

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DOCKET NO. DR 99-___

PSNH RESTRUCTURING SETTLEMENT AGREEMENT

DIRECT TESTIMONY OF GARY A. LONG
AND
STEPHEN R. HALL

August 2, 1999

1 **INTRODUCTION AND QUALIFICATIONS**

2 Q. Please state your names, positions, and business address.

3 A. My name is Gary A. Long. I am Vice President - Customer Service and Economic
4 Development for Public Service of New Hampshire (PSNH). My business address is
5 1000 Elm Street, Manchester, New Hampshire.

6 A. My name is Stephen R. Hall. I am Rate and Regulatory Services Manager for Public
7 Service of New Hampshire. My business address is 1000 Elm Street, Manchester,
8 New Hampshire.

9 Q. Please describe your educational backgrounds and qualifications.

10 A. Our educational backgrounds and qualifications are contained in Attachments
11 GAL/SRH-1 and GAL/SRH-2.

12 **PURPOSE OF TESTIMONY**

13 Q. What is the purpose of your joint testimony?

14 A. The purpose of this testimony is to describe the August 2, 1999 Agreement to Settle
15 PSNH Restructuring (hereinafter the "Agreement"). This testimony will also describe
16 the proposed Tariff for Delivery Service which was prepared to implement the
17 Agreement and, specifically, retail competition for energy supply for PSNH's retail
18 customers.

19 Q. Is this the definitive agreement that was contemplated in the June 14, 1999
20 Memorandum of Understanding By and Between the Governor of the State of New
21 Hampshire Acting Through Her Office of Energy and Community Services, The
22 Office of the Attorney General, Staff of the New Hampshire Public Utilities
23 Commission, Public Service Company of New Hampshire and Northeast Utilities?

24 A. Yes. This Agreement is based on the provisions in the June 14, 1999 Memorandum
25 of Understanding (MOU) and supersedes that MOU.

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1 that discounted rates that will be in effect for only three more years, and that are
2 priced close to the standard rates, will be necessary to retain or attract load.

3 **TERMS AND CONDITIONS FOR SUPPLIERS**

4 Q. Are there any other substantive changes to PSNH's Tariff?

5 A. Yes. PSNH has introduced a new section entitled "Terms and Conditions for Energy
6 Service Providers" (Terms and Conditions for Suppliers). This section of the Tariff is
7 designed to address and govern the day to day dealings primarily between the
8 Company and a Supplier and in some situations with the customer.

9 Q. Please describe the Terms and Conditions for Suppliers.

10 A. PSNH's Terms and Conditions for Suppliers are similar to Granite State Electric
11 Company's and the Unitil Companies' Terms and Conditions for Suppliers, in that
12 they provide for the obligations of the Suppliers, services and schedule of charges
13 available to the Suppliers, procedures for the initiation and termination of generation
14 service to a customer, metering, determination of hourly loads for ISO-NE reporting,
15 and liability and indemnification.

16 Q. Please describe the services offered under Section 2 entitled "Services and Schedule
17 of Charges" as well as how the applicable charges, if any, were determined.

 A. Below is a table showing the services and their respective charges:

	Supplier Service	Schedule of Charges
(a)	Customer Change of Supplier	\$ 5.00 per request (not applicable if customer is terminating Transition Service).
(b)	Customer Usage Data	No charge for monthly billing determinants used by the Company for billing purposes.
(c)	Interval Data Services: 1. Interval Data Access 2. Load Pulses Output 3. Extended Metering Service (Telemetry) 4. Special Requests	 \$ 25.00 per current month \$ 50.00 per historic month Agreed-upon price depending upon the equipment required and labor time. Installed cost of equipment and any ongoing charges. Agreed upon price depending upon the equipment required and labor time.
(d)	Customer Load Analysis	\$ 60.00 per hour
(e)	Customer Service	\$ 1.10 per minute
(f)	Billing and Payment Service	\$ 0.50 per bill rendered \$ 100.00 minimum charge per month \$ 95.00 per hour of labor for initial programming \$ 50.00 per hour of labor for rate maintenance and error correction.
(g)	Collection Service	0.252% of total monthly receivable dollars

