

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 23-004

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY

Proposed Purchase of Receivables Program

Examiners' Report and Recommended Order

NOTICE: This report and recommendation constitute the findings and recommendation of the assigned examiner. Although it is in the form of an order, it does not constitute Commission action. Exceptions to or comments on this report and recommendation may be filed by January 2, 2024, for the Commission's consideration. In order for any further replies to be considered, a notice of intent must be filed by January 4, 2024, and replies must be filed by January 12, 2024.

This order approves in part Public Service Company of New Hampshire d/b/a Eversource Energy's (Eversource) proposed purchase of receivables (POR) program framework under RSA 53-E:9 and N.H. Code Admin. R. Puc chapter 2200. The proposed Discount Percentage Rate (DPR) calculation is not fully consistent with statutory requirements related to the cost of collection efforts and working capital. This order approves other parts of the proposed POR program, including the timing of payments, the treatment of competitive suppliers, and expanding the scope of this proceeding to consider changes to Eversource's tariffs and supplier agreements necessary to implement the proposed POR program. This matter is continued to a second phase to establish or clarify determinants in the DPR calculation framework and to consider necessary amendments to Eversource's Electric Supplier Services Master Agreement and Tariff NHPUC No. 10 – Electricity.

I. PROCEDURAL HISTORY

On January 10, 2023, Eversource filed a proposed POR program (Exh. 1). On February 2, the Commission commenced and noticed an adjudicative proceeding

(Notice) to consider Eversource's proposed POR program under RSA 53-E:9 and Puc chapter 2200.

The parties to this matter are Eversource, the New Hampshire Department of Energy (DOE); the Community Power Coalition of New Hampshire (CPCNH); and Direct Energy Services, LLC, Direct Energy Business, LLC, Direct Energy Business Marketing, LLC, Reliant Energy Northeast LLC, and XOOM Energy New Hampshire, LLC (together, the NRG Retail Companies).

On June 16, the DOE, CPCNH, and the NRG Retail Companies pre-filed a technical statement (Exh. 2), testimony (Exh. 3), and comments (Exh. 4), respectively. On September 13, Eversource filed a settlement agreement (Settlement Agreement or Exh. 5) on behalf of all parties. On September 20, there was a hearing on the Settlement Agreement.

Eversource's initial proposal and subsequent docket entries, other than information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <https://www.puc.nh.gov/Regulatory/Docketbk/2023/23-004.html>.

II. BACKGROUND

RSA chapter 53-E authorizes municipalities and counties in New Hampshire to establish and operate aggregation programs for retail electric customers within their boundaries, providing access to competitive markets for electric energy supply and related energy services. RSA 53-E:1. In 2021, RSA chapter 53-E was amended to authorize municipalities and counties to enroll customers on an "opt-out" basis¹ and to require utilities to offer POR programs. RSA 53-E:7 and :9.

¹ "Opt-out" means that any retail customer currently receiving default energy service from their utility would be automatically enrolled in a municipal or county aggregation program. RSA 53-E:7, II(V).

A POR program is a billing arrangement where the utility purchases an aggregation program's accounts receivable, subject to a Commission-approved DPR. RSA 53-E:9, II. A POR program applies if an aggregation program utilizes a utility's consolidated billing service.² If an aggregation program elects to use consolidated billing, the retail customer receives one bill from their distribution utility containing both the energy service charge from the aggregation program and the distribution utility's other service charges. Under a POR program, the utility purchases the accounts receivable of the aggregation program. Aggregation programs are thereby guaranteed payments from the utility for energy service charges on a regular basis without managing or pursuing collections for unpaid balances. *See* Exh. 2 at Bates page 2.

