STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. 23-xxx

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
Purchase of Receivables Program

DIRECT TESTIMONY

OF

ERICA L. MENARD

January 10, 2023

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I. INTRODUCTION AND QUALIFICATIONS

Q. Ms. Menard, please state your full name and business address.

A. My name is Erica L. Menard. My business address is 15 Buttrick Road, Londonderry, New Hampshire.

Q. Please state by whom you are employed.

A. I am employed by Liberty Utilities Service Corp. ("LUSC") as the Senior Director of Rates and Regulatory Affairs. LUSC provides local utility management, shared services, and support to Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty ("Liberty" or "the Company") and the other regulated water, wastewater, natural gas, and electric utilities commonly owned and operated as affiliates of the Company. In my position, I am responsible for providing rate-related services to the Company.

Q. Please describe your professional and educational background.

A. I joined LUSC in March 2022. Prior to joining LUSC, I held various positions at Eversource Energy from 2003 to 2022 with my last position being the Manager of Revenue Requirements for New Hampshire responsible for the rate and regulatory filings presented to the New Hampshire Commission. I also held various positions at Eversource responsible for financial planning and analysis of operational and capital expenditures, business planning functions, sales forecasting, and performance management. Prior to my employment at Eversource, I was employed by ICF Consulting in Fairfax, Virginia, from 1997 to 2003 with responsibilities for implementing load profiling and load settlement software for various utilities worldwide. I hold a Bachelor of Arts in Economics and Business Administration from the University of Maine and a Master of Business Administration from the University of New Hampshire.

Q. Have you previously testified before the New Hampshire Public Utilities Commission ("Commission")?

A. Yes, I have testified on numerous occasions before the Commission.

II. <u>PURPOSE AND BACKGROUND</u>

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present the Company's proposal for compliance with New Hampshire RSA 53-E:9 and New Hampshire Code of Administrative Rules, Chapter Puc 2200 ("Puc 2200"), the Municipal and Community Aggregation Rules that became effective on October 12, 2022.

Q. Please provide some background on the history of the rules that are the subject of this testimony and proceeding.

A. In 2021, House Bill 315 ("HB 315") added a Section 9 to RSA 53-E ("Section 9") related to Billing Arrangements for the Community Aggregation Program as follows.

> 53-E:9 Billing Arrangements.
>
> I. For purposes of this section the term "supplier" shall mean an aggregator functioning as a load serving entity under this chapter or a competitive electricity supplier serving an aggregation under this chapter. The term shall also include competitive electricity suppliers generally to the extent and for such customer rate classes as the commission finds, after notice and hearing, that it is for the public good. Such a determination shall be on a utility-specific basis, if proposed and assented to by the utility.
>
> II. 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 9 requires each electric distribution utility to propose to the Commission a program for the purchase of receivables ("POR") to include a provision for timely payment to the supplier of the amounts due from customers for electric supply and related services less a discount percentage rate ("DPR"). The DPR is required to be equal to the utility's actual uncollectible rate, adjusted to recover capitalized and operating costs specific to the implementation and operation of the purchase or receivables program, including working capital. Finally, Chapter 9 requires the DPR to include a pro rata share of the cost of collection efforts such that the utility's participation in the purchase of receivables program will not require the utility or any non-participating customers to incur costs arising from the POR program.

Puc 2205.16, titled, "Billing Services and Purchase of Receivables for CPAs," Section (e) requires each electric distribution utility to propose to the commission for review and approval through an adjudicated proceeding a program for the purchase of receivables of community power aggregations ("CPAs") functioning as load serving entities and competitive electric power suppliers ("CEPS") serving CPA customers within 90 days of the 2022 effective date of the rules (i.e., by January 10, 2023).

The Company has designed a POR program to comply with these directives and now requests the Commission's approval of its proposal as described in the testimony below.

Q. Are you presenting any attachments in support of your testimony?

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

Attachment Designation	Purpose/Description
Attachment ELM-1	Sample Calculation of the Discount Rate

Q. How is your testimony organized?

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

- Section III provides an overview of Liberty's proposed DPR calculation;
- Section IV discusses the POR program design;
- Section V discusses the POR implementation, necessary changes, and timeline; and
- Section VI provides the conclusion to my testimony.

