

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

**DE 23-003**

**LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.  
d/b/a LIBERTY**

**Proposed Purchase of Receivables Program**

Community Power Coalition of New Hampshire

Testimony of Clifton C. Below

June 23, 2023

**Table of Contents**

|      |  |   |
|------|--|---|
| I.   | Introduction.....  | 2 |
| II.  | CPCNH Position on Liberty’s Proposal as Presented in their Testimony. .... | 2 |
| III. | Other Concerns .....   | 6 |

NHPUC Docket No. DE 23-003, Liberty POR  
Testimony of Clifton C. Below for the Community Power Coalition of NH  
June 23, 2023  
Page 2 of 8.

## I. Introduction

1 **Q. Please state your name, business address and position with regard to the docket.**

2 A. My name is Clifton C. Below and my office address is 1 Court Street, Suite 300,  
3 Lebanon, NH 03766. I serve as Chair of the Community Power Coalition of New Hampshire  
4 (CPCNH or the “Coalition”), a non-profit corporation operating as a governmental  
5 instrumentality of 34 subdivisions of the State of New Hampshire<sup>1</sup> pursuant to RSA 53-A and  
6 RSA 53-E. I am also Assistant Mayor of the City of Lebanon and represent the City on the  
7 Board of Directors of CPCNH, all of which I do on a volunteer basis.

8 **Q. Please describe your educational and related professional experience.**

9 A. A detailed statement of my background can be found on pp. 1-3 and in my direct  
10 testimony in DE 16-576 and Attachment A thereto.<sup>2</sup> A summary is provided in my testimony  
11 in DE-002 of 6/9/23.

12 **Q. Have you previously testified before this Commission?**

13 A. Yes, I provided written and sometimes live testimony in DE 16-576, DE 17-189, DE 19-  
14 064, DE 19-197, and DE 20-170, all on behalf of the City of Lebanon.

## 15 II. CPCNH Position on Liberty’s Proposal as Presented in their Testimony.

16 **Q. What has been your involvement in this proceeding?**

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<sup>1</sup> City of Lebanon, Town of Hanover, City of Nashua, Cheshire County, Town of Harrisville, Town of Exeter, Town of Rye, City of Dover, Town of Warner, Town of Walpole, Town of Plainfield, Town of Newmarket, Town of Enfield, Town of Durham, Town of Pembroke, Town of Hudson, Town of Webster, Town of New London, City of Portsmouth, Town of Peterborough, Town of Canterbury, Town of Wilmot, Town of Sugar Hill, Town of Hancock, Town of Westmoreland, Town of Shelburne, Town of Brentwood, Town of Boscawen, City of Berlin, Town of Randolph, Town of Lyme, Town of Rollinsford, Town of Stratham and Town of Newport.

<sup>2</sup> Found at: [https://www.puc.nh.gov/Regulatory/Docketbk/2016/16-576/TESTIMONY/16-576\\_2016-10-24\\_LEBANON\\_DTESTIMONY\\_C\\_BELOW.PDF](https://www.puc.nh.gov/Regulatory/Docketbk/2016/16-576/TESTIMONY/16-576_2016-10-24_LEBANON_DTESTIMONY_C_BELOW.PDF) and [https://www.puc.nh.gov/Regulatory/Docketbk/2016/16-576/TESTIMONY/16-576\\_2016-10-24\\_LEBANON\\_ATT\\_DTESTIMONY\\_C\\_BELOW.PDF](https://www.puc.nh.gov/Regulatory/Docketbk/2016/16-576/TESTIMONY/16-576_2016-10-24_LEBANON_ATT_DTESTIMONY_C_BELOW.PDF).

NHPUC Docket No. DE 23-003, Liberty POR  
Testimony of Clifton C. Below for the Community Power Coalition of NH  
June 23, 2023  
Page 3 of 8.

1 A. I have read the testimony filed to date, as well as all of the data responses, and  
2 participated in the one technical session to date.

3 **Q. What is CPCNH's general position on the proposal?**

4 A. CPCNH generally supports the overall proposal as presented in Liberty's prefiled  
5 testimony and finds that the proposal is consistent with RSA 53-E:9 and Puc 2205.16(e) and  
6 would be for the public good. There are a few minor concerns discussed below, along with a  
7 few suggested clarifications and tweaks.

