

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

TODD M. BOHAN

New Hampshire Public Utilities Commission

Docket No. DE 12-097

March 15, 2013

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Todd M. Bohan. My business address is 6 Liberty Lane West, Hampton,
4 NH.

5 **Q. What is your relationship with Unitil Energy Systems, Inc.?**

6 A. I am employed by Unitil Service Corp. (“USC”) as an Energy Analyst. USC provides
7 management and administrative services to Unitil Energy Systems, Inc. (“UES”),
8 Unitil Power Corp. (“UPC”), and Fitchburg Gas and Electric Light Company
9 (“FGE”), collectively “Unitil.”

10 **Q. Please briefly describe your educational and business experience.**

11 A. I graduated *magna cum laude* from Saint Anselm College, Manchester, New
12 Hampshire in 1987 with a Bachelor of Arts degree in Financial Economics. I earned a
13 Masters in Economics from Clark University, Worcester, Massachusetts in May 1990.
14 In September 1995, I earned a Ph.D. in Economics from Clark University. Before
15 joining Unitil, I worked for Bay State Gas Company as a Rate Analyst. Prior to
16 working for Bay State, I was employed as a Utility Analyst and an Economist in the
17 Economics Department of the New Hampshire Public Utilities Commission. I joined
18 Unitil Service Corp. in November 1998, and have been involved in various regulatory
19 proceedings. In August of 2010, I joined the Energy Contracts group and have

1 primary responsibilities in the areas of electric market operation and data reporting,
2 default service administration and budgeting. In addition, I have administrative
3 responsibilities associated with competitive electric supplier operations with Unitil.

4 **Q. Have you previously testified before the New Hampshire Public Utilities**
5 **Commission ("Commission")?**

6 A. Yes. I have testified before the Commission on various regulatory matters, most
7 recently in UES's Default Service Solicitation proceeding, Docket No. DE 12-003,
8 and UES's Stranded Cost Recovery and External Delivery Charge Reconciliation and
9 Rate Filing, Docket No. DE 12-171.

10

11 **II. PURPOSE OF TESTIMONY**

12 **Q. Please describe the purpose of your testimony.**

13 A. The purpose of my testimony is to provide UES's perspective on the issues raised in
14 the Commission's *Order of Notice* issued on May 3, 2012 and its *Prehearing*
15 *Conference Order*, Order No. 25,389, issued on July 3, 2012, in Docket No. DE 12-
16 097, *Investigation Into Purchase of Receivables, Customer Referral, and Electronic*
17 *Interface for Electric and Gas Distribution Utilities.*

18

1 **Q. Could you provide a brief summary of those issues?**

2 A. Certainly. In its *Order of Notice*, the Commission stated that it was opening this
3 docket to investigate the merits of instituting purchase of receivables, customer
4 referral and electronic interface programs. Specifically, the Commission seeks
5 comment on:

6 1) the benefits and customer impacts of such programs, including the impact on those
7 customers who remain on supply offered by the utility; and

8 2) the operation of such programs in other states, the level of payments by competitive
9 suppliers to distribution companies for any additional costs incurred by the distribution
10 companies in connection with offering the programs, the essential elements of each
11 program, and recommendations regarding program initiation and implementation.

12 In its *Prehearing Conference Order*, the Commission, in its discussion of the scope of
13 the proceeding, stated:

14 3) that this proceeding include an examination of the costs and benefits of purchase of
15 receivables, customer referral, and electronic interfacing, including the collection of
16 the associated costs, as well as consideration on a generic basis on which costs
17 associated with the provision of competitive supplier services generally should be
18 recovered.

1 **III. DISCUSSION OF ISSUES**

2 **Q. What is Unitil’s position regarding retail choice?**

3 A. The Company has been supportive of retail choice since its inception and has been
 4 supportive of efforts aimed at expanding retail choice to customers. UES and its
 5 Massachusetts-based affiliate Fitchburg Gas and Electric Light Company, both have
 6 active retail choice programs, as evidenced by the following summary of competitive
 7 electric suppliers participating in their respective territories.