III. DISCOUNT PERCENTAGE RATE COMPONENTS AND CALCULATION

Q. What is the purpose of the proposed DPR?

A. Consistent with Section 9, the DPR applies to payment of amounts due to suppliers to account for the utility's uncollectible rate and the ongoing costs to administer collection efforts.

Q. Is the Company proposing to offer the POR program to all Competitive Suppliers that choose Consolidated Billing service from the Company?

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

The Company proposes to offer the POR program to all Competitive Suppliers that choose Consolidated Billing service from the Company and intends to differentiate between Competitive Suppliers serving municipal aggregations and all other Competitive Suppliers using a separate identifier in the Company's billing system. Offering the POR program more broadly promotes retail choice and customer access to competitive markets. For these reasons, offering the POR program to all Competitive Suppliers that choose Consolidated Billing service from the Company is for the public good.

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

A. Yes, in the future, the Company proposes class-specific DPRs for two class groupings consistent with the Company's grouping for Default Service: (1) the Small Customer Group; and (2) the Large Customer Group[1]. However, for the first DPR, the Company is proposing the same rate for both classes until data can be collected for each class to be able to perform a class-specific DPR calculation.

Q. Please summarize the elements of the DPR.

A. Consistent with Section 9, the DPR is comprised of three elements: the Uncollectible Percentage ("UP"), the Administrative Cost Percentage ("ACP"), and the Past Period Reconciliation Percentage ("PPRP"). Expressed as a formula, DPR = UP + ACC + PPRP. Each element of the DPR is described in the subsections that follow.

A. <u>Uncollectible Percentage</u>

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

A. The UP is calculated for each customer class group (i.e., Small and Large) based on actual uncollectible expense data for all customers in the applicable class, for the most recent period for which such data is available, divided by the total amounts billed for the applicable customer class for the same period, including late payment fees, if included in uncollectible expense.

1 Small Customer Group consists of rate classes D (Domestic Service), D-10 (Domestic Service with Optional Peak Load Pricing), M (Outdoor Lighting), T (Limited Total Electrical Living Rate), V (Limited Commercial Space Heating), G-3 (General Service), D-11 (Battery Storage Pilot Time-of-Use) and D-12 (Residential EV Charging Time-of-Use). Large Customer Group consists of rate classes G-1 (General Service Time-Of-Use), G-2 (General Long-Hour Service), EV-L (Large Commercial EV Charging) and EV-M (Medium Commercial EV Charging).

Since the Company does not currently track uncollectible expense by customer group, Liberty proposes for the first year of the POR program, the UP will be the same for both the small and large customer groups and will be calculated as the actual uncollectible expense for all customers, divided by the total revenues, including late payment fees, if included in uncollectible expenses.

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

A. As shown in Attachment ELM-1, and summarized in the table below, based on historical data for the 12-month period ending December 2021, the Company estimates the following initial UPs:

Customer Class	UP
Small	0.261%
Large	0.261%

B. <u>Administrative Cost Percentage</u>

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

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

Q. Does the Company expect to incur costs due to ongoing administering collection efforts and, if so, how did the Company determine the pro rata share of the cost of administering collection efforts?

A. The Company expects to leverage existing technology and utilize currently employed personnel to administer the POR program. Therefore, at this time, the Company has not quantified an estimated cost for the ongoing administration of the POR program. However, the Company will regularly evaluate and track (as necessary) any incremental costs directly associated with the ongoing administration of the POR program and to the extent it starts to incur such costs on a recurring basis, it may seek approval from the Commission to adjust the ACP component of the DPR to recover those costs. With regard to labor costs, in particular, the Company may propose to evaluate the inclusion of such costs as part of its next base distribution rate case following the implementation of the POR program.

Q. Is the Company proposing to include in the ACP costs specific to the implementation and operation of the POR program, including working capital, and if so, what is the Company's estimate for the costs?

A. Yes, as shown in Attachment ELM-1, the Company estimates implementation costs of $500,000 associated with implementing changes to the Company's systems and building reporting for the POR program. At this time, the Company is still finalizing the estimated cost and will provide updated estimates once they are available. The cost of implementing the POR program is proposed to be amortized over a three-year period.