8 **Q. What is your view on Liberty's proposal that payments to suppliers be made on a  
9 monthly basis on the last business day of the month following billing?**

10 A. While once a month payment is acceptable CPCNH disagrees with payment occurring  
11 on the last business day of the month following the month customers are billed. If such an  
12 approach was applied to all Purchase of Receivables (POR) programs, the utilities would have  
13 use of millions of dollars beyond their average lag in receipt of funds from customers and  
14 suppliers would have to carry that additional cost of working capital beyond the average lag in  
15 customer payments. This could financially advantage utility default service supply compared  
16 with supply by CEPS or Community Power alternative default service because this proposed  
17 date could extend a number of days beyond the average lag in customer payments, by about 5  
18 days on average if the average lag from billing to customer payment is assumed to be about 40  
19 days. The last business day of the month following invoice represents about 5 additional days  
20 that payment to the supplier would lag beyond an assumed 40 day average utility lag. For  
21 CPCNH that cost across all 3 utilities could be on the order of \$500,000 to \$700,000/year.

22 **Q. How do figure this potential cost of such an additional lag between utility receipt  
23 of payment and payment of the AR Purchase Price to CPCNH?**

NHPUC Docket No. DE 23-003, Liberty POR  
Testimony of Clifton C. Below for the Community Power Coalition of NH  
June 23, 2023  
Page 4 of 8.

1 A. Across the three investor-owned electric utilities in NH, CPCNH has about 76,000  
2 retail customers with a total annual load currently estimated at about 622,500 MWh. For  
3 illustration sake assume either a retail rate of \$0.10/kWh or \$0.15/kWh. That would result in  
4 gross revenue (before the POR discount) of about \$62,225,000 to \$93,374,000/year. Assuming  
5 a 5% prime rate as a proxy for the cost of working capital, which is 0.5% lower than the  
6 current prime rate that is used for customer deposits and past due amounts and other purposes  
7 pursuant to Puc 1202.13, then the total value of use or delay in receipt of those receivables is  
8 approximately \$8,527 to \$12,791 per day at the retail supply rates indicated. The number of  
9 days that payment of the AR Purchase Price would be delayed compared to utility receipt of  
10 customer payments assuming their average lag is 40 days would be about 54 days/year,  
11 resulting in a total cost of about \$470,000 to \$700,000/year.

12 **Q. How do you figure the lag in payment to the supplier being about 54 days/year?**

13 A. On average there are 365.23 days/year, so an average of 30.44 days/month. Assuming  
14 that customers invoices for the prior month are evenly distributed between the first and last  
15 halves of the prior month then the average invoice date is 15.22 days before the end of the  
16 average month, so when added to average length of a month of 30.44 days, then the average  
17 lag between the customer billing and payment of the AR Purchase Price would be 45.8 days.  
18 Subtracting the assumed average customer payment lag from billing of 40 days across the  
19 utilities, results in an additional lag between customer payments and supplier payments of  
20 more than 5 days/month. That times 12 months/year results in a total of about 60 days of  
21 lagging payments to the supplier. However, that is not quite accurate because Liberty is  
22 proposing payments to suppliers on the last business day of the month, which, on average will  
23 be earlier because about 2/7 of the time the last business day of the month will be 1 or 2 days

NHPUC Docket No. DE 23-003, Liberty POR  
Testimony of Clifton C. Below for the Community Power Coalition of NH  
June 23, 2023  
Page 5 of 8.

1 earlier than the last day of the month due to weekends. Taking 2023 as an illustrative year --  
2 the last business day of the month was 2 days earlier in April and will be 1 day earlier in  
3 September and 2 days earlier in December, so a total of 5 days earlier, resulting in about 55  
4 days/year of additional lag between utility receipt of customer payments and utility payment to  
5 the supplier for the accounts receivable purchase price.

6 **Q. Does CPCNH have any other concerns with using the last business day of the**  
7 **month for supplier payments?**

8 A. There are two concerns: 1) there is no leeway for errors to be corrected before the close  
9 of the month; and 2) there is no leeway for the supplier to use those funds for payments that are  
10 due or that supplier desires to make before the end of month and potentially the end of a  
11 calendar or fiscal year. There could be an error in the amount of the payment or the account  
12 that it is sent to, that an extra business day or two in a month may allow resolution for. Also,  
13 sometimes if an amount is transferred out late in a day it may not be recorded in the receiving  
14 account until the next business day. If that occurred on the last business day of a fiscal year it  
15 could create unnecessary accounting, financial reporting, and audit issues.

16 **Q. What alternative does CPCNH recommend?**

17 A. CPCNH recommends that payments to suppliers for purchased accounts receivable be  
18 made on the same average lag time as customer payments to Liberty, adjusted annually, as  
19 Eversource has proposed in their POR filing and as their POR tariffs provide for in  
20 Massachusetts.

