

STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

Docket No. DE 12-295

POWER NEW ENGLAND

**Petition for Review of the Reasonableness of Certain Charges of Public Service
of New Hampshire for Services to Competitive Suppliers**

DIRECT TESTIMONY

OF

DANIEL W. ALLEGRETTI

On Behalf of

Retail Energy Supply Association

March 26, 2013

1 **Q. Mr. Allegretti, please state your full name, position and business address.**

2 A. My name is Daniel W. Allegretti and my position is Vice President, State Government Affairs –
3 East for Exelon Corporation. My business address is 1 Essex Drive, Bow, New Hampshire
4 03304.

5 **Q. Mr. Allegretti, please summarize your professional and educational background.**

6 A. In my current position, I am responsible for representing Exelon’s retail and wholesale
7 commodity business interests on matters related to regulatory and government affairs throughout
8 the New England, New York and the Mid-Atlantic regions. In that capacity, I regularly
9 advocate, testify and represent the interests of the company before federal and state agencies,
10 executive departments and legislative bodies. I have over 20 years of experience in the energy
11 business and have been working on energy policy issues for Constellation Energy Group, Inc.
12 (which merged with Exelon Corporation in March 2012) since 2002. I have served on the
13 Boards of Directors of the Northeast Power Coordinating Council (2001-2008), Independent
14 Power Producers of New York (2002-2008), Electric Power Generators Association of
15 Pennsylvania (2008) and Northeast Energy & Commerce Association (2009-2012). I hold a
16 Bachelor of Arts degree in Economics and French from Colby College in Waterville Maine and a
17 law degree from Georgetown University Law Center in Washington DC.

18 **Q. On whose behalf are you testifying in this proceeding?**

19 A. I am testifying on behalf of the Retail Energy Supply Association (“RESA”)¹.

20 **Q. Please describe your employer, Exelon Energy.**

¹ RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; Energetix, Inc.; Energy Plus Holdings LLC; Exelon Energy Company; GDF SUEZ Energy Resources NA, Inc.; Green Mountain Energy Company; Hess Corporation; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; PPL EnergyPlus, LLC; Reliant and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

1 A. Exelon is the largest competitive U.S. power generator, with approximately 35,000 megawatts of
2 owned capacity comprising one of the nation's cleanest and lowest-cost power generation fleets.
3 Exelon has operations and business activities in 47 states, the District of Columbia, and Canada.
4 Exelon's Constellation business unit provides energy products and services to approximately
5 100,000 business and public sector customers and approximately one million residential
6 customers. In addition, Exelon's utilities deliver electricity and natural gas to more than 6.6
7 million customers in central Maryland (BGE), northern Illinois (ComEd), and southeastern
8 Pennsylvania (PECO).

9 **Q. Please describe the Retail Energy Supply Association.**

10 A. RESA is a nonprofit organization and trade association that represents the interests of a broad
11 and diverse group of energy suppliers who share the common vision that competitive energy
12 markets deliver a more efficient, customer-oriented outcome than the regulated utility structure.
13 We are devoted to working with all stakeholders to promote vibrant and sustainable competitive
14 retail energy markets for all consumers. RESA members currently serve residential, commercial
15 and industrial ("C&I") and institutional customers in New Hampshire and other jurisdictions in
16 North America that have enacted retail choice.

17 **Q. What is the purpose of your testimony?**

18 A. The purpose of my testimony is to address the three charges that Public Service Company of
19 New Hampshire ("PSNH") has for competitive electricity suppliers that are the subject of this
20 docket. I want to compare these charges to charges competitive electricity suppliers face in the
21 service areas of Exelon regulated affiliates. I also intend to explain why I believe that the
22 Commission should require PSNH to show that the charges are justified by the costs PSNH
23 incurs to switch customers. Finally, I want to urge the Commission to consider these charges
24 carefully in the context of insuring that there are no market barriers for customers and suppliers

1 that will interfere with customers realizing the benefits of the competitive market noted in New
2 Hampshire's electric restructuring law.

3 **Q. What are the three supplier charges that are the subject of this proceeding**

4 A. The charges at issue here, contained in Section 2 of the PNSH Electricity Delivery Service
5 Tariff, are: (1) the selection charge of \$5 assessed when a customer switches to or from PSNH's
6 default service; (2) the charge of \$0.50 per bill on a per bill rendered basis for billing and
7 payment services provided to a competitive supplier which has opted for consolidated billing
8 services; and (3) the collection services charge billed at 0.252% of total monthly receivable
9 dollars pursuant to a written agreement with competitive suppliers.

