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Via Electronic Mail

August 20, 2021

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02110
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Re: D.P.U. 21-POR-02: Petition of NSTAR Electric Company d/b/a Eversource Energy pursuant to § 8B.2.b of the Company's Terms and Conditions-Competitive Suppliers and Competitive REA Suppliers for review and approval by the Department of Public Utilities of the Company's Standard Complete Billing Percentages for effect May 1, 2021, under the Company's Purchase of Receivables Program.

Dear Mr. Marini:

Attached please find the Comments of Retail Energy Supply Association in connection with the above-referenced proceeding.

In accordance with the Department of Public Utilities' instructions, the attached filing is only being submitted electronically at this time.

Please do not hesitate to contact me if you have any questions or require additional information.

Sincerely,

Brian E. Calabrese

Brian E. Calabrese

Attachment

Copy to: Henry Kahn, Hearing Officer
Andrew W. Strumfels, Hearing Officer

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF PUBLIC UTILITIES

PETITION OF NSTAR ELECTRIC COMPANY D/B/A EVERSOURCE ENERGY PURSUANT TO § 8B.2.B OF THE COMPANY'S TERMS AND CONDITIONS-COMPETITIVE SUPPLIERS AND COMPETITIVE REA SUPPLIERS FOR REVIEW AND APPROVAL BY THE DEPARTMENT OF PUBLIC UTILITIES OF THE COMPANY'S STANDARD COMPLETE BILLING PERCENTAGES FOR EFFECT MAY 1, 2021, UNDER THE COMPANY'S PURCHASE OF RECEIVABLES PROGRAM	:	D.P.U. 21-POR-02

COMMENTS OF RETAIL ENERGY SUPPLY ASSOCIATION

The Retail Energy Supply Association ("RESA")[1] hereby files its comments in response to the Hearing Officer's August 9, 2021 Memorandum[2] in the above-captioned proceeding.

BACKGROUND

On March 10, 2020, Governor Baker issued a state of emergency related to the novel coronavirus ("COVID-19") for the entire Commonwealth ("State of Emergency").[3]

[1] The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

[2] Memorandum re D.P.U. 21-POR-02: Request for Comments (Aug. 9, 2021) ("Memorandum").

[3] Declaration of a State of Emergency to Respond to COVID-19, https://www.mass.gov/news/declaration-of-a-state-of-emergency-to-respond-to-covid-19 (Mar. 10, 2020) (last visited Aug. 18, 2021). The State of Emergency was terminated effective June 15, 2021. *See* Order Announcing the Termination of the March 10, 2020 State of Emergency and Rescinding COVID-19 Executive Orders Issued Pursuant to the Massachusetts Civil Defense Act, COVID-19 Order No. 69 (May 28, 2021), *available at* https://www.mass.gov/doc/covid-19-order-69/download (last visited Aug. 18, 2021).

On March 24, 2020, the Department of Public Utilities (the "Department") issued an Order prohibiting investor-owned gas, electric, and water distribution companies from shutting off utility service, or threatening to shut off utility service, to any customers for nonpayment of bills until the State of Emergency was lifted or further communication was provided by the Department (the "Shut-Off Moratorium").[4]

On March 15, 2021, the NSTAR Electric Company d/b/a Eversource Energy (the "Distribution Company") filed a calculation of purchase of receivables ("POR") discount rates ("Standard Complete Billing Percentages" or "SCBPs") by customer class.[5] In its filing, because of the effect that the Shut-Off Moratorium had on the SCBP calculations, the Distribution Company proposed to maintain the SCBPs that went in effect on May 1, 2020 (rather than change its SCBPs effective May 1, 2021).

On April 30, 2021, the Department issued an order (the "Order") in the instant proceeding.[6] In the Order, the Department observed that the COVID-19 pandemic has caused, among other things, significant economic disruption affecting the financial position of (among others) electric distribution companies ("EDCs"), with shifts in demand and usage, increased operational burdens, collections shortfalls, and voluntary and mandatory moratoriums on disconnections.[7] Recognizing that the financial position of the EDCs would not be representative of a normal test year and that the COVID-19

[4] *See* Chairman's First Set of Orders under G.L. c.25, § 4B (Mar. 24, 2020). The Shut-Off Moratorium ended on June 30, 2021. *See* Ratification of the Chairman's Eighth Set of Orders under G.L. c.25, § 4B (Apr. 6, 2021).

