STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 23-003

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty

Proposed Purchase of Receivables Program

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for the 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 N.H. Admin Rules, 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, Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty (Liberty) filed its proposed POR Program on January 10, 2023.[2] It is the opinion of the Department of Energy (the Department) that the POR Program proposed by Liberty is consistent with the Puc 2200 Rules and RSA 53-E-9, and the Department recommends the Commission approve Liberty's proposed POR Program with the modifications and clarifications discussed below.

Description of Proposal

As proposed in its filing, Liberty 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

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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 Liberty's testimony and attachments.

charges for energy supply are included on a customer's utility bill, providing a single bill containing distribution and energy charges to customers. A CPA or CEPS that elects to bill its customers separately from the utility, 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 must also participate in the POR Program. 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). Liberty proposed to make monthly payments to the CPA or CEPS on the last business day of each month.

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 Program, the past period reconciliation percentage is not included in the calculation of the DPR. While Liberty 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. The DPR would be recalculated annually through a reconciliation filing, however, Liberty's proposal was silent on the timing of an annual reconciliation filing and the annual effective date of the DPR. The Department proposes that the dates for this annual reconciliation filing by each of the utilities - Unitil Energy Systems, Inc. (Unitil), Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource), and Liberty - be uniform.

For the first year of the POR Program, Liberty has calculated one DPR for both its small customer group and its large customer group. Liberty does not currently track uncollectible expense by customer group. Going forward, Liberty has indicated its intention to collect that data for each customer group to be able to calculate two DPRs in subsequent years, one for use when purchasing the receivables of its small customer group and the other for use with its large customer group. In the illustrative example calculation in the filing, the proposed initial DPR for both the small customer group and the large customer group is 1.542%. The initial actual DPR will need to be updated after Commission approval of the POR proposal.

Analysis and Recommendation

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

As described in Liberty's petition, the UP component of the DPR is based on actual uncollectible expense data for all customers for the most recent 12-month period. The Department supports the use of a 12-month "look-back" 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. The Department appreciates Liberty's initiative to begin collecting uncollectible expense data by customer group to enable the calculation of a DPR specific to each customer group following the first year of the POR Program. The Department notes that the small and large customer groups are consistent with

Liberty's grouping for procurement of default service and supports the use of those groups for determining customer group-specific DPRs in subsequent years.

Payments made by customers on Liberty's budget billing program are calculated each month based on a 12-month rolling average, and customers who miss a budget billing payment are removed from the program. See Liberty's response to DOE 1-008 (d) in Attachment-1. As described, there would be no unpaid amounts for customers enrolled in Liberty's budget billing program included in uncollectible expenses. The Department also notes Liberty appropriately excludes unpaid amounts for customers enrolled in a payment arrangement from uncollectible expenses during the pendency of the customer's active participation in the payment arrangement. See Liberty's response to DOE 2-002 (excluding Liberty's DOE 2-2.xls) in Attachment-2.

The ACP component in Liberty's proposed DPR consists of the cost of software changes to implement the POR Program. Liberty does not anticipate incurring any additional or ongoing administrative costs related to the POR Program; however, Liberty will monitor administration of the POR Program and may request approval from the Commission at a later date to adjust the DPR should Liberty incur incremental costs directly associated with administration of the POR Program. The Department supports Liberty'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 Liberty. 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 $500,000 and supporting documentation provided by Liberty for software changes necessary to implement the POR Program. Following discussions with Liberty, the Department requested an updated and detailed estimate for the costs to accomplish the necessary software changes, which was received by the Department on June 23, 2023. Based on a cursory review of the information provided, it appears that the estimated cost of software changes needed to accommodate a POR Program have increased from $500,000 to $2.37M. It is disappointing that Liberty did not build sufficient flexibility into its new CIS system to allow for implementation of a POR Program at a much more reasonable cost. The Department recommends the Commission direct Liberty to work with its software consultant to identify ways to reduce the cost associated with implementing the POR Program. As originally filed, Liberty proposed a three-year amortization period for those costs. In response to discovery, Liberty has since stated it would be open to other amortization periods. See Liberty's response to DOE 1-018 in Attachment-3. The Department recommends a five-year amortization period for recovery of costs associated with software changes to implement the POR Program through the ACP component of the DPR. As no costs will be incurred by Liberty 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 Liberty's proposed POR Program, a CPA or a CEPS that elects consolidated billing must also participate in the POR Program. In the DOE's opinion, this is a responsible approach by Liberty so as to not create an incentive for suppliers to participate in the POR Program only for those receivables that are at high risk for collection. This protects the integrity of the DPR, which is based on Liberty's overall uncollectible experience - not just its uncollectible experience with payment troubled accounts or accounts with a higher collection risk - and minimizes potential exposure of its other customers to higher uncollectible expenses. This approach is also consistent with that proposed by Unitil. See Docket No. DE 23-002.

As stated above, Liberty proposes to make payments to a CPA or CEPS participating in the POR Program on the last business day of each month. 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 a payment schedule to a CPA or CEPS monthly that closely approximates Liberty's own experience. Consistency among the utilities' POR Programs is desirable to a CPA and a CEPS, and the Department recommends that Liberty modify its monthly payment process to be consistent with the process proposed by Eversource, see Docket No. DE 23-004, whereby the utility will calculate its payment lag each year, using the approved methodology from its most recent approved lead/lag study, and use that figure to determine the monthly payment date to a CPA and CEPS.

The Department has reviewed Liberty'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 concludes that the POR Program proposed by Liberty is consistent with the Puc 2200 Rules and RSA 53-E-9, and the Department recommends the Commission approve Liberty's POR program with the Department's proposed clarifications and modifications.