III. DISCUSSION

a. Standard of Review

Eversource's POR program proposal must be consistent with both the parameters in RSA 53-E:9, II and the public good. Pursuant to RSA 53-E:9, I, POR programs must be available to aggregation programs and competitive electric power suppliers (CEPS) serving aggregation programs. If proposed and assented to by the utility, a POR program may also apply to CEPS generally if the Commission determines that it is for the public good. *Id.* Because Eversource's proposed POR program is applicable to CEPS generally, *see* Exh. 5 at Bates page 2; *see also* Exh. 2 at Bates page 18, the public good standard explicitly applies.³

² Billing services may be "consolidated" whereby the utility issues a single bill which includes charges for electric power supply and energy services as well as the utility's charges for electric service, or "separate" whereby an aggregation program issues customer bills for the electric power supply and energy services. Puc 2205.16(a).

³ The Commission's Notice also identifies Puc chapter 2200 as a standard of review, although there are no rules that prescribe requirements specific to any POR program proposal other than a filing deadline at Puc 2205.16(e), the Commission's rulemaking authority also supports that the public good standard applies to this proceeding. RSA 53-E:7, X ("...to the extent authorities granted to municipalities and

Under RSA 53-E:9, II, a proposed POR program must address three key issues: what the utility will discount aggregation programs' accounts receivable by (the DPR), when the utility will pay aggregation programs, and how the POR program will be subject to ongoing Commission oversight. Each POR program's DPR must equal the utility's uncollectible rate. RSA 53-E:9, II. The utility's uncollectible rate must include two types of costs: "capitalized and operating costs specific to the implementation and operation of the purchase of receivables program, including working capital" and "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." *Id.* Pro rata costs must include, but not be limited to, increases to the utility's bad debt write-offs from POR program participants. *Id.* Costs arising from different rate components and determination of the uncollectible rate shall be allocated equitably. *Id.*

The public good standard has not been evaluated in the context of RSA chapter 53-E, however, the New Hampshire Supreme Court has interpreted the public good standard broadly to include the needs of particular persons directly affected, the needs of the public at large, and the general welfare of the utility involved. *See, e.g., Boston Maine R.R. v. State*, 102 N.H. 9, 10, (1959). Moreover, for something to be in the public good, it cannot be otherwise forbidden by law. *Id.* In the context of asset transfers, the Commission has interpreted the public good to include a determination that the transaction will not harm ratepayers. Order No. 23,044 (October 26, 1998).

counties by this chapter materially affect the interests of electric distribution utilities and their customers, to reasonably balance such interests with those of municipalities and counties for the public good, which may also be done through adjudicative proceedings to the extent specified or not addressed in rules.")

Finally, the POR program presented to the Commission for approval is in the form of a settlement, N.H. Code Admin. R. Puc 203.20(b) also applies, requiring that settlement be approved if the result is just and reasonable and serves the public interest. This report addresses the specific statutory parameters, the public good standard, and concludes by addressing the Settlement Agreement overall.

1. The DPR Calculation

The proposed DPR calculation focuses on incremental costs to implement and operate the POR program, but does not address all statutory requirements and appears to recast “pro rata share” to mean incremental costs.⁴ The record also demonstrates that existing systems and personnel will support the POR program without quantifying and allocating (or demonstrating that no allocation is equitable) a portion of administrative costs or costs related to collection efforts. Therefore, RSA 53-E:9, II’s parameters and the public good standard require that the proposed DPR calculation be refined or further substantiated in a subsequent phase of this proceeding.

As drawn from the Settlement Agreement, the proposed DPR calculation applies to accounts receivable for Supplier Service.⁵ The DPR framework will be calculated for two different customer classifications, the residential service class and the non-residential service class. Exh. 5 at Bates page 3. The DPR calculation consists of four inputs:

- 1) Uncollectible Percentage. The sum of the net write-offs for Supplier Service billed by the Company through consolidated billing service for each customer classification, based on actual data for the most recent calendar year, divided by the total amounts, including late payment fees if included in

⁴ “Incremental cost” is defined as additional or increased costs. Black’s Law Dictionary page 690 (5th ed. 1979). Whereas “pro rata” is defined as proportionately; according to a certain rate, percentage, or proportion. *Id.* at page 1098.

