THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISISON

DE 23-004

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

Proposed Purchase of Receivables Program

Community Power Coalition of New Hampshire

<u>Testimony of Clifton C. Below</u>

June 16, 2023

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I. Introduction

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

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

Q. Please describe your educational and related professional experience.

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

Q. Have you previously testified before this Commission?

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

II. CPCNH Position on Eversource Proposal as Presented in their Testimony.

Q. What has been your involvement in this proceeding?

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[1] 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.

[2] Found at: 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.

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

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

A. CPCNH generally supports the overall proposal as presented in Eversource's prefiled testimony and finds that the proposal is consistent with RSA 53-E:9 and Puc 2205.16(e) and would be for the public good. There are a few minor concerns discussed below, along with a few suggested clarifications and tweaks. We also have a couple of serious concerns about potential tariff and supplier agreement language that Eversource has provided on an initial basis in response to a data request, but which has not appeared in testimony yet. These concerns are addressed below.

Q. What is your view on Eversource's proposal that payments to suppliers be made on a monthly basis?

A. CPCNH concurs with this approach for its efficiency provided payment to suppliers occur during the month following invoicing to retail customers on a date equal to the date in the middle of the billing month plus the prior average lag between billing and customer payment as determined in their lag study, updated annually. This appears to be consistent with the approach that Eversource is proposing based on a draft tariff terms and conditions for Purchase of Receivables (POR) provided in round 2 of discovery.

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

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

Q, What do you think of Eversource's current estimate of costs to implement POR of $1.9 million?

A. This seems excessively expensive, especially compared with cost estimates by Unitil and Liberty. In various data requests Eversource explains that this in part "because PSNH requires modification of two different Eversource billing systems for one operating company at the same time; C2 and NHLPB are separate, stand-alone billing systems using older technology with only limited synergies related to the C2 system to expedite the implementation of the POR program in the state."[3] Another factor may be that Eversource uses a sole source contract for this work: "Eversource relies on TCS for its expertise as very few IT contractors are experts in older mainframe technology."[4] Responses to DOE 1-008 and DOE 1-012 expand on Eversource's cost justification.[5] CPCNH explored in discovery whether it might make sense to migrate the LPB (Large Power Billing) Customer Information System (CIS) to the C2 CIS, which is the only system used in their Western Massachusetts and Connecticut affiliates as explained in discovery.[6] However that appears to be impractical and unlikely to be cost effective. CPCNH also inquired about whether going ahead and migrating to the much more modern and flexible SAP CIS, as they are doing in Massachusetts and Connecticut might make more sense, rather than investing this much is very old systems.[7] While there is no timeline for this yet, Eversource indicates that such "deployment of a new CIS is likely to take at least 24 months from regulatory approval." (CPCNH 1-028, Attachment Coalition-8)

[3] DOE 1-009, Attachment Coalition-1
[4] CPCNH 1-022, Attachment Coalition-2
[5] DOE 1-008, Attachment Coalition-3; DOE 1-012, Attachment Coalition-4
[6] *See* CPCNH 1-020, Attachment Coalition-5; CPCNH 1-21, Attachment Coalition-6; and CPCNH 1-25, Attachment Coalition-7
[7] *See* CPCNH 1-27, Attachment Coalition-8; CPCNH 1-28, Attachment Coalition-9; and CPCNH 1-29, Attachment Coalition-10

Finally, CPCNH also wondered if it might make sense to only implement POR for customers in the C2 CIS, assuming that most of the load in the LPB CIS that primarily serves the largest commercial and industrial customers (Rates GV and LG) would be on Passthrough Billing. DOE did ask what the cost of doing POR only in the C2 CIS, comprised mostly of residential customers might be, which Eversource estimated at $1.1 million.[8] However there would be complications to such an approach. First, the smaller commercial customer rate class group (General Service) and outdoor lighting are split between the two systems.[9] Also, as it turns out there is considerable load in the LPB on Consolidated Billing, almost as much as there is in C2 systems (1.16 million MWh vs. 1.18 million MWh, per year presumably) and not that much less than is in Passthrough Billing in the LPB, which is about 1.42 million MWh.[10]

CPCNH's conclusion is that it probably makes sense to proceed with enabling POR in both the C2 and LPB systems, if the cost is amortized over the first 5 years of POR, instead of 3 years as indicated in Eversource testimony.

