

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Granite State Electric Company
d/b/a Liberty Utilities

**Investigation Into Purchase of Receivables, Customer Referral
and Electronic Interface Programs**

Docket DE 12-097

Prefiled Testimony of Francisco C. DaFonte

March 15, 2013

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

2 A. My name is Francisco C. DaFonte. My business address is 11 Northeastern Boulevard,
3 Salem, New Hampshire 03079. My title is Director, Energy Procurement of Liberty Energy
4 Utilities (New Hampshire) Corp., which provides services to Granite State Electric
5 Company d/b/a Liberty Utilities (“Liberty” or the “Company”).

6
7 **Q. Mr. DaFonte, please summarize your educational background, and your business and
8 professional experience.**

9 A. I attended the University of Massachusetts at Amherst where I majored in Mathematics
10 with a concentration in Computer Science. In the summer of 1985 I was hired by
11 Commonwealth Gas Company (now NSTAR Gas Company), where I was employed
12 primarily as a supervisor in gas dispatch and gas supply planning for nine years. In 1994, I
13 joined Bay State Gas Company (now Columbia Gas of Massachusetts) where I held various
14 positions including Director of Gas Control and Director of Energy Supply Services. At the
15 end of October 2012, I was hired as the Director of Energy Procurement by Liberty Energy
16 Utilities (New Hampshire) Corp, and in this capacity, I provide electric and gas
17 procurement services.

18

1 **Q. Mr. DaFonte, are you a member of any professional organizations?**

2 A. Yes. I am a member of the Northeast Energy & Commerce Association, the American Gas
3 Association, the National Energy Services Association and the New England Canada
4 Business Council.

5
6 **Q. Mr. DaFonte, have you previously testified in regulatory proceedings?**

7 A. Yes, I have testified before the Commission in DG 12-265 and in a number of proceedings
8 before the Massachusetts Department of Public Utilities, the New Hampshire Public
9 Utilities Commission, the Maine Public Utilities Commission, the Indiana Utility
10 Regulatory Commission and the Federal Energy Regulatory Commission.

11
12 **Q. Mr. DaFonte, what is the purpose of your testimony in this proceeding?**

13 A. The purpose of my testimony is to describe the impact of each of RESA's proposals on
14 Liberty. Specifically, my testimony will address RESA's request that the Commission: (1)
15 institute a program whereby electric utilities in the State would be required to purchase the
16 receivables of competitive electric suppliers; (2) require electric utilities to create secure
17 websites where customer account information could be automatically accessed by
18 competitive suppliers, and; (3) require electric utilities to promote competitive supply
19 options to customers and to not automatically place customers who do not request a
20 competitive supplier on default service.

1 **Q. How would RESA's proposal for purchase of receivables work?**

2 A. As I understand RESA's proposal, Liberty would be required to purchase the accounts
3 receivable of each competitive supplier that provides energy to Liberty's customers less a
4 discount rate which would equal the average bad debt percentage for the customer class in
5 question and the cost of some administrative fee for running the purchase of receivables
6 program. In practical terms, this means that Liberty would bill customers for the energy
7 supplied by competitive suppliers and then pay competitive suppliers for the amount of
8 energy billed less a discount rate and administrative fee. In the event that a customer did
9 not pay Liberty for the energy portion of its bill, Liberty would still be required to pay
10 competitive suppliers for the energy and then would be forced to send the account to
11 collections so that Liberty could get paid. In the event that Liberty was never paid by the
12 customer for the energy, Liberty would be left to disconnect the customer and seek legal
13 recourse for payment.