⁵ The Settlement Agreement defines “Supplier Service.” Supplier Service generally means the sale of all requirements, load-following electricity service to a customer by an aggregation program or CEPS. Exh. 5 at Bates page 3 n. 1.

- net write-offs, for Supplier Service billed to that customer classification by the Company through consolidated billing service during the same period.
- 2) Administrative Cost Percentage. The total forecasted incremental costs of POR program administration and collection to be recovered through the DPR for the subsequent year divided by the total amounts billed for Supplier Service by the Company through consolidated billing service for the most recent calendar year. The costs will be apportioned to each customer classification based on the total supplier kWh billings for such customer classification.
 - 3) Amortized Incremental Capital Expense. The Company's cumulative revenue requirement calculation for the return of and return on incremental capital costs directly related to the development and implementation of changes to billing, information, and accounting systems required to implement the billing and payment procedures related to the POR program into the Company's consolidated billing service, to be amortized and recovered through the annual DPR over a five-year period.
 - 4) Past period reconciliation percentage. The sum of monthly Actual Uncollectible Costs less monthly Actual Supplier Discounts Applied; plus Monthly Interest Accrued; all divided by Actual Supplier Billings.

Exh. 5. at Bates pages 5–6.⁶

Capitalized and operating costs related to the implementation and operation of the POR program are treated as incremental costs of the POR program that will be recovered from POR program participants through the Uncollectable Percentage, Administrative Cost Percentage, and Amortized Incremental Capital Expense.

The proposed calculation of the uncollectable rate tracks net write-offs for Supplier Service attributable to POR participants separately from default service customers, consistent with principles of cost causation. The uncollectable rate, called the Uncollectable Percentage, is the quotient of net write-offs for Supplier Service divided by total amounts billed for Supplier Service, by customer group.

Capitalized costs to implement the POR program consist of estimated costs to modify Eversource's billing systems. According to Eversource, modifications to its two billing systems are necessary to facilitate the POR program. Exh. 1 at Bates page 7. The modifications will enable the billing systems to collect the receivables, make

⁶ Each input summarized above is further defined in the Settlement Agreement.

requisite calculations including the discount rate, and then make and apply payments. Exh. 4 at Bates page 17. Eversource estimates that modifications to its two billing systems to implement the POR program will result in approximately \$1,900,000 in implementation costs. September 20, 2023 Hearing Transcript (Tr. Sept. 20) at 10. The Settlement Agreement proposes to amortize and recover these costs over a 5-year period. Exh. 5 at Bates pages 4, 11, 13. This recovery period is a modification of Eversource's initially proposed 3-year period. Tr. Sep. 20 at 10. Eversource stated that these capitalized costs will not be included in its general distribution rate base. *Id.* at 12. The modifications will be made to two billing systems, one of which was describes as "aged." *Id.* at 24. In making these modifications Eversource will rely on an outside vendor that was not selected through competitive procurement processes, due to specialized experience required to work on the billing systems. *Id.*, Exh. 4 at Bates page 13. The parties agree that these costs will be subject to future review for reasonableness. Tr. Sep. 20 at 38–39.

The estimated implementation costs presented by Eversource are significant, however, the record supports that modifications are necessary to implement the proposed POR program and, once booked, the costs will be subject to future review for reasonableness by the Commission and interested parties. The longer amortization period of 5 years will also spread the costs over a larger time than initially proposed, lessening the rate impact resulting from implementation costs and providing an opportunity for the costs to be spread out to a potentially expanding customer group. Given the age of one of the billing systems, implementation timeframe, and amortization period, it is conceivable that billing systems could be further updated or replaced before these costs are fully recovered. This could result in pancaking of costs or recovery of costs after systems are retired. Nonetheless, the record supports that

the estimated costs are necessary to implement the POR program in accordance with RSA 53-E:9, II, and therefore are properly included in the DPR, subject only to the opportunity to review actual booked costs for reasonableness.