1 Attachment GAL/SRH-8 contains the reasoning and/or cost support behind the
2 various charges listed above.

3 **OTHER FEES AND CHARGES**

4 Q. As part of this filing, is PSNH proposing any changes to its other fees and charges?

5 A. Yes. PSNH is proposing updating and/or introducing the following fees and charges:

- 6 • Late Payment Charge
- 7 • Service Charges
- 8 • Line Extension Surcharge

9 1. Late Payment Charge

10 Q. Does PSNH currently have a late payment charge?

11 A. Yes, PSNH currently assesses a 1.5% per month late payment charge for customers
12 under Rate GV and Rate LG.

13 Q. What is PSNH proposing with respect to late payment charges?

14 A. PSNH is proposing implementing late payment charges for residential service, general
15 service and outdoor lighting service. The reason for expanding the application of the
16 late payment charge to the other customer classes is to encourage timely payment of
17 bills. With respect to timely receipt of payment, PSNH is at a disadvantage compared
18 to most other companies that render monthly bills. Delinquent customers frequently
19 tell PSNH's credit and collection representatives that PSNH is one of the last bills
20 they pay because there is no late payment charge. Absent a late payment charge, the
21 PSNH bill is placed at a higher risk for non-payment compared to most other utilities'
22 bills.

23 Q. Do you have any information on what other utilities assess for late payment charges?

24 A. Yes, we do. The tables below compare the late payment charges among New
25 Hampshire companies and among New Hampshire electric utilities.

Determination and Cost Support for Charges
under the Terms and Conditions for Suppliers

All the charges under the Terms and Conditions for Suppliers have been rounded to the nearest five dollar increment.

(a) Customer Change of Supplier

The five dollar fee is intended to recover the administrative costs associated with all supplier transactions including customer enrollments, drops and moves. However, the fee will only be assessed to customers upon a successful enrollment with a new Supplier except that the fee will be waived if the customer is switching from Transition Service to supplier rendered-service. PSNH did not prepare a cost analysis of the administrative costs but rather adopted the amount used by Granite State Electric Company for the same transaction (GSE's Tariff provides for a \$5 fee for each "enroll customer" and "supplier drops customer" transaction). Given the uncertainty of the magnitude of administrative costs and the number of transactions which will occur in a "steady state", GSE's five dollar fee appears reasonable for now and PSNH will revisit the fee in the future when actual costs are better known.

(b) Customer Usage Data

There are no charges for this service at this time.

(c) Interval Data Services

These services are only available for customers rendered service under Rate GV and Rate LG because these customers will have metering equipment with 30-minute demand recording capability for ISO-NE reporting purposes.

Interval Data Access Service

The personnel most likely to perform this work is an experienced analyst who has a typical salary rate of \$59,500 per year. This amount, divided by 2,080 hours per year, equates to \$28.61 per hour. The payroll related overheads for benefits, vacation, holidays, etc. is 43% which adds another \$12.30 per hour. Facilities related overheads are 26.8% for office space, furniture, lighting and heating, etc., which adds another \$7.67 for a total of \$48.58 per hour. PSNH estimates about one half-hour's time to provide current-month data in electronic format to the Supplier and one-hour's time to provide historical data. This results in charges of \$25 and \$50 per month, respectively, when rounded to the nearest five dollar increment.

Load Pulse Outputs Service

This will be an agreed-upon price which will depend upon the cost of the equipment needed and the labor required to install the equipment enabling the Supplier to have access to the load pulse output.

Extended Metering Service (Telemetry)

This will be an agreed-upon price which will depend upon the cost of the equipment needed and the labor required to install the equipment to enable the Supplier to have unlimited and "read-only" access to the interval data. The Customer will also be responsible for on-going charges for maintaining a telephone line.

Special Requests

Upon mutual agreement and subject to certain conditions, PSNH will accommodate any special requests for the installation of unique metering equipment or communication device.

(d) Customer Load Analysis

This service will require an experienced analyst who has an hourly billing rate of \$48.58 with overheads (see cost support for "Interval Data Access Service" above). Unlike interval data access this is not a "captive" service. Suppliers have options of providing in-house service for or contracting out for load analysis. As a result, PSNH has included a 20% premium to the \$48.58 rate which provides for \$60 per hour rate, rounded to the nearest five dollar increment.