10
11 **Q. Do you have any knowledge of when these charges were first instituted and the level of**
12 **scrutiny that was given to them at that time?**

13 A. It is my understanding that the Commission reviewed and approved these charges approximately
14 13 years ago, long before the retail market began to develop in New Hampshire. Order No.
15 23,443 – 85 NH PUC 154 (2000). Those charges were part of a much larger restructuring
16 settlement and thus presumably were not the primary focus of that particular proceeding, which
17 involved much larger issues associated with the restructuring settlement. We reviewed the
18 record in that proceeding and found prefiled testimony from Gary Long and Stephen Hall that I
19 believe helps to clarify the extent of the analysis that PSNH put into those costs before proposing
20 the charges and what PSNH's expectations were for how long these charges would remain in
21 place. I have attached the relevant portions of that testimony and an attachment to that testimony
22 as Exhibit A to this prefiled testimony. As the testimony in that docket and more particularly the
23 relevant attachment say, PSNH did not prepare a cost analysis before proposing the charges, but

1 rather adopted the amount that was being used by Granite State Electric Company. PSNH
2 specifically said: "Given the uncertainty of the magnitude of administrative costs and the number
3 of transactions which will occur" the Granite State Electric Company fee "appears reasonable for
4 now and PSNH will revisit the fee in the future when actual costs are better known." RESA
5 submits that the time to revisit these fees has come and the Commission should require PSNH to
6 justify the fees at issue in this docket now that the market for small customers in PSNH's service
7 area has begun to develop. RESA also submits that it will be important for the Commission to
8 consider not just the size of the fees that PSNH charges and any cost justification they provide,
9 but also whether these fees could act as barriers to the development of the market in New
10 Hampshire.

11 **Q. Why have these charges not been an issue up until recently?**

12 A. The charges were not burdensome when the customers who were migrating were relatively few
13 in number and involved much larger accounts. These charges have become an issue recently
14 because migration of small PSNH customers has increased dramatically and the overall number
15 of customers migrating and the total load that has migrated are significantly larger than ever
16 before.

17 **Q. Are you familiar with similar charges in other jurisdictions ?**

18 A. I am familiar with charges that Exelon regulated affiliates charge. None of them charge the \$5
19 add/drop fee that PSNH charges. All of Exelon's affiliates have purchase of receivables
20 ("POR") programs in place and the level of discount associated with the purchase of receivables
21 varies.² As I indicated in my joint testimony in Docket DE 12-097, the discount rate for the
22 purchase of receivables is often, though not always, based on the electric distribution company's

² The Commission is currently considering a Purchase of Receivables program via docket DE 12-097.

1 (“EDC’s”) actual uncollectable costs for the class (typically under 1%) and any associated initial
2 program implementation costs. *Testimony of Daniel W. Allegretti, Marc A. Hanks and*
3 *Christopher H. Kallaher* in Docket DE 12-097 (July 13, 2012). With respect to the
4 consolidated billings charge, two of Exelon’s regulated affiliates charge \$.50 for consolidated
5 billing, though one of those charges also includes the costs of implementing the POR programs.

6 **Q. Do you have an opinion on whether the PSNH charges are appropriate and reasonable ?**

7 A. Yes. I believe that the fees PSNH is charging need to be carefully scrutinized to determine
8 whether there is any cost justification for them. On its face the \$5 charge seems excessive. I am
9 also concerned that the number and level of these fees create market barriers.

10 **Q. Do you have a recommendation for the Commission on what it should do about these**
11 **charges ?**

12 A. Yes. I recommend that the Commission shift the burden on to PSNH to justify these charges, to
13 require them to “revisit the fee” now that the “actual costs are better known” as they said they
14 would in 1999. Once PSNH has provided further information regarding its costs, the Commission
15 should give Staff, the OCA and the parties to this docket the ability to conduct discovery so that
16 any justification PSNH provides for these charges can be closely scrutinized.

17 **Q. Does this complete your direct testimony?**

18 A. Yes. However, RESA reserves the right to supplement this testimony as may be necessary as
19 this proceeding progresses.

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 halfhour'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)	429,000	
	<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	478,000	
	<u>2,640,000</u>	
Proration Factor	0.18	
		<u>475,200</u>
Total Costs		\$ 3,860,200
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