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

A. Community Power Aggregation in New Hampshire has just begun and we expect a substantial ramping up over the next 3-4 years of the amount of load served by CPAs, so 5-year amortization would better spread the cost over the beneficiaries of POR. Because these capital costs are large relative to the amount of load that would bear the costs in the first few years, it seems appropriate to spread them out over a longer term and 5-year amortization

[8] DOE 2-008, Attachment Coalition-11
[9] CPCNH 1-019, Attachment Coalition-12
[10] Computed from CPCNH 1-017, Attachment Coalition-13

seems more typical of such large IT projects. In a data response Eversource has also indicated that they now believe 5-year amortization more consistent with previous filings.[11]

Q. What is your view of using a 2-year trailing average of uncollectible expense to adjust the prospective uncollectible component of the POR discount rate versus just the prior year?

A. CPCNH has a slight preference for using the immediate prior calendar year for an annual adjustment to the discount rate instead of the average of the 2 trailing years, as based on available data it appears to be a slightly better predictor of the next year's uncollectible expense. In response to a DOE data request[12] Eversource provided 10 years' worth of uncollectible expense, from 2013 through 2022. I analyzed that data to compare whether the immediate prior year was a better predictor of the following year's uncollectible expense compared with an average of the 2 prior years. As seen in Table 1 below, in 5 of the 8 years that could be compared (highlighted in green), the prior year came closer to the "current" year, while the 2 prior year average was closer 3 out of 8 times. However, the overall absolute value in the differences between the two approaches is small.

In a data response Eversource also changed their view about using the average 2 trailing year's uncollectible expense for setting the initial POR discount rate and instead indicates a preference for using the average of the 3 most recent years of uncollectible expense, just for the initial setting of the POR discount rates (likely 2021-2023) and then use the most recent 2y years going forward.

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[11] *See* DOE 2-011 (without attachments), Attachment Coalition-14 and DOE 2-013, Attachment Coalition-15
[12] DOE 2-010, Attachment Coalition-16

A	B	C	D	E	F
	TABLE 1			B-C	B-D
Year	Uncollectible Expense	1 year prior	Average of 2 prior years	Delta 'current' yr. to 1 yr. prior	Delta 'current' yr. to 2 yr. prior
2013	6,608,268				
2014	6,814,925				
2015	9,192,761	6,814,925	6,711,597	2,377,836	2,481,165
2016	7,572,242	9,192,761	8,003,843	(1,620,519)	(431,601)
2017	6,935,827	7,572,242	8,382,502	(636,415)	(1,446,675)
2018	6,590,251	6,935,827	7,254,035	(345,576)	(663,784)
2019	6,909,166	6,590,251	6,763,039	318,915	146,127
2020	8,531,549	6,909,166	6,749,709	1,622,383	1,781,841
2021	6,653,584	8,531,549	7,720,358	(1,877,965)	(1,066,774)
2022	5,381,668	6,653,584	7,592,567	(1,271,916)	(2,210,899)
	Sum of absolute values of Delta columns =			10,071,525	10,228,863

I also analyzed whether using just 1 prior year, 2 prior years, or 3 prior years as a predictor of the "current" year uncollectible expense was the better indicator as shown in Table 2 below.

H	I	J	K	L	M	N	O
	TABLE 2				I-J	I-K	I-L
Year	Uncollectible Expense	1 year prior	Average of 2 prior years	Average of 3 prior years	Delta 'current' yr. to 1 yr. prior	Delta 'current' yr. to 2 yr. prior	Delta 'current' yr. to 3 yr. prior
2013	6,608,268						
2014	6,814,925						
2015	9,192,761						
2016	7,572,242	9,192,761	8,003,843	7,538,651	(1,620,519)	(431,601)	33,591
2017	6,935,827	7,572,242	8,382,502	7,859,976	(636,415)	(1,446,675)	(924,149)
2018	6,590,251	6,935,827	7,254,035	7,900,277	(345,576)	(663,784)	(1,310,026)
2019	6,909,166	6,590,251	6,763,039	7,032,773	318,915	146,127	(123,607)
2020	8,531,549	6,909,166	6,749,709	6,811,748	1,622,383	1,781,841	1,719,801
2021	6,653,584	8,531,549	7,720,358	7,343,655	(1,877,965)	(1,066,774)	(690,071)
2022	5,381,668	6,653,584	7,592,567	7,364,766	(1,271,916)	(2,210,899)	(1,983,098)
	Sum of absolute values of Delta columns =				7,693,689	7,747,699	6,784,343

In 4 of the 7 years that could be analyzed the immediate prior year was the better indicator, while in 3 of the 7 years the prior 3-year average was the better indicator, while the 2 prior years was not the better indicator in any case. However, the absolute delta between the predictor and actual result was significantly lower by using the trailing 3-year average, so our bottom line is that it probably doesn't make much difference, and it will be trued up from year to year in any case.

