil.com

CLIFTON BELOW
COMMUNITY POWER COALITION OF
NEW HAMPSHIRE
clifton.below@cpcnh.org

ALEXANDRA K LADWIG
DEPARTMENT OF ENERGY
alexandra.k.ladwig@energy.nh.gov

MARY E SCHWARZER
DEPARTMENT OF ENERGY
21 SOUTH FRUIT ST STE 10
CONCORD NH 03301
mary.e.schwarzer@energy.nh.gov

MATTHEW CAMPBELL
UNITIL ENERGY SYSTEMS INC
6 LIBERTY LANE WEST
HAMPTON NH 03842
campbellm@unitil.com

DANIEL MAIN
NORTHERN UTILITIES INC
6 LIBERTY LANE WEST
HAMPTON NH 03842
main@unitil.com

ELENA DEMERIS
UNITIL ENERGY SYSTEMS INC
6 LIBERTY LANE WEST
HAMPTON NH 03842
demeris@unitil.com

GARY MATTHEWS
UNITIL ENERGY SYSTEMS INC
mathews@unitil.com

DEPARTMENT OF ENERGY
DEPARTMENT OF ENERGY
21 SOUTH FRUIT ST STE 10
CONCORD NH 03301
energy-litigation@energy.nh.gov

AMANDA MERRILL
mandymerrill60@gmail.com

THOMAS C FRANTZ
DEPARTMENT OF ENERGY
21 SOUTH FRUIT ST STE 10
CONCORD NH 03301
thomas.c.frantz@energy.nh.gov

JOEY LEE MIRANDA
ROBINSON & COLE LLP
280 TURNBULL ST
HARTFORD CT 06103-3597
jmiranda@rc.com

SAMUEL V GOLDING
COMMUNITY CHOICE PARTNERS
12 SOUTH SPRING ST
2ND FLOOR
CONCORD NH 03301
golding@communitychoicepartners.com

LIZ R NIXON
DEPARTMENT OF ENERGY
21 SOUTH FRUIT ST STE 10
CONCORD NH 03301
elizabeth.r.nixon@energy.nh.gov

CHRISTOPHER GOULDING
UNITIL ENERGY SYSTEMS INC
6 LIBERTY LANE WEST
HAMPTON NH 03842
gouldingc@unitil.com

OCA LITIGATION
OCA LITIGATION
21 SOUTH FRUIT ST STE 18
CONCORD NH 03301
ocalitigation@oca.nh.gov

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.

Unitil Energy Systems, Inc.
Docket No. DE 23-002
Proposed Purchase of Receivables Program
Community Power Coalition of New Hampshire Data Requests Set 1

Received: 5/4/23
Request No. CPCNH 1-6

Date of Response: 5/19/23
Witness: Elena Demeris, Christopher Goulding

Request:

Reference: UES Response to DOE 1-7. Terms and Conditions for Competitive Suppliers, Section III.6(B)(4)b.(iii)(3): Under "Consolidated Billing Service and POR Program," UES states its intent to use the prime rate as a component for its computing of the DPR.

Why does UES believe the prime rate is the proper rate for computing the discount percentage rate?

Response:

UES intends to use the prime rate as described in PUC 1202.13, which is a quarterly rate, based on the prime rate effective the first day of the month preceding the calendar quarter. The Company's proposal to use the prime rate is consistent with its use for customer deposits as well as its use in several Commission-approved rate components, including:

- Revenue Decoupling Adjustment Factor
- System Benefits Charge
- External Delivery Charge
- Stranded Cost Charges
- Cost of Gas Factor Charge
- Gas Assistance Program
- Regulatory Assessment Adjustment Mechanism

Unitil Energy Systems, Inc.
Docket No. DE 23-002
Proposed Purchase of Receivables Program
Department of Energy Data Requests Set 1

Received: 5/4/23
Request No. DOE 2-3

Date of Response: 5/19/23
Witness: Christopher Goulding/Elena Demeris/
Jeffrey Pentz

Request:

Re: Joint Direct Testimony of Christopher J. Goulding and S. Elena Demeris, page 10 lines 10-19 and page 11 lines 1-2

Unitil estimates implementation costs of \$5,250, to be included in their administrative costs.

- a) How much of the estimated \$5,250, if any, has been spent to-date? If any has been spent, what has it been spent on?
- b) Footnote 2 on page 11 of the testimony states that the implementation cost estimate is based on a verbal quote provided by Unitil's outside vendor. Has there been an updated cost estimate? Please provide any documentation of the original cost estimate, as well as documentation of any updated cost estimate if there has been an update.
- c) How does Unitil intend to treat these implementation costs for accounting purposes? If any costs have already been incurred, how are they being treated for accounting purposes?