14

15 **Q. Do you have any concerns about this proposal?**

16 A. Yes. Liberty is concerned about the cost impact that RESA's proposal will have on the
17 Company and its customers. Fundamentally, there should be no cost shifting to the electric
18 utilities and their customers in the event that the Commission adopts RESA's proposal.
19 While RESA's testimony suggests that a purchase of receivables program ("POR
20 Program") can be implemented without any financial harm to the utility, I question whether

1 that in fact would be the case based on RESA's recommended plan for implementation.
2 Specifically, RESA argues that its POR Program will be revenue neutral to electric utilities
3 because the amounts paid to competitive suppliers for their receivables would be discounted
4 at the utility's average bad debt rate for the customer class in question. This will not make
5 Liberty financially whole. We have no information regarding whether suppliers require any
6 test of creditworthiness prior to enrolling a customer or information about the actual bad
7 debt experience of each supplier.¹ Without this information, we do not know whether
8 Liberty's average bad debt rate is representative of the bad debt rate of any particular
9 supplier. As a result, the utility cannot be assured that it will be made financially whole
10 under RESA's proposal. The only way to ensure that Liberty and other electric utilities are
11 made whole is to create an annual reconciling mechanism that is based on the actual bad
12 debt experienced by the utility from the purchase of suppliers' receivables, which could
13 mean that all customers are paying more for utility service due to bad debt associated with
14 those who choose competitive suppliers but do not pay the commodity portion of their bills.
15 Without an annual reconciling mechanism, the utility would be forced to wait until its next
16 distribution rate case to readjust the utility's level of bad debt expense, which will unfairly
17 shift the risk of loss to the utility. That would be contrary to RESA's stated objective to

¹ The Company requested information in discovery about RESA's members' credit check process, which RESA did not produce. In response to Liberty's motion to compel RESA's response, the Commission ruled that while such information is not relevant to a determination of whether a POR program should be adopted, parties might need to understand the credit check process if the Commission were to adopt such a program. Order 25,439 at 21.

1 ensure that the utilities do not suffer any financial harm from implementing a POR
2 Program.

3

4 **Q. Do you have any other concerns about the proposed POR Program?**

5 A. Yes. There will be administrative expenses associated with Liberty's efforts to collect on
6 suppliers' receivables. These would include all of the credit and collection costs to follow
7 up with customers who have not paid for the commodity portion of their bill. However, it is
8 not possible to estimate such administrative costs until there is a detailed POR Program in
9 place. Liberty reserves the right to supplement the record in this case with such costs in the
10 event that the Commission was to order electric utilities to implement a POR Program. As
11 with the cost of the bad debt, Liberty must be made whole for all of these administrative
12 costs should such a program be implemented. Ultimately, all of the costs of the POR
13 Program, whether they are in the form of increased bad debt or administrative costs to
14 collect the receivables, will be paid by the Company's customers. This poses a fundamental
15 policy decision for the Commission – whether imposing those costs on electric utility
16 customers is worth any benefit that may accrue to customers from having a POR Program.

17

1 **Q. Are there any other types of costs that Liberty Utilities would incur if a POR Program**
2 **were implemented in New Hampshire?**

3 A. Yes. Liberty is in the process of building out its customer service information technology
4 infrastructure. Its customer service software, Cogsdale, has not been designed with the
5 capability to implement a POR Program. Thus, if a POR Program is adopted in New
6 Hampshire, Liberty will incur potentially significant additional costs to modify Cogsdale so
7 that POR can occur. Liberty would need assurance from the Commission that it could
8 recover all of the costs to implement a POR Program, including the costs to modify
9 Cogsdale. Further, Liberty is very focused on Cogsdale implementation, and would be
10 opposed to any delay in implementing Cogsdale to accommodate a POR Program. Any
11 delay in implementing Cogsdale because of a mandated POR Program would result in more
12 Transition Services Agreement costs from National Grid pursuant to the Liberty-National
13 Grid Amended and Restated Transition Services Agreement, for which Liberty would also
14 need to be assured of cost recovery. At this time, the Company is not able to estimate the
15 exact amount of all of those costs, because they are highly dependent on the particular
16 design of the POR Program. Liberty requests that the Commission provide it with the
17 opportunity to include such cost information in the record in this case in the event that a
18 POR Program is mandated.

