STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 23-004

Public Service Company of New Hampshire d/b/a/ Eversource Energy Proposed Purchase of Receivables Program

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

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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, Eversource Energy (Eversource 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 Eversource is consistent with the Puc 2200 Rules and RSA 53-E:9, and the Department recommends the Commission approve Eversource's proposed POR Program with the modifications and clarifications discussed below.

Description of Proposal

As proposed in its filing, Eversource 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 distribution and energy charges for customers. A CPA or CEPS that elects to bill its customers separately, also

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[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 Eversource's testimony and attachments.

known as stand-alone billing, cannot participate in the POR Program. For a CPA or a CEPS that elects consolidated billing, the CPA and CEPS customer accounts will automatically be enrolled in the POR Program. A CPA or CEPS may elect to have an account or group of accounts unenrolled from the POR Program and bill those accounts via stand-alone billing. 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), which will be used for all classes as compared to Unitil Energy Systems, Inc.'s (Unitil) proposed POR Program in DE 23-002, which proposes the use of two DPRs, one for the residential class and one for the general class. for two classes. Eversource will make monthly payments to the CPA or CEPS.

There are three components that combine to make up the DPR: an uncollectible percentage (UP), 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 Eversource 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.

Analysis and Recommendation

The Department reviewed the petition and accompanying testimony as well as the data request responses and engaged in a technical session with Eversource and the other parties to this docket.

As described in Eversource's petition, the UP component of the DPR is based on uncollectible expense data for all customers, excluding uncollectible expense for third party suppliers for a 24-month period. In response to a data request asked by the Department, Eversource stated it had concluded that a two-year average based on 2021 and 2022 uncollectible expense did not appear to be appropriate, and an initial discount rate based on a three-year average including 2020, 2021, and 2022 would be more appropriate. Citing the impact of the pandemic and the related shut-off moratorium established in New Hampshire, Eversource noted it experienced an increase to bad debt expense in 2020. See DOE 2-010 in Attachment-1. The Department believes that bad debt experience and uncollectible expenses in 2020 are an anomaly and should not be included in the calculation of the UP. The Department recommends the look-back period for determining uncollectible expense be consistent across utilities and further recommends the use of a 12-month 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.

In addition, Eversource's petition proposes using one DPR for all classes. The Department recommends that, to the extent possible and at reasonable cost, Eversource undertake efforts to calculate the DPR by class as was proposed by Unitil. The residential class and non-residential classes typically have distinct payment behavior, which would result in different UP components, with the non-residential class generally experiencing lower uncollectible expenses and thus a lower UP component.

The Department notes that Eversource appropriately excludes unpaid amounts for customers enrolled in the NewStart arrears management program from uncollectible expenses during the pendency of the customer's active participation in those programs. The Department notes that Eversource does not specifically address how unpaid amounts for customers enrolled in a budget billing program or in 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 component of Eversource's proposed DPR consists of the cost of software changes to implement the POR Program. Eversource does not anticipate incurring any additional or ongoing administrative costs related to the POR Program; however, through its work order system, the company will monitor administration of the POR program and may request approval from the Commission to adjust the DPR at a later date should it incur incremental costs directly associated with administration of the POR Program. The Department supports Eversource'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 Eversource. 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 $1,900,000 and supporting documentation provided by Eversource for software changes necessary to implement the POR Program. Eversource did not go out to bid for the necessary software work, instead using a vendor with considerable experience with the company's two billing systems, C2 and LPB. Given the age of the C2 and LPB systems, the Department supports Eversource's decision to contract with a vendor that has familiarity with, and prior experience in modifying, the billing systems rather than going out to bid. The estimate to modify the C2 and LPB systems is not insignificant. As originally filed, Eversource proposed a three-year amortization for those costs. Eversource has now agreed to amortize the cost over five years and will recover those costs through the ACP component of the DPR for 5 years. See DOE 2-011 in Attachment-2. As no costs will be incurred by Eversource 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 Eversource's proposed POR Program, a CPA or a CEPS that elects consolidated billing must also participate in the POR Program. As proposed, Eversource would permit a CPA or CEPS to remove an account or accounts from the POR Program, billing those customers via stand-alone billing, while leaving other accounts in the POR Program and billed via consolidated billing. See DOE 2-002 in Attachment-3. In the Department's opinion, the option to remove an account or accounts from the POR Program while leaving other accounts enrolled in the POR Program creates an incentive for suppliers to leave only those accounts that are at higher risk for collection enrolled in the POR Program and increases potential exposure of Eversource's other customers to higher uncollectible expenses. The Department recommends that Eversource adopt the same approach as was adopted by Unitil in its POR Program proposal whereby a CPA or CEPS that elects consolidated billing must have all of its customer accounts enrolled in the POR Program.

As proposed, Eversource would make monthly payments to a CPA or CEPS participating in the POR Program. Eversource has proposed that payments would be made monthly consistent with the combined average payment period of the company's customer classes. See DOE 2-005(a), page 13 in Attachment-4. RSA 53-E requires that payments be made to CPA or CEPS in a timely manner. Recognizing the lag utilities experience between the issuance of a bill and payment from a customer, the Department supports the monthly payment schedule proposed by Eversource.

The Department has reviewed Eversource'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 proposed DPR. Based on its review, the Department recommends the following program changes:

1) A 12-month look-back period for determining uncollectible expense, as the use of a 12-month period would be more reflective of any changes in economic conditions that may impact uncollectible expenses than would be captured by a longer period and would ensure consistency with the Unitil and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty proposed POR programs in dockets DE 23-002 and DE 23-003, respectively;
2) Using a separate DPR for two customer classes (residential and non-residential) to the extent it can be accomplished at reasonable cost; and
3) Adopting an all-in policy for a CPA or CEPS that elects consolidated billing whereby a CPA or CEPS that elects consolidated billing must have all of its customer accounts enrolled in the POR Program.

With those modifications, the Department concludes that the POR Program proposed by Eversource is consistent with the Puc 2200 Rules and RSA 53-E:9. The Department recommends the Commission approve Eversource's POR program with the proposed modifications.