Unitil Competitive Electric Retail Supplier Participation				
March 2013				
Company	Active	Ready	Pending	Total
Unitil Energy Systems, Inc.	11	1	4	16
Fitchburg Gas and Electric Light Co.	16	5	2	23
Active – refers to competitive suppliers currently serving retail customers.				
Ready – refers to competitive suppliers that are ready to enroll customers, yet, to date, have not.				
Pending – refers to competitive suppliers that are currently in the queue.				

8

9 **Q. Does Unitil have any direct experience with Purchase of Receivables (“POR”)**
 10 **and Electronic Interface?**

11 A. Neither UES nor FGE have a purchase of receivables program in place. FGE is
 12 currently participating in a proceeding in Massachusetts, Docket D.P.U. 10-53,
 13 Purchase of Receivables, in which similar issues are being addressed. The

1 Massachusetts Department of Public Utilities has approved model Terms and
2 Conditions for the Purchase of Receivables; however, this is an ongoing proceeding
3 that has not reached the implementation stage.

4 Both UES and FGE use an electronic interface to exchange information and do so to
5 conduct most communication with competitive electric suppliers. Electronic Data
6 Interchange (“EDI”) transactions are a group of electronic transactions which allow
7 the distribution utilities and competitive suppliers to communicate in a standard format
8 and exchange information. Unitil employs a vendor to assist with the exchange of
9 EDI transactions and UES conducts these transactions in accordance with New
10 Hampshire Electronic Business Transactions (“EBT”) standards.

11 **Q. Please explain the Company’s position regarding a POR program.**

12 A. With the purchase of receivables, the bad debt for the supply portion of bills to
13 competitively supplied customers would essentially be treated the same as the bad
14 debt for receivables for the utility. This removes the credit risk and the efforts
15 required to manage that credit risk as a requirement of competitive suppliers for those
16 customers for which purchase of receivables is applied. The protection from customer
17 defaults provided by POR is expected to reduce a barrier in serving customers,
18 especially mass market customers, and therefore result in an increased level of retail
19 choice activity.

1 The risk that is removed from the competitive suppliers, however, is transferred to the
2 utility and its customers. Furthermore, additional administrative burdens and costs are
3 incurred to administer the program. Accordingly, Unitil does not generally view such
4 programs favorably. The Company also has significant technical limitations on its
5 ability to implement POR, which will be discussed below. However, since FGE is
6 required by statute in Massachusetts to implement a POR program, it is possible that
7 on an internal Company basis, both Unitil companies, FGE and UES, may obtain
8 certain efficiencies by adopting a POR program in New Hampshire as well. If certain
9 program parameters are met, including that the costs of developing and administering
10 such a program remain entirely on the competitive suppliers which participate in POR,
11 and allowances are made to take into account the technical limitations of each
12 individual utility's data management system as to when or whether such a program
13 could be offered, Unitil would not oppose implementation of POR.

14 **Q. What are the parameters that should be structured into a POR program?**

15 A. First, it should be implemented for all customers. That is, a retail marketer should not
16 be able to pick and choose which customers POR applies to and which customers it
17 does not. Purchase of receivables should provide for a level playing field between
18 competitive suppliers and the utility, but not provide a more favorable playing field for
19 retail marketers. This would be the case if they could discriminate among which

1 customers POR would apply. Second, the programs must be implemented on a utility-
2 specific basis due to the unique circumstances and customer information and billing
3 systems of each utility. Adopting a universal approach could create significant
4 problems for utilities attempting to implement a POR mechanism that is universal by
5 design.

6 **Q. Could you please explain Unutil's view regarding costs associated with POR?**

7 A. It is the Company's position that Unutil's customers and the Company should be held
8 harmless with respect to any direct or indirect costs associated with these efforts.
9 Specifically, customers that remain on utility-supplied default service should not be
10 subsidizing, in any manner, efforts aimed at expanding retail choice, including
11 purchase of receivables, customer referral efforts and electronic interface activity.

12 **Q. Are there system changes that would be necessitated by the implementation of**
13 **purchase of receivables?**

14 A. Yes. There are a number of system changes that would be required in order to
15 accommodate purchase of receivables for UES. There would need to be architectural
16 changes made by an external vendor to our customer information and billing systems.
17 In addition to these specific costs, several additional supplier jurisdictional classes and
18 receivable codes would need to be established, and subsequently tested, to ensure that
19 the financial integrity of each transaction remains intact.