21 **Q. What is your view of Liberty's proposal that all suppliers using consolidated**  
22 **billing be required to participate in the POR Program?**

NHPUC Docket No. DE 23-003, Liberty POR  
Testimony of Clifton C. Below for the Community Power Coalition of NH  
June 23, 2023  
Page 6 of 8.

1 A. CPCNH supports this approach, for both efficiency in requirements to establish the  
2 POR Program and to avoid potential selective “gaming” by suppliers who might take low  
3 credit risk customers out of POR, while leaving high credit risk customers in the program.

4 **Q. Why does CPCNH call for amortization of start-up costs over 5 years instead of 3?**

5 A. Community Power Aggregation in New Hampshire has just begun and we expect a  
6 substantial ramping up over the next 3-4 years of the amount of load served by CPAs, so 5-  
7 year amortization would better spread the cost over the beneficiaries of POR. Because these  
8 capital costs are large relative to the amount of load that would bear the costs in the first few  
9 years, it seems appropriate to spread them out over a longer term and 5-year amortization  
10 seems more typical of such large IT projects. In a data response Liberty has also indicated that  
11 5-year amortization is acceptable to them.

### 12 **III. Other Concerns**

13 **Q. What is your view on changes to Liberty’s tariff and supplier agreement to**  
14 **implement POR?**

15 A. CPCNH recommends that resolution of tariff and supplier agreement text largely occur  
16 after the basic structure and parameters of the POR program are approved by the Commission.  
17 In a round two data response, Liberty did provide a draft supplier agreement customized for  
18 CPAs integrating POR. CPCNH appreciates Liberty’s good faith effort to conform a supplier  
19 agreement for CPAs to the Puc 2200 rules and RSA 53-E. Significant aspects of this draft are  
20 beyond the noticed scope of this proceeding and seem to be unrelated to POR but would be  
21 generally applicable to CPAs, so there are likely other parties that would have an interest in  
22 these issues.

NHPUC Docket No. DE 23-003, Liberty POR  
Testimony of Clifton C. Below for the Community Power Coalition of NH  
June 23, 2023  
Page 7 of 8.

1           Thus, CPCNH proposes that the Commission notice a separate adjudicated proceeding  
2 to address the integration of Community Power Aggregators (CPAs) and CEPS when serving  
3 CPAs into the tariffs and supplier agreements of these 3 utilities, along with conforming POR  
4 language, the core of which seems acceptable to CPCNH. As Unitil has the shortest  
5 anticipated time to implement POR following Commission approval of 4 months, which would  
6 likely take us into 2024 for the first start of POR, there would seem to allow sufficient time  
7 over the course of the fall to undertake such a proceeding, which would have the goal from our  
8 perspective of finding consensus language acceptable to all interested parties.

9   **Q.     Does CPCNH have any other concerns?**

10   A.     Yes, in Liberty’s testimony at p. 8 of 13 Ms. Menard testified that the “Company is not  
11 including any working capital costs in the DPR at this time”, which makes sense as their  
12 average lag between billing and customer payments appears to be less than when they propose  
13 to make their discounted payments to the supplier for those purchases, so there should be no  
14 net working capital needed. As we propose, if supplier payments are made on average with the  
15 same average lag in payment that they experience, adjusted annually to the most recent  
16 calendar year lead-lag study, then there should be no material working capital needs for this  
17 program.

18           However, in response to data request DOE 2-4, where Liberty provided a live Excel file  
19 illustrating a second-year calculation of POR, they did provide a large estimate of working  
20 capital impact of \$132,511 which seems to reflect a \$13 million dollar expense for purchase  
21 power costs, which doesn’t make sense, as they will not be making any power purchases for  
22 POR participants, so perhaps this was an inadvertent transfer from a default service-related

NHPUC Docket No. DE 23-003, Liberty POR  
Testimony of Clifton C. Below for the Community Power Coalition of NH  
June 23, 2023  
Page 8 of 8.

1 analysis. The two relevant sheets from that file are attached as Attachment CPCNH-1 in PDF  
2 format.

