THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISISON

DE 23-003

LIBERTY UTILITIES (GRANITE STATE ELECTRIC) CORP.
d/b/a LIBERTY

Proposed Purchase of Receivables Program

Community Power Coalition of New Hampshire

Testimony of Clifton C. Below

June 23, 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 Liberty's 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 the testimony filed to date, as well as all of the data responses, 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 Liberty'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.

Q. What is your view on Liberty's proposal that payments to suppliers be made on a monthly basis on the last business day of the month following billing?

A. While once a month payment is acceptable CPCNH disagrees with payment occurring on the last business day of the month following the month customers are billed. If such an approach was applied to all Purchase of Receivables (POR) programs, the utilities would have use of millions of dollars beyond their average lag in receipt of funds from customers and suppliers would have to carry that additional cost of working capital beyond the average lag in customer payments. This could financially advantage utility default service supply compared with supply by CEPS or Community Power alternative default service because this proposed date could extend a number of days beyond the average lag in customer payments, by about 5 days on average if the average lag from billing to customer payment is assumed to be about 40 days. The last business day of the month following invoice represents about 5 additional days that payment to the supplier would lag beyond an assumed 40 day average utility lag. For CPCNH that cost across all 3 utilities could be on the order of $500,000 to $700,000/year.

Q. How do figure this potential cost of such an additional lag between utility receipt of payment and payment of the AR Purchase Price to CPCNH?

A. Across the three investor-owned electric utilities in NH, CPCNH has about 76,000 retail customers with a total annual load currently estimated at about 622,500 MWh. For illustration sake assume either a retail rate of $0.10/kWh or $0.15/kWh. That would result in gross revenue (before the POR discount) of about $62,225,000 to $93,374,000/year. Assuming a 5% prime rate as a proxy for the cost of working capital, which is 0.5% lower than the current prime rate that is used for customer deposits and past due amounts and other purposes pursuant to Puc 1202.13, then the total value of use or delay in receipt of those receivables is approximately $8,527 to $12,791 per day at the retail supply rates indicated. The number of days that payment of the AR Purchase Price would be delayed compared to utility receipt of customer payments assuming their average lag is 40 days would be about 54 days/year, resulting in a total cost of about $470,000 to $700,000/year.

Q. How do you figure the lag in payment to the supplier being about 54 days/year?

A. On average there are 365.23 days/year, so an average of 30.44 days/month. Assuming that customers invoices for the prior month are evenly distributed between the first and last halves of the prior month then the average invoice date is 15.22 days before the end of the average month, so when added to average length of a month of 30.44 days, then the average lag between the customer billing and payment of the AR Purchase Price would be 45.8 days. Subtracting the assumed average customer payment lag from billing of 40 days across the utilities, results in an additional lag between customer payments and supplier payments of more than 5 days/month. That times 12 months/year results in a total of about 60 days of lagging payments to the supplier. However, that is not quite accurate because Liberty is proposing payments to suppliers on the last business day of the month, which, on average will be earlier because about 2/7 of the time the last business day of the month will be 1 or 2 days earlier than the last day of the month due to weekends. Taking 2023 as an illustrative year -- the last business day of the month was 2 days earlier in April and will be 1 day earlier in September and 2 days earlier in December, so a total of 5 days earlier, resulting in about 55 days/year of additional lag between utility receipt of customer payments and utility payment to the supplier for the accounts receivable purchase price.

Q. Does CPCNH have any other concerns with using the last business day of the month for supplier payments?

A. There are two concerns: 1) there is no leeway for errors to be corrected before the close of the month; and 2) there is no leeway for the supplier to use those funds for payments that are due or that supplier desires to make before the end of month and potentially the end of a calendar or fiscal year. There could be an error in the amount of the payment or the account that it is sent to, that an extra business day or two in a month may allow resolution for. Also, sometimes if an amount is transferred out late in a day it may not be recorded in the receiving account until the next business day. If that occurred on the last business day of a fiscal year it could create unnecessary accounting, financial reporting, and audit issues.

Q. What alternative does CPCNH recommend?

A. CPCNH recommends that payments to suppliers for purchased accounts receivable be made on the same average lag time as customer payments to Liberty, adjusted annually, as Eversource has proposed in their POR filing and as their POR tariffs provide for in Massachusetts.

Q. What is your view of Liberty'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. 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 seems more typical of such large IT projects. In a data response Liberty has also indicated that 5-year amortization is acceptable to them.

III. Other Concerns

Q. What is your view on changes to Liberty's tariff and supplier agreement to implement POR?

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. In a round two data response, Liberty did provide a draft supplier agreement customized for CPAs integrating POR. CPCNH appreciates Liberty's good faith effort to conform a supplier agreement for CPAs to the Puc 2200 rules and RSA 53-E. Significant aspects of this draft are beyond the noticed scope of this proceeding and seem to be unrelated to POR but would be generally applicable to 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. Does CPCNH have any other concerns?

A. Yes, in Liberty's testimony at p. 8 of 13 Ms. Menard testified that the "Company is not including any working capital costs in the DPR at this time", which makes sense as their average lag between billing and customer payments appears to be less than when they propose to make their discounted payments to the supplier for those purchases, so there should be no net working capital needed. As we propose, if supplier payments are made on average with the same average lag in payment that they experience, adjusted annually to the most recent calendar year lead-lag study, then there should be no material working capital needs for this program.

However, in response to data request DOE 2-4, where Liberty provided a live Excel file illustrating a second-year calculation of POR, they did provide a large estimate of working capital impact of $132,511 which seems to reflect a $13 million dollar expense for purchase power costs, which doesn't make sense, as they will not be making any power purchases for POR participants, so perhaps this was an inadvertent transfer from a default service-related analysis. The two relevant sheets from that file are attached as Attachment CPCNH-1 in PDF format.

Q. Does that conclude your testimony?

A. Yes, it does.