19

1 Given the magnitude of the changes that would be required, Liberty is concerned that this
2 would be a large expense to be borne by customers. The Commission should consider
3 whether such a significant expense has a correspondingly large public benefit prior to
4 imposing it on customers.

5
6 **Q. If a POR Program were mandated, would Liberty require time to comply?**

7 A. Yes. Because implementing a POR Program would require changes to software and
8 customer service functions, there would need to be a compliance period established before
9 any POR Program could take effect. At this time, Liberty is unable to estimate the amount
10 of time that would be necessary to comply given that it would be a direct function of the
11 design of the POR Program.

12
13 **Q. RESA is also recommending the adoption of an Electronic Data Interface (“EDI”) in
14 conjunction with the adoption of a POR Program. Do you have any concerns
15 regarding the EDI?**

16 A. Yes. RESA is requesting that the Commission order electric utilities to develop a web-
17 based EDI through which competitive suppliers could access utility customer account
18 information. Specifically, RESA seeks direct access to the customer’s account number,
19 meter number, service address, next scheduled meter read date, the rate code, ICAP tag,
20 historic usage data, payment history, service status “and other relevant information.” RESA

1 Testimony at 15. Liberty does not currently have the ability to conduct any web-based
2 enrollment of customers by competitive suppliers, and is in the process of building
3 Cogsdale to comply with the current EDI process used by all retail choice suppliers in New
4 Hampshire and in other New England state. Any changes to the current EDI process would
5 result in system code changes not originally in the project scope and other implementation
6 costs, for which Liberty should be assured full cost recovery. Given that competitive
7 suppliers would have access to confidential customer information, Liberty would also want
8 assurance that competitive suppliers were subject to appropriate confidentiality standards,
9 including meaningful penalties for any breach of those standards given that customer
10 privacy is at stake.

11
12 **Q. Do you have any concerns about RESA's proposal for Customer Referral Programs?**

13 A. Yes. In its testimony, RESA requests that the Commission require Liberty and other
14 electric utilities to affirmatively provide customers who call with information about
15 competitive suppliers. Liberty's website provides customers with information on choosing a
16 competitive supplier and a link to the Commission's website for current retail choice
17 suppliers. In addition, RESA argues that electric utilities should be required to assign
18 customers to a competitive supplier instead of placing those customers who do not request a
19 supplier on default service. RESA also requests that the Commission require Liberty and
20 other electric utilities to include bill inserts several times a year to promote competitive

1 supply options. In essence, RESA would have Liberty become a marketer for competitive
2 suppliers. Liberty does not think that this role is appropriate because the utility should be
3 neutral regarding whether a customer is taking default service or purchasing energy from a
4 competitive supplier. The Company's customer service representatives should not be
5 required to actively promote competitive suppliers' services when interacting with
6 customers.

7
8 Further, Liberty is subject to certain call answering metrics which measure how fast each
9 customer call is answered. *See* DG 11-040 Settlement Agreement, Section V(D)(3)(d). The
10 Settlement Agreement provides for various remedies if such metrics are not met, including
11 the ability of the Staff and Office of Consumer Advocate to request a Commission
12 investigation and financial penalties under certain circumstances. If Liberty's customer
13 service representatives are required to promote competitive supplier services to any
14 customer who calls, the mere fact of providing this information will result in a longer time
15 to handle each customer call, which will impact how fast customer service is able to answer
16 the next call in the queue. This would necessitate a change in the currently effective call
17 answering metrics given that customer service representatives would be mandated to
18 provide certain information to customers. Further, this may also result in a higher volume
19 of calls. Liberty is concerned that all of this will result in increased costs for customers, as
20 additional customer service staff may be required. We ask that the Commission, when

1 considering RESA's request, balance the costs of such a proposal against the benefits of it.
2 In the event that the Commission was to adopt RESA's proposal, the Commission should
3 ensure that revised call answering metrics are adopted and that any incremental costs
4 associated with implementing the program are recoverable.

5

6 **Q. Does this conclude your testimony?**

7 **A. Yes, it does.**