3 **Q. Does that conclude your testimony?**

4 A. Yes, it does.



Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty  
 Proposed Second Year Calculation of Discount Purchase Rate (DPR) for Purchase of Receivables (POR) Program  
**Illustrative Example**

|   | 202X          |               | Reference                   |
|---|---------------|---------------|-----------------------------|
|   | Small         | Large         |                             |
| <b>Uncollectible Percentage (UP)</b>                      |               |               |                             |
| Customer Class  |               |               |                             |
| Uncollectible Expense                                     | \$ 150,000    | \$ 168,000    | Page 2                      |
| Customer Revenues   | \$ 25,356,296 | \$ 28,593,271 | Company record              |
| Uncollectible Percentage                                  | 0.592%        | 0.588%        | Line 6 / Line 7             |
| <b>Administrative Cost Percentage (ACP)</b>               |               |               |                             |
| <u>System Modification/Implementation Costs</u>           |               |               |                             |
| O&M Expense associated with implementation of POR program | \$ -          |               | Company estimate            |
| Capital cost to modify billing systems (estimate)         | \$ 500,000    |               | Company estimate            |
| Amortization period in years                              | 5             |               | Company proposal            |
| One year amortization                                     | \$ 100,000    |               | Line 15 / Line 16           |
| Return at WACC  | \$ 30,400     |               | Page 5, Line 20             |
| Total Implementation Costs                                | \$ 130,400    |               | Line 13 + Line 17 + Line 19 |
| <u>Working Capital</u>                                    |               |               |                             |
| Working Capital Impact                                    | \$ 132,511    |               | Page 3, Line 5              |
| <u>Ongoing Administration Costs</u>                       |               |               |                             |
| Forecasted cost of administering collection efforts       | \$ -          |               | Company estimate            |
| Total POR Program Administration Costs                    | \$ 262,911    |               | Line 21 + Line 24 + Line 27 |
| 202X Actual Supplier Billings                             | \$ 13,012,115 |               | Company records             |
| Administrative Cost Percentage (ACP)                      | 2.021%        |               | Line 29 / Line 30           |
| <b>Past Period Reconciliation Percentage (PPRP)</b>       |               |               |                             |
| Prior Period Estimated Uncollectible Percentage           | 0.26%         | 0.26%         | Attachment ELM-1            |
| Prior Period Actual Uncollectible Percentage              | 0.59%         | 0.59%         | Line 8                      |
| Difference  | 0.33%         | 0.33%         | Line 35 - Line 34           |
| Total Discount Purchase Rate (DPR)                        | 2.943%        | 2.935%        | Line 8 + Line 31 + Line 36  |

Approved Weighted Average Cost of Capital per Docket No. DE 19-064

| Description    | Capital Structure | Cost of Capital | Post-Tax Weighted Cost of Capital | Pre-Tax Weighted Cost of Capital |
|----------------|-------------------|-----------------|-----------------------------------|----------------------------------|
| Common stock   | 52.00%            | 9.10%           | 4.73%                             | 6.48%                            |
| Long-term debt | 48.00%            | 5.97%           | 2.87%                             | 2.87%                            |
|                | 100.00%           |                 | 7.60%                             | 9.35%                            |
|                |                   |                 | Fed Tax Rate                      | 21.00%                           |
|                |                   |                 | State Tax Rate (After 12/31/22)   | 7.60%                            |
|                |                   |                 | Effective Tax Rate                | 27.00%                           |

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty  
 Calculation of Working Capital Impact

|                                | <u>Days of<br/>Cost</u><br>(a) | <u>Annual<br/>Percent</u><br>(b) | <u>Customer<br/>Payment<br/>Lag %</u><br>(c) | <u>CWC %</u><br>(d) | <u>Expense</u><br>(e) | <u>Working<br/>Capital<br/>Requirement</u><br>(f) |
|--------------------------------|--------------------------------|----------------------------------|--|---------------------|-----------------------|---|
| [1] 2021 Purchase Power Costs  | (35.993)                       | -9.86%                           | 20.74%                                       | 10.88%              | \$ 13,012,115         | <u>\$ 1,415,718</u>                               |
| [2] Capital Structure Post-tax |                                |                                  |  |                     |                       | 7.60%   |
| [3] Working Capital Impact     |                                |                                  |  |                     |                       | <u>\$ 107,595</u>                                 |
| [4] Capital Structure Pre-tax  |                                |                                  |  |                     |                       | <u>9.36%</u>                                      |
| [5] Working Capital Impact     |                                |                                  |  |                     |                       | \$ 132,511  |

Columns:

- [1](a) Company Records
- (b) Column (a) ÷ 365
- (c) Company Records
- (d) Column (b) + Column (c)
- (e) Company Records

Lines:

- [2] Settlement Agreement Docket No. DE 19-064
- [3] Line (1) x Line (2)
- [4] Settlement Agreement Docket No. DE 19-064
- [5] Line (1) x Line (4)