With respect to costs of administering collection efforts, Eversource initially stated that it did not expect incremental costs due to administering collection efforts and that no administrative costs are allocated to the POR program. Exh. 1 at Bates page 9. The DOE agreed that pro rata share of costs should be interpreted as incremental costs. Exh. 2 at Bates page 3. In the Settlement Agreement proposal an Administrative Cost Percentage is a field in the illustrative DPR calculation, although no value is estimated. Exh. 5 at Bates page 11.

RSA 53-E:9, II describes that the pro rata share of administering collection efforts should include increases in the utility's bad debt write-offs attributable to participants in the purchase of receivables program, however bad debt write-offs is not the exclusive or exhaustive definition of collection efforts cost. As discussed above bad debt write-offs of POR program participants will be tracked separately and allocated by customer class. Nonetheless, a POR program must include a proportional share of baseline collection efforts costs, which could also encompass costs of payment collections activities by the utility or its contractors, shut-offs, billing arrangements, and associated reporting. Eversource conceded that it did not allocate any existing administrative costs to the POR program. The record does not establish whether Eversource does or does not have other collection efforts costs and, if so, whether those costs are collected from default service customers or through distribution rates. Nor does it address variables that potentially could shift such costs from one customer group to another such as the demographics of participating aggregation programs and CEPS customers.

Furthermore, despite being a required input, Eversource's working capital is also not explicitly addressed, although other incremental costs of debt are addressed in the Amortized Incremental Capital Expense and Past Period Reconciliation Percentage.

Although costs may be equitably allocated, they cannot be ignored under RSA 53-E:9, II's express requirements or the public good standard. *See also*, RSA 53-E:5. Aggregation programs and CEPS utilizing the POR program must pay both the full incremental share of implementation and operations costs necessary to administer the POR program, and not less than their fair share of base administration costs, including collection efforts costs. The public good standard similarly requires that the interests of the utility and its ratepayers be considered, and that the POR program cause no harm to either. Therefore, Eversource must establish how it will quantify and account for a pro rata share of collection efforts and working capital in the DPR, or demonstrate that these factors are not quantifiable, in order for the proposed POR program to be consistent with RSA 53-E:9, II and the public good.

2. Timely Payment

RSA 53-E:9, II requires that payment from a utility to an aggregation program or CEPS for Supplier Service occur in a timely manner. The proposed POR program framework establishes a method to determine when Eversource will pay third party suppliers for accounts receivable for Supplier Service, and provides for annual updates of the payment date. The payment period will be based on the average combined payment period for all customers being billed for Supplier Service through the Eversource's consolidated billing service.⁷ Exh. 5 at Bates pages 5–6. The payment date shall be on the closest business day approximately equal to the mid-point of the

⁷ During the first year the payment period will be based on Eversource's default energy service.

billing month plus the average payment period from billing to utility receipt of customer payments. *Id.*

The timing of payment directly impacts the operations and cashflow of Eversource, aggregation programs, and CEPS. The terms of payment were assessed over the course of this proceeding to maximize consistency between the state's utilities at the request of the intervenors. Tr. Sept. 20 at 30–31. The record supports that the proposed methodology of determining when payment will occur that is consistent with the requirement that payment occur in a timely manner and balances the interests of suppliers with the utility and its customers.

3. Ongoing Oversight

The proposed POR program meets the ongoing oversight requirement through an annual filing and update obligation. Exh. 5 at Bates page 5. This filing would be made on March 1 of each year to update the DPR for effect as of the May 1 for the forthcoming year. *Id.* The annual filing would update DPR calculations, reconcile the prior period, update the payment date to be in effect for the forthcoming 12-month period, and include documentation supporting all relevant calculations. *Id.* This annual filing and level of detail reasonably and adequately provides the Commission and interested parties the opportunity to oversee the POR program and update the DPR rate on a routine, prospective basis.