Q. What is CPCNH's view of Eversource's proposal to use a single POR discount rates for all classes of customers?

A. From a cost causation perspective, it would be much better to have different POR discount rates to reflect different uncollectible expense rates by major customer classes, such as the small and large customer groups used in their default service procurement or the broad residential, commercial, and industrial rate groups. However, as Eversource explains in their testimony and data responses[13] this is not practical with their current systems, would entail substantial additional costs that have not been estimated, and would seem to also likely delay implementation of POR. Therefore, CPCNH does not oppose moving ahead with a single discount rate and recommends that Eversource plan to enable this functionality of differentiating by rate class groups when they implement their new SAP CIS.

III. CPCNH Concerns about Eversource's draft Tariff and Supplier Agreement Edits to Implement POR.

Q. What are CPCNH's concerns about Eversource's proposed tariff and supplier agreement edits to enable POR?

A. There are 3 concerns. First, in general, the proposed text of changes to their tariff and supplier agreement were not proposed in their testimony but were provided in response to DOE 2-001, which was only in the second round of discovery, so there has been no opportunity to

[13] *See* DOE 1-008(c), Attachment Coalition-3; NRG 1-002, Attachment Coalition-17; and DOE 2-008(d), Attachment Coalition-11

make data requests on the proposed edits or to discuss in a technical session. Second, while we greatly appreciate that Eversource has made a good faith effort to incorporate non-POR related edits to bring the supplier Terms & Conditions in their Tariff and their Supplier Agreement into conformity with RSA 53-A and Puc 2200 with regard to bringing CPAs into these documents, necessary to implement POR, these do go beyond the noticed scope of this proceeding. The third concern and objection by CPCNH is to the inclusion of new requirements for a creditworthiness test, security, and potential collateral requirements, ostensibly due to increased financial risk to the utility from administering POR, but which create substantial barriers to new entry for CPA and CEPS market participants, favoring established large competitive suppliers. There is no testimony in support of these proposals.

Q. Before elaborating on your objection, how might these concerns best be addressed procedurally?

A. CPCNH recommends that resolution of tariff and supplier agreement text largely occur after the basic structure and parameters of the POR program are approved by the Commission. This would be broadly consistent with the approach suggested by Eversource in the testimony of Brendan O'Brien in DE 23-004 at 8 that states: "the Company anticipates an eight-month implementation timeline for its POR Program once approved; the Company proposes submission of the revised tariff and supplier agreements for Commission review during that eight-month implementation period." However, in a data response, they suggest that be done as part of a compliance filing.[14] Again significant aspects of these draft edits are beyond the noticed scope of this proceeding, including some draft revisions and updates that seem to be

[14] DOE 1-005, Coalition Attachment-18

unrelated to POR but would be generally applicable to both CEPs and CPAs, so there are likely other parties that would have an interest in these issues.

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

Q. Could you elaborate on your objections to the proposed creditworthiness test and potential collateral requirements, besides the fact that there is no testimony in support of them?

A. Yes, Eversource's draft proposes amending their Competitive Electric Supplier Trading Partner Agreement to (i) impose utility-administered creditworthiness tests upon CPAs and CEPS that intend to elect consolidated billing, as a precondition for entering into the agreement, (ii) require CPAs and CEPS that are not "creditworthy" thereunder to post additional collateral for the utility's benefit, such as a letter of credit, parent guaranty from a creditworthy entity, et cetera, and (iii) require CPAs and CEPS to grant Eversource a "first priority perfected security interest" in "all Accounts Receivables purchased by the Company under this Master Agreement;" which seems a little odd because when a receivable is purchased by the Company, which is proposed to be when the retail customer is billed and is the first point in time when an account receivable can be quantified, it could not be used as collateral for a security interest granted by the supplier because at that point it would no longer be an asset owned by the supplier. The asset to be held by the supplier would be the POR purchase price, owed to them by the utility, which the proposed language concedes could be subject to a security interest by the supplier.

Eversource has acknowledged that there is no particular statutory basis for imposing these sweeping financial security obligations, which impose additional costs on the customers served by CPAs and CEPS and create barriers to market entry for all but the established market incumbents, and which are based on their Massachusetts tariff.

CPCNH has ideas on how Eversource's apparent concerns about this matter might be addressed in the language of their tariff and supplier agreement and looks forward to discussing these with Eversource and other parties in the next technical session/settlement discussion.

Q. Does that conclude your testimony?

A. Yes, it does.