1 **Q. Do you have concerns with customer referral activity on behalf of competitive**
2 **suppliers by customer service representatives?**

3 A. Yes. There are three items of concern here: (1) There is the potential for increased
4 customer service call times as customer service representatives could be spending
5 more time explaining to customers what supplier options are available to them. This
6 could result in the need for additional representatives to handle increased call times.
7 (2) Customer service representative explanation of what competitive suppliers and
8 competitive supply options are available to customers is not an appropriate activity.
9 Distribution utility customer service representatives should not be marketing various
10 competitive supplier options. (3) Unutil would not want to be claimed to have favored
11 one competitive supplier over another in the conduct of this activity.

12 **Q. Do you have any additional concerns that have been raised in this proceeding?**

13 A. Yes. In the testimony filed on behalf of North American Power and Gas, LLC, the
14 witness has proposed that a sync report be provided on a monthly basis and should
15 include detailed customer account information. Because preparing sync reports and
16 developing EDI transactions or ad hoc reporting requirements to meet these specific
17 criteria require resources, this adds to the costs associated with competitive supply
18 activity. If this is implemented, the costs should be borne by those participating in the

1 competitive marketplace, not by the utility and its customers that remain on default
2 service.

3 **Q. Do you feel that these reporting requirements are necessary?**

4 A. No. If the Commission moves forward with the implementation of a POR program,
5 this will in effect render these reporting requirements unnecessary. Under a purchase
6 of receivables program, a supplier would sell their receivables to the distribution
7 utility. Once that is done, the supplier would no longer have a stake in the receivables
8 and would not require details and information about the collection as this would make
9 the distribution utility the collection agent removing the supplier from the process.

10

11 **IV. IMPLEMENTATION CONCERNS**

12 **Q. Would the Company be able to implement POR if approved by the Commission?**

13 A. The Company has concerns over the ability of its existing Customer Information
14 System (“CIS”) to handle the implementation of purchase of receivables.

15 **Q. Please explain.**

16 A. Unitil’s current CIS was implemented in 1996 to prepare for the introduction of retail
17 choice including the separation and unbundling of distribution costs from commodity
18 charges. While the Company’s CIS met the core requirements, it was based on a

1 municipality billing system. As a result, the existing CIS had to withstand significant
2 customization to meet the increasing customer and regulatory complexities required
3 over the last decade or so. Each layer of programming has increased the complexity
4 and risk to the CIS. In addition, many activities are done manually due to the system's
5 limitations.

6 Unitil has been in the process of contracting for a new CIS and expects to commence
7 implementation shortly. However, this project is expected to take approximately 24
8 months to complete once implementation starts. The Company is concerned about
9 attempting to implement new processes required by efforts to implement a POR
10 program in parallel with its efforts to replace its CIS. As those individuals that are
11 tasked with the new CIS implementation are the same experts that would be needed to
12 develop technical aspects to support purchase of receivables, the Company is
13 concerned that this would delay implementation of a new CIS. There is additional
14 concern that resources not be used to develop systems to support POR that will be
15 replaced once the new CIS is live.

16
17 **V. CONCLUSION**

18 **Q. Do you have any recommendations regarding this matter before the**
19 **Commission?**

1 A. Yes.

2 **Q. Could you please summarize those recommendations?**

3 A. Certainly. I would recommend the following to the Commission:

4 (1) Since implementing and operating a purchase of receivables program will create
5 costs, I would recommend that the Commission weigh those costs in comparison to
6 the benefits to customers before making its final determination;

7 (2) That if the Commission ultimately decides to approve a purchase of receivables
8 program for the electric distribution utilities that the Commission do so on a case-by-
9 case basis. As the business conditions and circumstances of each distribution utility
10 may differ, a one-size-fits-all approach may not be the most practical approach to
11 implement such a program;

12 (3) That if a purchase of receivables program is implemented, it be applied to all
13 customers under consolidated billing; and

14 (4) That full cost recovery be allowed.

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

16 A. Yes, it does.

17