(e) Supplier Customer Service

Please see page 4 of 5 for the determination of the Supplier Customer Service rate of \$1.10 per minute of call handling time.

(f) Billing and Payment Service

Please see page 5 of 5 for the determination of \$0.50 per bill rendered. As for a minimum charge, PSNH believes a charge of \$100 per month is reasonable to recover some costs, which are difficult to predict at this time, associated with maintaining space on PSNH's systems for suppliers and their rate information. For initial programming, PSNH plans to hire outside contractors to perform the work on PSNH's billing systems. Using the average rate of \$74.70 per hour (that is the rate PSNH has recently incurred for nine separate contractors who have done restructuring-related programming) plus including a facilities and materials overhead of 26.8%, PSNH has determined an hourly rate of \$95 rounded to the nearest five dollar increment. Any rate maintenance and error correction work will be completed by an experienced analyst. As shown in section (c) above, the labor rate plus overheads is about \$50.00 per hour, round to the nearest five dollar increment.

(g) Collection Service

Listed below is the determination of the Collection Charge for total monthly receivable dollars:

1998 Credit & Collection Labor Costs:	\$1,357,815
Plus Payroll Overheads of 43%	583,860
Plus General Overheads of 26.8%	<u>363,894</u>
Total, Labor and Overheads:	\$2,305,569
Rate of Return of 14.5%	<u>334,308</u>
Total	\$2,639,877
PSNH average monthly receivables:	\$87,290,940
Proposed Supplier charge:	
$\$2,639,877 / \$87,290,940 = .03024 / 12 \text{ mon.} =$	0.252%

The 14.5% rate of return takes into consideration other costs to PSNH such as taxes, which may be imposed, or costs associated with PSNH's use of payment agencies, to collect amounts owed.

Determination of Customer Service Charge

Manage Customer Accounts		
Labor	\$ 1,646,000	
Payroll Overhead @ 43%	708,000	
Facilities Overhead @ 26.8%	441,000	
Capital Cost - ACD & VRU	161,000	
O&M Expense (Telephone, etc)	<u>429,000</u>	
		\$ 3,385,000
Maintain & Operate CIS		
Labor	\$ 1,037,000	
Payroll Overhead @ 43%	446,000	
Facilities Overhead @ 26.8%	279,000	
Capital Cost - CIS system	400,000	
Basic Hardware/Software O&M costs	<u>478,000</u>	
	2,640,000	
Proration Factor	<u>0.18</u>	
		475,200
Total Costs		<u>\$ 3,860,200</u>
Calls taken during 1998	909,803	
Average Call Handle Time	231 Seconds	
Minutes of Call Handle Time for 1998		3,502,742
Cost per Minute		\$ 1.1021
Proposed rate for Supplier Customer Service		\$ 1.10

Determination of Billing per Bill Render Rate
under the Billing and Payment Services

Create & Render Bill		
Labor	\$ 472,000	
Payroll Overhead @ 43%	203,000	
Facilities Overhead @ 26.8%	126,000	
Postage, Bill Stock, Envelopes, etc.	<u>1,700,000</u>	
		\$ 2,501,000
Remittance Processing		
Labor	\$ 197,000	
Payroll Overhead @ 43%	85,000	
Facilities Overhead @ 26.8%	53,000	
Payment Agencies	<u>252,000</u>	
		587,000
Maintain & Operate CIS		
Labor	\$ 1,037,000	
Payroll Overhead @ 43%	446,000	
Facilities Overhead @ 26.8%	279,000	
Capital Cost - CIS system	1,300,000	
Basic Hardware/Software O&M costs	<u>478,000</u>	
	3,540,000	
Proration Factor	<u>0.15</u>	
		531,000
Manage Customer Accounts		
Labor	1,646,000	
Payroll Overhead @ 43%	708,000	
Facilities Overhead @ 26.8%	441,000	
Capital Cost - ACD & VRU	161,000	
O&M Expense (Telephone, etc)	<u>429,000</u>	
	3,385,000	
Proration Factor	<u>0.05</u>	
		169,250
		<u>\$ 3,788,250</u>
Approximate # of bills generated per year		5,000,000
Gross amount per bill		\$ 0.758
Less postage costs per bill		<u>\$ (0.261)</u>
		\$ 0.497
Proposed rate per supplier bill		\$ 0.50