

Unitil and Northern Response to the Revised Staff Recommendation
NHPUC Docket No. IR 20-089
December 4, 2020

Unitil Energy Service, Inc. (“UES”) and Northern Utilities, Inc. (“Northern”) submit the following response to the updated Commission Staff recommendation submitted on November 13, 2020 in Docket No. IR 20-089.

On August 18, 2020, Staff filed a recommendation that it is appropriate and reasonable that the utilities be allowed regulatory treatment associated with incremental bad debt expense (above the level used to set current rates) and lost revenue from waived fees. This recommendation did not make the utilities whole for the loss of overall sales that have been realized as a result of the pandemic, but addressed the impacts associated with Governor Sununu’s emergency order prohibiting utility disconnections and utility late fees. The Staff’s Recommendation (at 5) stated that:

The pandemic is an unprecedented and extraordinary event. However, because the pandemic is on-going with no certainty as to when it may end, it is not possible to reasonably assess the long-term financial impact the pandemic will have on the Utilities and their customers. Consequently, while the pandemic may be an extraordinary event, there is insufficient evidence at this time to determine what, if any, extraordinary treatment is warranted beyond that related to the severe impact the pandemic is expected to have on utility bad debt expense and lost revenue from waived fees.

Given the Governor’s and Commission’s orders prohibiting utility disconnections, it is appropriate and reasonable to authorize the Utilities to use regulatory accounting for impacts associated with the prohibition on utility disconnections, waiver or exclusion of certain utility fees (i.e., late fees, convenience fees, deposits, and reconnection fees), and the use of expanded payment arrangements to aid customers, and resulting impacts on uncollectible, or bad debt, expenses. The waived fees and incremental bad debt (amounts in excess of the amounts used to set current rates) should be accounted for beginning March 31, 2020 (the date of the Commission Order).

This recommendation would allow New Hampshire utilities to continue to mitigate the effect on customers facing challenging financial circumstances while maintaining the financial health of the utility and its ability to continue to provide safe and reliable service. The desire to assist financially stressed customers was reflected in the settlement related to the disconnection moratorium that was filed with the Commission on September 10, 2020. The utilities agreed to continue to waive late fees and extend the disconnection moratorium and to not charge late fees to customers that enter into payment arrangements.

On November 13, 2020, Staff submitted a revised recommendation that the Commission authorize electric, natural gas, water, and wastewater utilities to create a regulatory asset for incremental bad debt, with conditions, but no longer supported authorizing a regulatory asset for waived late fees. Staff’s

analysis on late payment charges showed that, on average, late payment charges represented 0.38 percent of utility annual revenue in 2018 and 2019, which Staff deemed to be immaterial.

UES and Northern submit that the analysis on which to determine whether to authorize a regulatory asset for late fees should not utilize 2018 and 2019 as the baseline data points, nor should the analysis combine and average the utilities' experience. Rather, it should be based upon the amount of late fee revenue that was included in the revenue requirement for establishing current distribution rates of each company. As discussed below, when utilizing the amount included in the revenue requirement for establishing current distribution rates, the true impact on UES and Northern is shown to be greater than the average, and is material for both companies. Accordingly, both companies should be granted the authority to defer waived fees as a regulatory asset, with rate recovery to be determined at a later date.

In Discovery Response Staff 1-2 UES (provided as Attachment A), the Company provided the following information:

- **(UES)** *The Company's current rates were established in Docket No. DE 16-384. In Docket No. DE 16-384, temporary rates were approved for effect July 1, 2016 and permanent rates were approved for effect May 1, 2017. The level of late payment charge revenue included in the revenue requirement approved via settlement in that docket was **\$481,633**. This amount was equal to the actual late payment charge revenues for 2015.*

The late payment charge revenues as a percent of total based revenues that was included in the settled revenue requirement in DE 16-384 was equal to 0.91%. The rate case percentage should be considered when viewing the materiality of waived Late Payment Charge Revenues because it was the amount that was used to establish current rates. Recovery of waived late fees would be consistent with the Staff's recommendation on the incremental bad debt expense. The table below summarizes late payment charge revenues by month from the 2015 Test Year used in establishing rates in Docket No. DE 16-384 and the actual charged, actual waived, and forecasted waived late payment charge fees through March 2021. The actual waived and forecasted waived late payment charge revenues are estimated to be \$659,021 (April 2020 to March 2021) when the waived late fee moratorium is currently set to be lifted. These amounts do not account for the impact on late payment charge revenues in the month of March 2020 when the Governor's and Commission's orders were issued prohibiting the charging of customer late payment fees. The April 2020 to March 2021 actual and estimated waived late payment charge revenues is equal to roughly 1.24% of the Test Year Total Base Revenue. Additionally, for calendar year 2020, UES will only collect approximately \$94,000 of the approximately \$574,000 of late payment charge revenues. The uncollected portion, as well as the late payment charge revenues above test year amounts, is a material amount of revenue for UES.