Q. How is the Company accounting for working capital costs in the DPR formula?

A. The Company is not including any working capital costs in the DPR at this time.

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

A. As shown in Attachment ELM-1, and summarized in the table below, the Company estimates the following initial ACPs:

Customer Class	ACP
Small	1.281%
Large	1.281%

C. Past Period Reconciliation Percentage

Q. Please describe the cost elements reconciled through the PPRP.

A. The PPRP is a true-up mechanism that reconciles actual and estimated uncollectible and administrative expenses. The PPRP is comprised of the following: the prior period reconciliations, by class, reconciling the estimated DPR with the actual uncollectible percentage, and the reconciliation of existing receivables, receivables purchased by the Company before implementation of the POR program. For the initial DPR calculation, there is no PPRP included in the DPR.

D. Total DPR Estimate

Q. Based on the estimated UP and ACP, what is the Company's proposed initial DPR?

A. As summarized in the table below, and as shown in Attachment ELM-1, the Company estimates the following initial DPRs:

	Small	Large
UP	0.261%	0.261%
ACP	1.281%	1.281%
PPRP	0.0%	0.0%
DPR	1.542%	1.542%

IV. POR PROGRAM DESIGN

Q. Does the Company have experience with a POR program?

A. The Company does not currently have a POR program in New Hampshire. However, the Company's natural gas affiliate in New Brunswick, Canada, has a POR program in place. The Company was able to leverage the experience of its affiliate to design the POR Program that is being proposed in this filing.

Q. What requirements will Competitive Suppliers need to meet to participate in the POR program and receive payments?

A. Competitive Suppliers will need to execute a revised Competitive Supplier Agreement, as approved by the Commission, to participate in the POR program and receive payments. The Company has not revised the Competitive Supplier Agreement at this time and proposes to work among the parties to this docket to finalize a uniform revised agreement.

Any Competitive Supplier that has elected to take Consolidated Billing service from the Company, and already executed a Competitive Supplier Agreement, will be required to execute the revised Competitive Supplier Agreement, as approved by the Commission.

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

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

Q. How will the Company treat existing receivables in the POR program?

A. The Company proposes to purchase all existing receivables upon implementation of the POR program utilizing a single discount percentage rate.

The amounts purchased for the existing receivables shall be subject to full reconciliation through the PPRP.

Q. Has the Company proposed a tariff under which it would implement the POR program proposal described herein?

A. Not at this time. The Company recognizes the need to make changes to its Terms and Conditions for Competitive Suppliers tariff and anticipates working with parties in this docket to finalize changes to the Terms and Conditions.

Q. What is the Company proposal with regard to ongoing reporting and adjustment of the DPR?

A. As noted above, Section 9 provides for periodic adjustment as approved by the Commission. Accordingly, the Company proposes that the DPR be set annually for effect for a 12-month period. The Company expects to make an annual reconciliation filing 60 days in advance of the new rates going into effect, providing the Commission with a calculation of the DPR for the forthcoming year and documentation supporting that calculation.

V. POR PROGRAM IMPLEMENTATION

Q. What changes will the Company need to implement to facilitate the POR program?

A. Implementation of the POR program will require updates to the Company's billing system to be able to track whether a competitive supplier or aggregator has elected the POR option and additional reporting to be able to capture information related to the receivables of the suppliers in greater detail than exists today.

Q. How long will it take to implement the proposed POR program?

A. Based on a high-level analysis of the current requirements and design changes needed to develop a POR program, the company estimates a six-month period to fully implement and test changes after a Commission order is issued. Payments to suppliers would begin after this implementation period is completed; therefore, the first payment to suppliers would be expected to be made during month seven following approval of the POR program.

Q. What are the costs associated with the Company's POR program proposal?

A. The Company's current estimate of costs is $500,000. These are the costs to upgrade the Company's billing system and provide necessary reporting and tracking. Cost estimates were procured from the Company's IT vendor and reflect a monthly purchase of receivables using separate discount rate percentages for small and large customer rate classes.

VI. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.

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