

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE No. 12-097

TESTIMONY OF AUGUST G. FROMUTH

August G. “Gus” Fromuth is the Managing Director of Freedom Logistics, PNE, and Resident Power. Mr. Fromuth is Vice Chairman of the NEPOOL Participants Committee and Chair of the End User Sector. The End User Sector is comprised of companies and institutions purchasing electricity directly from the wholesale market, consumer advocates, public interest organizations, and government entities.

Mr. Fromuth served for seven years in Washington in the Reagan Administration’s Commerce Department as a Deputy Assistant Secretary. Mr. Fromuth was educated at George Washington University (BA) and Johns Hopkins School of Advanced International Studies.

PNE is the only New Hampshire-based competitive supplier, with applications for supplier licenses pending in Massachusetts and Rhode Island.

Freedom Logistics is a licensed competitive supplier in Maine and a licensed broker in a number of New England states, including New Hampshire. Its main focus has been the management of load asset accounts of large customers in New England that participate directly in the ISO-NE wholesale market (“MPEU’s”). Freedom Logistics is also licensed competitive supplier in Maine.

Resident Power is a licensed aggregator in New Hampshire, focusing on residential and small commercial customers.

I. INTRODUCTION

The Commission opened this proceeding to investigate the merits of instituting purchase of receivables, customer referral, and interface programs, and other retail market enhancements. A Prehearing Conference Order was issued by the Commission on July 3, 2012 which stated, *inter alia*, that the Commission will consider on a generic basis how the costs associated with the provision of competitive supplier services by the utilities should be recovered. This testimony will primarily focus on PSNH since the other New Hampshire electric utilities do not levy charges on competitive suppliers.

PNE Energy Supply LLC d/b/a Power New England (“PNE”) is a duly- registered CEPS in PSNH’s service territory. PNE serves a relatively large number of residential and small commercial customers in PSNH’s territory.

On April 13, 2012, PNE filed a petition with the Commission seeking an order requiring modifications to three of PSNH's tariff provisions of which are charged to competitive suppliers.¹ The three charges are the Selection Charge, Billing and Payment Charge, and the Collection Services Charge. The problem posed by PSNH's charges are that they impede the development of a competitive market for small customers, rather than enhancing the development of the market, which as I understand it is the purpose of this proceeding. Similar charges are not levied by PSNH's affiliates CL&P, WMECO and NSTAR. They are also not levied by Unitil, Liberty Utilities, or NHEC.

II. PSNH'S SERVICES AND SCHEDULE OF CHARGES FOR ENERGY SERVICE PROVIDERS

PSNH's Terms and Conditions for Energy Service Providers are contained in its Electricity Delivery Service Tariff – NHPUC No. 8, Original Pages 31 through 40. PSNH's "Services and Schedule of Charges" are set out in Section 2, original pages 32 through 36.

A. Selection Charge

Section 2(a), Customer Change of Supplier provides, *inter alia*, as follows:

The Company will be entitled to make a Selection Charge for any changes initiated by a Customer, Supplier, or an authorized agent to a different Supplier or to Default Service or Self-Supply Service.

Selection Charge\$5.00 per Request

B. Billing and Payment Service Charge

Section 2(f), Billing and Payment Service provides, *inter alia*, as follows:

The Company will provide Billing and Payment Service as an option to Suppliers who have entered into a written agreement for Billing and Payment Service with the Company for a minimum of one year. The monthly Billing and Payment Service Charge, listed below, is for billing arrangements which can be accommodated by the Company's billing systems without significant programming changes:

Billing and Payment Service Charge\$ 0.50 per bill rendered

C. Collection Services Charge

Section 2(g), Collection Services provides, *inter alia*, as follows:

¹ In its customary fashion, PSNH responded by claiming that PNE's Petition "contains bald face [sic] allegations" and is "replete with unsupported assertions of dubious veracity."

The Company will provide Collection Services in conjunction with Billing and Payment Service for Suppliers who have entered into a written agreement for such service with the Company for a minimum of one year.

Collection Services Charge.....0.252% of total monthly receivable dollars

III. DISCUSSION

The issue of how the costs associated with the provision of competitive supplier services by the utilities should be recovered has become of concern within the past year because of the relatively large increase in the enrollment by competitive suppliers of residential and small commercial customers, primarily by PNE. PNE utilizes consolidated billing through PSNH for these customers, whereby the customer receives only one bill for both delivery by PSNH and energy from PNE.

Before the Commission can determine on a generic basis how the costs associated with the provision of competitive supplier services by the utilities should be recovered, it must determine the nature and extent of the costs, and whether any costs are even incurred in providing the underlying services.

PSNH's Selection Charge is incurred by PNE when it enrolls a PSNH customer. Although the \$5.00 charge may sound small, it is a very large percentage of the first month's profit for a small customer. The enrollment process is fully automated and utilizes Electronic Data Interchange (EDI) capability which is possessed by both PNE and PSNH. There is no manual intervention by any PSNH employee.

PSNH's Billing and Payment Service Charge is presumably to recover the cost of rendering its bill for Delivery service, but in place of the PSNH's Default Energy Charge on the lower part of the bill, PSNH's includes the price charged by the competitive supplier and the total amount due. When PSNH receives payment from the customer for the supplier portion of the bill, PSNH electronically remits that amount to the supplier. The billing and payment process is fully automated and there is no manual intervention by any PSNH employee.

PSNH's Collection Services Charge is applicable to collection activities by PSNH on behalf of competitive suppliers. The services provided by PSNH are very similar to, and performed in conjunction with, collection activities employed by PSNH for its own active and inactive delinquent accounts.

IV. RECOMMENDATION AND CONCLUSION

PSNH has a very large and sophisticated customer management and billing system. In view of all of the foregoing, the incremental costs incurred by PSNH in performing the foregoing automated services are very low, and possibly zero. This conclusion is supported by the fact that similar charges are not levied by PSNH's affiliates CL&P, WMECO and NSTAR. They are also not levied by either Unitil or Liberty Utilities.

It has long been acknowledged that rate design is more of an art than a science. Even if the incremental costs incurred by PSNH were not zero, the Commission may require PSNH to recover such costs through base rates and not through explicit charges on the competitive suppliers if it believes such an approach would eliminate a drag on the development of a competitive market for small customers. It would seem that NU management, with approximately 500,000 of CL&P's residential customers being served by competitive suppliers, does not see a need for CL&P to bill competitive suppliers for the services addressed herein, then PSNH should not be doing it either.

In the PUC's consideration of ways to enhance participation in the retail market for smaller customers, elimination of PSNH's charges for Energy Service Providers would most likely be a good place to start.

/s/ August G. Fromuth

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