| Late Payment Charge Revenues Unitil Energy Systems, Inc. | | | | |
|---|-------------------------|------------------|----------------------|---------------------|
| | Docket No. DE 16-384 | | Moratorium Period | |
| Late Payment Charge Revenues: | 2015 (TY) | 2020 | 2020/2021 | |
| January | \$ 32,521 | \$ 34,969 | | Charged - Actual |
| February | 37,525 | 42,810 | | Charged - Actual |
| March* | 67,162 | 16,898 | | Charged - Actual |
| April | 36,974 | | \$ 38,408 | Waived - Actual |
| May | 53,102 | | 50,008 | Waived - Actual |
| June | 51,970 | | 50,302 | Waived - Actual |
| July | 30,390 | | 49,107 | Waived - Actual |
| August | 39,352 | | 60,052 | Waived - Actual |
| September | 36,271 | | 52,415 | Waived - Actual |
| October | 31,310 | | 58,729 | Waived - Actual |
| November | 33,997 | | 60,000 | Waived - Forecasted |
| December | 31,059 | | 60,000 | Waived - Forecasted |
| January | | | 60,000 | Waived - Forecasted |
| February | | | 60,000 | Waived - Forecasted |
| March | | | 60,000 | Waived - Forecasted |
| Total Late Payment Charge Revenues | \$ 481,633 | \$ 94,676 | \$ 659,021 | |
| Test Year Base Revenue | \$ 51,823,377 | | | |
| Test Year Other Base Revenue | 1,237,136 | | | |
| Test Year Total Base Revenue | \$ 53,060,514 | | | |
| LPC Revenues as a % of Total Base Revenue | 0.91% | | 1.24% | |
| *Moratorium issued mid-month | | | | |

In Discovery Response Staff 1-2 NuNH (provided as Attachment B), the Company provided the following information:

- **(NuNH)** *The Company's current rates were established in Docket No. DG 17-070. In Docket No. DG 17-070, temporary rates were approved for effect August 1, 2017 and permanent rates were approved for effect May 1, 2018. The level of late payment charge revenue included in the revenue requirement approved via settlement in that docket was \$104,863. This amount was equal to the actual late payment charge revenues for 2016.*

The late payment charge revenues as a percent of total based revenues that was included in the settled revenue requirement in DG 17-070 was equal to 0.32%. The rate case percentage should be considered when viewing the materiality of waived Late Payment Charge Revenues because it was the amount that was used to establish current rates. Recovery of waived late fees would be consistent with the Staff's recommendation on the incremental bad debt expense. The table below summarizes late payment charge revenues by month from the 2016 Test Year used in establishing rates in Docket No. DG 17-070 and the actual charged, actual waived, and forecasted waived late payment charge fees through March 2021. The actual waived and forecasted waived late payment charge revenues are estimated to be \$175,357 (April 2020 to March 2021) when the waived late fee moratorium is currently set to be lifted. These amounts do not account for the impact on late payment charge revenues in the month of March 2020 when the Governor's and Commission's orders were issued prohibiting the charging of customer late payment fees. The April 2020 to March 2021 actual and estimated waived late payment charge revenues is equal to roughly 0.53% of the Test Year Total Base Revenue. Additionally, for calendar year 2020, Northern will only collect approximately \$37,000 of the approximately \$175,000 of late payment

charge revenues. The uncollected portion, as well as the late payment charge revenues above test year amounts, is not an immaterial amount of revenue for Northern.

| Late Payment Charge Revenues | | | | |
|--|-------------------|------------------|-------------------|---------------------|
| Northern Utilities, Inc. | | | | |
| | | | | |
| | Docket No. | | 12 Month | |
| | DG 17-070 | | Moratorium | |
| | 2016 (TY) | 2020 | Period | |
| Late Payment Charge Revenues: | | | 2020/2021 | |
| January | \$ 7,985 | \$ 14,196 | | Charged - Actual |
| February | 9,423 | 15,930 | | Charged - Actual |
| March* | 16,764 | 6,677 | | Charged - Actual |
| April | 13,105 | | \$ 16,052 | Waived - Actual |
| May | 14,749 | | 21,297 | Waived - Actual |
| June | 11,837 | | 20,319 | Waived - Actual |
| July | 7,393 | | 15,693 | Waived - Actual |
| August | 7,909 | | 14,976 | Waived - Actual |
| September | 3,037 | | 12,047 | Waived - Actual |
| October | 4,033 | | 12,473 | Waived - Actual |
| November | 4,036 | | 12,500 | Waived - Forecasted |
| December | 4,592 | | 12,500 | Waived - Forecasted |
| January | | | 12,500 | Waived - Forecasted |
| February | | | 12,500 | Waived - Forecasted |
| March | | | 12,500 | Waived - Forecasted |
| Total Late Payment Charge Revenues | \$ 104,863 | \$ 36,803 | \$ 175,357 | |
| Test Year Base Revenue | \$ 31,835,001 | | | |
| Test Year Other Base Revenue | 979,079 | | | |
| Test Year Total Base Revenue | \$ 32,814,080 | | | |
| LPC Revenues as a % of Total Base Revenue | 0.32% | | 0.53% | |
| *Moratorium issued mid-month | | | | |

Conclusion

As shown in the analysis above, the loss of late fee revenue is a material item for both UES and Northern. Accordingly, UES and Northern request that the Commission issue an order that grants each the authority to defer waived fees in addition to the incremental bad debt as a regulatory asset, with rate recovery to be determined at a later date.