Response:

- (a) The Company has not incurred any implementation costs and will not expend any costs for implementation unless and until it receives approval for its proposed POR Program from the Commission.
- (b) The implementation cost estimate has not changed since the initial filing. The documentation supporting the cost estimate is attached as DOE 2-3 Attachment 1. The Company is providing DOE 2-3 Attachment 1 on a Confidential and a Redacted basis. The Company has a good faith basis for seeking confidential treatment of the Attachment pursuant to Puc 208.08(d), and intends to submit a motion for confidential treatment regarding the Attachment at or before the commencement of the hearing in this docket.
- (c) Once the POR program is approved and costs are incurred, the costs would be deferred to a Regulatory Asset prior to being included in the Administrative Cost Percentage, which is a component of the Discount Percentage Rate.



Statement of Work (SOW) for Unitil 1/6/2023

Table with client and vendor information: Client: Unitil, Vendor: Energy Service Group (ESG), ESG Work Order #: SOW-005, Entity Name/DUNS: Unitil / 003789070, Client Requestor: Jeff Pentz, Purpose/Objective: Add Unitil Duns 003789070 to existing process of excel template FAM processing.

Project Deliverables: Update existing scripts, mapping and processes to support excel file for Purchase of Receivables FAMP for Unitil Duns 003789070. Expected naming convention of UES_FAM_CCCYMMDD_HHMMSS. Unitil will post files to existing FTP in same folder as FGE POR FAM are currently being posted.

Other Project Requirements: Only the project deliverables listed above are in scope. Any changes or additions to these deliverables will require a separate SOW or an amendment to this SOW.

Project Timeline: ESG will have these changes developed and ready to be delivered within 25 business days after signature. If this SOW is not returned signed by 1/20/23, ESG may need to reschedule these deliverables.

Invoicing & Payment Terms: ESG Professional Services billing cycle is based on calendar months. Work is billed in arrears for the calendar month completed. Invoices are sent to Client via email in PDF format. Payment terms are net 15 days after receipt of invoice.

Project Scope Control: The scope of this project is restricted to the Project Deliverables.

Professional Services Categories Estimated Hours:

Analysis, Development, Testing and Documentation Hourly Rate: Total Estimate: \$5,250.00

Client agrees to the work and requirements outlined in this SOW and authorize Vendor to begin work. IN WITNESS WHEREOF, the parties have executed this SOW as of the date first above written.

Client signature fields: By, Name, Title, Date

Vendor signature fields: Energy Services Group, LLC, DocuSigned by: Mathew Bridge, Name: Mathew Bridge, Title: Chief Financial Officer, Date: 1/11/2023

Unitil Energy Systems, Inc.
Docket No. DE 23-002
Proposed Purchase of Receivables Program
Community Power Coalition of New Hampshire Data Requests Set 1

Received: 5/4/23
Request No. CPCNH 1-13

Date of Response: 5/19/23
Witness: Elena Demeris, Christopher Goulding

Request:

Reference: UES Response to DOE 1-7. Terms and Conditions for Competitive Suppliers, Section III.6. What is the basis for tying POR to Consolidated Billing Services, as opposed to creating the option to take POR service?

Response:

The Company's proposal is that if a supplier elects to take advantage of Consolidated Billing Services, it must participate in the POR Program. In addition, suppliers participating in the POR program must sell Unitil the receivables for all of their customers. In other words, a supplier cannot elect to sell receivables for just some customers—it must sell the receivables for all customers or none at all.

If suppliers on Consolidated Billing Services were permitted to opt out of POR, while maintaining consolidated billing, it could create an incentive for suppliers to select for the POR Program only those receivables that are at a high risk for collection. Gaming of this kind would eviscerate one of the fundamental reasons for the program to exist in the first place: the assumption of Competitive Supplier collection activity by utilities so customers, who may otherwise be denied access to competitive supply by suppliers for credit reasons, can participate in competitive markets. In addition, if this gaming were allowed to occur, the integrity of the POR Program would be undermined because the uncollectible rate would no longer be accurate.

Moreover, the Company expects that a POR Program where Unitil must maintain two parallel systems for Consolidated Billing Services would have additional administrative and implementation costs. The implementation and administrative costs proposed in the Company's initial filing are based on the assumption that all suppliers on Consolidated Billing Services would be enrolled in the POR Program.