[5] Petition of NSTAR Electric Company d/b/a Eversource Energy pursuant to § 8B.2.b of the Company's Terms and Conditions-Competitive Suppliers and Competitive REA Suppliers for review and approval by the Department of Public Utilities of the Company's Standard Complete Billing Percentages for effect May 1, 2021, under the Company's Purchase of Receivables Program (Mar. 15, 2021) ("Initial Filing").

[6] *See* Order.

[7] *See id.* at 4-5.

pandemic and the Shut-Off Moratorium created unique circumstances, the Department concluded that it was appropriate to keep the Distribution Company's then-effective SCBPs in place (subject to investigation and reconciliation).[8]

On August 9, 2021, the Distribution Company submitted a letter explaining how it proposed to approach its March 2022 POR filings in light of the ongoing effects of the COVID-19 pandemic and measures taken to respond to it.[9] The basic elements of the Distribution Company's proposal are to: (a) forgo a POR filing and reconciliation of POR costs in March 2022;[10] and (b) to investigate and reconcile the actual 2021 and 2022 SCBPs and payment periods as part of its March 2023 POR filing (the "Proposal").[11]

Through the Memorandum, the Hearing Officer invited RESA to respond to the Proposal.[12] RESA now files its comments in response to the Proposal.

COMMENTS

RESA appreciates the opportunity to comment on this important matter and commends the Department and the Distribution Company on their proactive consideration of POR discount rates. RESA supports efforts to address the effects of the COVID-19 pandemic (and measures taken to respond to it) in setting the SCBPs. As discussed further below, however, RESA urges the Department to require that the Distribution Company make its standard POR filing in March 2022 and, after having an

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[8] *See* Order, at 5.

[9] Distribution Company Correspondence (Aug. 9, 2021) ("Distribution Company Correspondence").

[10] *See id.* at 2.

[11] *See* Memorandum, at 1 (summarizing the Distribution Company Correspondence).

[12] *See id.* at 1; *see also* Granted Motion for Extension of Time (Aug. 11, 2021) (extending the deadline for filing comments).

opportunity to review that filing, make a determination as to whether any change in SCBPs is warranted at that time.

As the Distribution Company noted in its Initial Filing, the Shut-Off Moratorium led to reduced uncollectibles expense as compared to prior years because the Distribution Company had not been shutting-off service to customers, who otherwise would have been disconnected, or incurring associated bad debt (i.e., uncollectibles) expense.[13] Under the established approach to setting POR discount rates, this reduced uncollectibles expense would have produced lower SCBPs for the residential customer class than otherwise would have been expected.[14] At the same time, the Distribution Company anticipated "a significant increase in write-offs and uncollectibles expense once shut-off activity resumed, which [would] result in much lower payments to competitive suppliers over the next few years."[15] To mitigate potential volatility in SCBPs, the Distribution Company sought, and the Department approved, an alternative approach to setting POR discount rates—continuing to use the SCBPs approved in Docket D.P.U. 20-POR-02, subject to future reconciliation.[16]

Because service terminations only resumed last month, in March 2022, the Distribution Company still "will not have the benefit of a full 12 months of data of uncollectibles after the resumption of service terminations."[17] Based on this, the

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[13] *See* Initial Filing, at 1-2.

[14] *See id.* at 2; *see also* Distribution Company Correspondence, at 1 ("[T]he moratorium on shut-off activities implemented due to COVID-19 in 2020 resulted in an artificially low SCBP driven by the Company's inability to terminate service and subsequently write-off bad debt associated with those customers."); Order, at 3.

[15] Distribution Company Correspondence, at 1; *see also* Initial Filing, at 2.

