

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

Investigation into Payment Hierarchy between
Competitive Energy Suppliers and Electric and
Natural Gas Distribution Utilities

Docket No. IR 13-244

JOINT SUPPLIERS' PROPOSAL

Pursuant to the procedural schedule established in this docket, the Supplier Parties (Electricity N.H., LLC d/b/a E.N.H. Power, North American Power and Gas, LLC, PNE Energy Supply, LLC, and Retail Energy Supply Association) (collectively, "Suppliers") respectfully offer the following joint proposal to address issues raised in the above captioned docket.

I. PAYMENT HIERARCHY

A. Background

- 1) The current payment hierarchy in the Public Service Company of New Hampshire ("PSNH") and New Hampshire Electric Cooperative ("NHEC") territories relative to distribution and supplier charges is as follows: Distribution arrears, Distribution current, Suppliers arrears, Suppliers current. (Note: there may be additional charges that have higher or lower spots in a utility's hierarchy – such as a provision that customer deposits are repaid first – but the relative order of distribution and supplier charges are as set forth above.)
- 2) The current payment hierarchy in Granite State Electric d/b/a Liberty Utilities ("Liberty") territory relative to distribution and supplier charges is as follows: Distribution arrears, Suppliers arrears, Distribution current, Suppliers current.
- 3) The current tariffed payment hierarchy in Unitil Electric Service ("Unitil") territory relative to distribution and suppliers charges is the same as paragraph 1) supra, but in practice Unitil is paying the oldest outstanding accounts receivable first and then paying the next oldest accounts receivable after the oldest is entirely paid; and if multiple tariff components have the same receivable aging, the payment will be applied proportionally, allocating

Distribution and Suppliers arrears and current payments on a pro rata basis.

- 4) Important note: payment hierarchies are often more complex than described above, since additional cost items (such as customer deposits, line extension costs and the like) may be part of an expanded hierarchy. The following Proposal only references changes to the four specified items below, and does not propose to replace or modify additional cost elements in any Distribution company's current hierarchy.

B. Comments

Suppliers share the concerns of Commission Staff and the Office of Consumer Advocate ("OCA") that led to the recommendation to open the instant investigation relative to payment hierarchy issues. The combination of 1) Distribution arrears and Distribution current being prioritized over all Suppliers charges and 2) the current state law prohibition on customers being disconnected for non-Distribution charges means that Suppliers often experience nonpayment or underpayment for many months any time a customer fails to pay, makes only a partial payment or reaches a payment plan with the utility.

As an extreme potential example under current practices in at least the PSNH and NHEC areas, assume a customer elects to pay only its Distribution charges for a six month period. The Distribution charges would be paid in full and the Supplier would get nothing for the entire six month period. Furthermore, under state law the Supplier would have no right to request that PSNH disconnect the customer for nonpayment in order to induce the customer to pay outstanding Supplier arrears.

The Suppliers do not see similar payment hierarchy problems in most other jurisdictions. In most states, Suppliers receive timely payments through a purchase of receivables ("POR") program. In non-POR areas, utilities and/or regulators maintain more equitable payment arrangements. For example, in the non-POR Ohio utility areas, the hierarchy is Supplier arrears, Distribution arrears, Distribution current, Supplier current. Other utilities, including the PSNH affiliate, Western Massachusetts Electric Company, follow the same pro rata approach that has been implemented by Unitil.

C. Proposal

The Suppliers would prefer to resolve the current payment hierarchy problem expeditiously by settlement, without the delays and costs of a full proceeding. In consideration of settlement, they would accept and support (to the extent necessary) formalizing the payment allocation policies in place in Liberty and Unitil territories. With respect to PSNH and NHEC, the Suppliers would be flexible as to the approach chosen by the utility so long as it either adopts the pro rata allocation (implemented by Unitil and by WMECo in Massachusetts) or modifies the payment hierarchy such that at least one of the Supplier charge categories (arrears and current) is ahead of at least one of

the Distribution charge categories (arrears and current). Thus, the Ohio and Liberty approaches would both be acceptable solutions for settlement purposes.

All of these potential approaches would have advantages over current arrangements in PSNH, NHEC or the Unitil tariffs if enforced. Most notably, the improved hierarchy or assurance of pro rata payment would result in payment of all or virtually all of Supplier receivables within a month or at most two of incurrence. Supplier incentives to make payment status calls to customers would be significantly reduced and may be eliminated in many cases. Distribution companies and Suppliers also would more equitably bear the risks associated with customer nonpayment or partial payments on their consolidated electricity bills.

II. COMMUNICATIONS ISSUES

A. Background

Staff and OCA, among others, have expressed concerns regarding communications issues caused by, or related to, payment hierarchy issues. The issues could include, but are not limited to, (1) a lack of EDI or email notice from Distribution companies to Suppliers when customers have made only partial payments or are on or have entered into payment plans; and (2) potentially confusing Supplier calls to customers to ask about the status of apparently untimely generation payments when the customer already has fully paid pursuant to a payment plan agreed upon with the Distribution company.

B. Comments

The Suppliers believe that implementation of a revised payment hierarchy will resolve most, if not all, of the customer communications problems identified by Staff and OCA. Suppliers do not have a similar volume of customer communications issues in states with POR or more favorable hierarchy arrangements. Suppliers would, however, support targeted improvements to communications to them from the Distribution companies, especially until payment hierarchy issues can be addressed.

C. Proposal

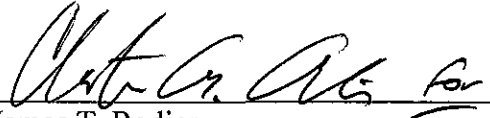
As a useful step that should reduce any remaining customer communications issues irrespective of payment hierarchy issues, Suppliers propose that the Distribution companies furnish a weekly or bi-weekly list to suppliers of their customers who have entered into utility-approved budget billing arrangements or payment plans. This will provide timely information about changes in the payment patterns of existing customers that may help reduce the volume of Supplier calls to customers seeking payment status. The Suppliers would request a technical session to work out the form of such a list with the Distribution companies, the OCA and Staff.

III. CONCLUSION

The Suppliers appreciate the consideration of the Distribution companies, the OCA, Staff and the Commissioners of the above proposals. We look forward to working with all of you to implement changes expeditiously.

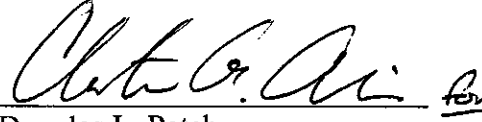
PNE ENERGY SUPPLY, LLC

By Its Attorney,

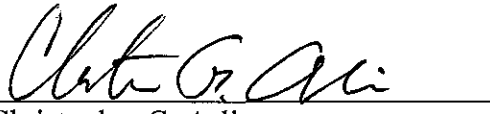

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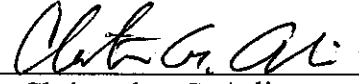
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Dated: October 11, 2013

Certificate of Service

I hereby certify that a copy of the foregoing Joint Suppliers' Proposal has on this 11th day of October, 2013 been sent by email to the service list in Docket IR 13-244.

By: 
Christopher G. Aslin