4. Treatment of Competitive Suppliers

The proposed POR program treats CEPS utilizing consolidated billing service the same as aggregation programs and CEPS serving aggregation programs, requiring all CEPS utilizing consolidated billing to participate in the proposed POR program for all rate classes. Exh. 5 at Bates page 2. CEPS may also elect to use separate billing service. According to Eversource, treating all CEPS the same as aggregation programs

and CEPS serving aggregation programs reduces costs and administrative burdens on Eversource. Exh. 1 at Bates page 7. In addition, including CEPS in the proposed POR program generally has the potential to spread incremental costs to implement the proposed POR program over a wider group of participating entities and their customers and avoid shifting bad debt. See Exh. 3 at pages 8–9.

The record supports that the public good standard is met, subject to a second phase in this proceeding as discussed above to ensure POR program costs will not be borne by Eversource or non-participating customers. Specifically, extending the POR program to CEPS will likely reduce administrative burdens on Eversource because Eversource will not need to maintain and administer separate billing processes and systems for CEPS utilizing consolidated billing. Additionally, the participation of CEPS in the POR program generally may benefit all POR program participants and their customers by spreading capitalized and operational costs associated with the POR program to a broader group of participating retail customers.

5. Tariff and Supplier Services Agreements

The Settlement Agreement also requests that this proceeding be continued into a separately noticed phase to consider amendments to Eversource's Electric Supplier Services Master Agreement and Tariff NHPUC No. 10 – Electricity necessary to implement the POR program. Exh. 5 at Bates page 1. The parties agree that changes to Eversource's tariff and supplier services agreements are necessary to implement the POR program and that additional public notice would be advisable due to the scope of the Commission's Notice. The Commission's Notice was limited to whether Eversource's proposed POR program was consistent with the requirements of RSA 53-E and Puc chapter 2200. Notice at 2. It is reasonable to separately notice an additional

phase of this proceeding to consider changes to Eversource's delivery service tariff and Electric Supplier Services Master Agreement.

IV. CONCLUSION

RSA 53-E:9, II contains strict parameters for any proposed POR program. These parameters, superimposed with the public good standard, create a high bar for any proposed POR program to meet because the program must effectively indemnify both the utility and non-participating customers from bearing implementation or operation costs. This expressly includes a pro rata share of base costs associated with collection efforts and working capital. The proposed POR program framework presented through the Settlement Agreement is largely consistent with both RSA 53-E-9, II and the public good standard, with the exception of showing that a pro rata share of costs of administering collection efforts and working capital will be recovered through the DPR calculation. Due to those inconsistent components in the DPR calculation, the Settlement Agreement cannot be approved in full because it is not just, reasonable, or serving the public interest if not fully consistent with applicable statutory requirements and the intent that the utility and non-participating consumers not assume any costs arising from a POR program's use. The same analysis applies under the public good standard.

Accordingly, although the request for approval of the Settlement Agreement is denied, the proposed POR program is approved in part, and this proceeding is continued to a second phase to establish how Eversource will quantify and apportion a pro rata share of collection efforts and working capital in the DPR, or demonstrate that these factors are not quantifiable. Consistent with the parties' request in the Settlement Agreement, the second phase shall also consider changes to Eversource's Electric Supplier Services Master Agreement and Tariff NHPUC No. 10 – Electricity

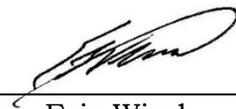
necessary to implement the POR program. A recommended supplemental order of notice is filed with this report and order.

Based upon the foregoing, it is hereby

ORDERED, that, Pursuant to RSA 53-E:9 and N.H. Code Admin. R. chapter 2200, the Settlement Agreement is **DENIED**, however Eversource's proposed POR program framework presented in the Settlement Agreement is **APPROVED IN PART** as discussed herein, effective upon the Commission's adoption of this order; and it is

FURTHER ORDERED, that this matter is **CONTINUED** to a second phase to establish how Eversource will quantify and apportion a pro rata share of collection efforts and working capital in the DPR, or demonstrate that these factors are not quantifiable, and to consider necessary amendments to Eversource's Electric Supplier Services Master Agreement and Tariff NHPUC No. 10 – Electricity.

DATED:
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