[16] *See* Distribution Company Correspondence, at 1; Order, at 5.

[17] Distribution Company Correspondence, at 2.

Distribution Company is proposing to keep the discount rates approved in 2020 in place until 2023.[18]

RESA appreciates this position and generally supports efforts to mitigate volatility in POR discount rates. In fact, as RESA previously noted, like they do for direct costs, competitive suppliers design their prices to cover reductions in payments resulting from POR discounts.[19] As a consequence, when POR discount rates fluctuate, prices that suppliers charge their customers respond accordingly. Thus, when there is volatility in the SCBPs charged to suppliers, there is volatility in the prices suppliers charge their customers. While some volatility in the SCBPs is typical, large changes in POR discount rates due to unusual circumstances should be mitigated to the extent possible to protect consumers from unnecessary price volatility, as the Department did when it elected to retain the 2020 SCBPs.[20] However, because the data to evaluate the impact on the Distribution Company's SCBPs of the Shut-Off Moratorium and other measures taken to address the effects of the COVID-19 pandemic has not been provided, RESA is unable to assess, at this time, whether leaving the current SCBPs in place into 2023 is the right approach.

RESA understands that, in March 2022, when the next POR filing is due,[21] the Distribution Company may still not know the full extent of the impact the Shut-Off

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[18] *See* Distribution Company Correspondence, at 2.

[19] *See* D.P.U. 21-POR-01, *Petition of Massachusetts Electric Company and Nantucket Electric Company each d/b/a National Grid pursuant to the Company's Tariffs M.D.P.U. Nos. 1420 and 1421, § 8B, for review and approval by the Department of Public Utilities of the Company's Standard Complete Billing Percentages for effect May 1, 2021, under the Company's Purchase of Receivables Program*, Retail Energy Supply Association's Comments (Apr. 23, 2021), at 6.

[20] *See* Order.

[21] *See* Distribution Company Correspondence, at 2 (observing that the Distribution Company's next POR filing is due on March 15, 2022).

Moratorium and other measures taken to address the effects of the COVID-19 pandemic have had on its uncollectible expense. Nevertheless, that information could still provide valuable insights. For instance, the data will indicate uncollectible expense trends, such as whether, with the end of the Shut-Off Moratorium, uncollectibles expense is increasing (as anticipated) or not. This information would allow the Department, the EDCs, competitive suppliers, customers, and other stakeholders to understand better the effects of COVID-19 and the Shut-Off Moratorium on SCBPs. Further, updated uncollectibles data would allow suppliers to consider that information in making business decisions, such as setting prices for long-term contracts, and in explaining pricing components to prospective customers.

Ultimately, leaving current SCBPs in place may be the best approach for mitigating SCBP volatility and for avoiding the difficulties of calculating SCBPs based on the available data. However, the Department should base its decision on actual data. Precisely because the Distribution Company's uncollectibles data are difficult to predict in light of the ongoing response to the COVID-19 pandemic (including any ratemaking proposals that may be implemented in D.P.U. 20-91) and the effects of the end of the Shut-Off Moratorium, the Department should conduct an investigation into the data underlying POR discount rates in 2022 in accordance with its normal schedule. Such an investigation should be conducted with openness to addressing unique circumstances affecting the POR program with suitable responses, which may include retaining current SCBPs.

CONCLUSION

For all the foregoing reasons, RESA requests that the Department forgo making any decisions about 2022 SCBPs at this time and require the Distribution Company to submit the necessary data to allow the Department and stakeholders to fully evaluate whether any modification to the usual process is necessary and, if so, the best solution for addressing any anomalies resulting from the measures taken to address the effects of the COVID-19 pandemic on ratepayers, including the Shut-Off Moratorium.

Respectfully submitted,
RETAIL ENERGY SUPPLY ASSOCIATION

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Dated: August 20, 2021

Certificate of Service

I certify that I have this day served the foregoing document in the above-captioned proceeding in accordance with the requirements of 220 C.M.R. § 1.05.

Brian E. Calabrese

Brian E. Calabrese

Dated: August 20, 2021