STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

Docket No. DG 23-003

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty
Proposed Purchase of Receivables Program

DIRECT TESTIMONY

OF

ROBERT GARCIA

AND

MELYSSA M. FLAHERTY

September 24, 2024

Liberty™

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I. INTRODUCTION AND PURPOSE

Q. What are your full names, business addresses, and positions?

A. (RG) My name is Robert Garcia. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Manager, Rates and Regulatory Affairs.

(MF) My name is Melyssa M. Flaherty. My business address is 15 Buttrick Road, Londonderry, New Hampshire. My title is Supervisor II, Retail Choice

Q. By whom are you employed?

A. We are employed by Liberty Utilities Service Corp. ("LUSC"), which provides services to Liberty Utilities (Granite State Electric and Energy North Natural Gas) Corp d/b/a Liberty ("Liberty" or the "Company").

Q. On whose behalf are you testifying?

A. We are testifying on behalf of the Company.

Q. Mr. Garcia, would you describe your educational and professional background and training?

A. I have an Artium Baccalaureus (Bachelor of Arts) degree in Political Science and French from Wabash College (Crawfordsville, Indiana) and a Master of Public Administration degree from the School of Public and Environmental Affairs at Indiana University (Bloomington, Indiana) with concentrations in Policy (Quantitative) Analysis and International Affairs. I also obtained a Certificat De Langue Et Civilisation Française from the Université de Paris – Sorbonne (Paris, France) and, as part of my graduate studies, studied French and European government at the École Nationale D'Administration (Paris, France).

I was employed by ComEd from April 2001 to March 2023. I began my employment with ComEd in the Regulatory Department as a Regulatory Specialist and moved on to the positions of Senior Regulatory Specialist in 2004, Manager of Regulatory Strategies and Solutions in 2008, and Director of Regulatory Strategy and Services in 2013 before assuming my last position as Director of Regulatory Innovation & Initiatives in 2021.

Prior to joining ComEd, I worked for nearly nine years at the Illinois Commerce Commission, beginning in 1992 as an intern in what was then the Office of Policy and Planning and ending in 2001 as the senior policy advisor to a Commissioner. I initially joined the Commission Staff through the James H. Dunn Memorial Fellowship program, a one-year program sponsored by the Office of the Governor. Through this Fellowship, I also held short-term positions in the Bureau of the Budget and the Governor's Legislative Office.

Q. Mr. Garcia, have you previously testified in regulatory proceedings before the New Hampshire Public Utilities Commission (the "Commission")?

A. Yes, I have.

Q. Ms. Flaherty, would you describe your educational background, and your business and professional experience?

A. I have a Bachelor of Science degree in International Business from Franklin Pierce University in Rindge, New Hampshire. I also have obtained a Paralegal Certificate from

Arizona Paralegal in Phoenix, Arizona and Project Management and Business Analysis Certificates from New Horizons in Waltham, Massachusetts.

I have been employed with Liberty since October 2013. I began my employment with Liberty in the Retail Choice Department as a Transportation Analyst and moved on to the position of Senior Transportation Analyst in 2015 before assuming my current position as Supervisor II, Retail Choice. Prior to joining Liberty, I worked for Waveguide, Inc. for nearly three years beginning in October 2010 as a Project Administrator, as a Licensing Coordinator, and in my last position in 2012, as the Bids and Proposal Manager.

Q. Ms. Flaherty, have you previously testified in regulatory proceedings before the Commission?

A. No, I have not.

Q. What is the purpose of your testimony?

A. Pursuant to the Settlement Agreement entered on September 13, 2023, and approved by the Commission in Order No. 27,047 (August 16, 2024) ("Settlement Agreement"), our testimony submits for Commission approval in phase two of the instant proceeding: (1) edits to Liberty's Tariff implementing its Purchase of Receivables ("POR") Program; (2) its Energy Service Supplier Agreement ("ESSA") for competitive electric power suppliers ("CEPS") and Community Power Aggregators ("CPAs") (collectively "Suppliers") acting as load-serving entities, including the interim use of the rules, processes, standards, and procedures of the Massachusetts Electronic Business Transactions ("EBT") Working Group and associated Electronic Data Interchange

("EDI") standards for the implementation of the POR Program; and (3) a proposed and alternative timeline for POR Program implementation. Liberty requests Commission approval (an order) before December 1, 2024, in order to effectuate its proposed POR implementation timeline, as discussed later in this testimony.

Liberty also offers some observations regarding the March 1 deadline for the annual reconciliation filings set in Order No. 27,047 (at page 10) and a solution for how to resolve the tension it creates with the expectations set for such filings in the Settlement Agreement.

Q. Are there any schedules and attachments included in your testimony?

A. Yes. The table below lists the schedules and attachment included in our testimony.

Schedule	**Description**
Attachment 1	Energy Service Supplier Agreement
Attachment 2	Illustrative Clean and Redlined Tariff Pages

Q. How is your testimony organized?

A. Our testimony is organized as follows:

- Section II provides and overview of Liberty's proposed ESSA implementing POR requirements.
- Section III addresses the tariff changes proposed, namely the computation of the Discount Percentage Rate ("DPR"), the payment date and the annual

reconciliation process. This section also raises an easily corrected issue with the March 1 deadline set by the Commission for annual reconciliation filings and Liberty's proposed May 1, 2025, POR implementation date, which impact the cost data to be used and reconciliation period.

- Section IV presents two potential POR implementation timelines, a preferred and an alternative proposal, both of which end with implementation on May 1, 2025. The difference between the two timelines is that one employs means that assures May 1, 2025, implementation, while the other takes a more passive approach and leaves May 1, 2025, implementation date less certain.

II. <u>SUPPLIER AGREEMENT</u>

Q. Does Liberty submit a new supplier agreement incorporating POR for Commission approval?

A. Yes. Attachment 1 contains the proposed Energy Service Supplier Agreement ("ESSA"), (which was formerly known as the CEPS Agreement in Liberty's tariff and referred to as the Electric Supplier Services Master Agreement in the Settlement Agreement). The ESSA implements POR as a condition of Consolidated Billing Service. That is, an entity seeking Consolidated Billing Service must agree to sell Liberty its receivables at the applicable DPR, as set forth in the proposed tariff revisions. The ESSA is applicable to both CEPs and CPAs acting as load-serving entities in ISO New England.

Q. Does the proposed ESSA address the EBT and EDI standards to be followed?

A. Yes. The New Hampshire EDI (electronic data interchange) guidelines and standards have not been updated in more than twenty years. While the New Hampshire Electronic

Business Transactions ("EBT") Working Group recently reconvened after many years to address the EDI guidelines and standards, the change control process has already proven to be extensive due to its technical nature. Furthermore, two of the NH utilities and many of the current NH suppliers are using the standards and guidelines of the Massachusetts EBT Working Group, which regularly updates their guidelines and standards, has a change control process, and hosts bi-monthly meetings. Utilizing Massachusetts' EDI guidelines and standards will provide the framework to move forward with implementing POR and mitigate delays in the proposed implementation schedule for the utilities and the suppliers Therefore, Liberty proposes the interim use of the rules, processes, standards, and procedures of the Massachusetts EBT Working Group for the implementation, unless and until directed otherwise by the Commission with respect to potential adoption and implementation of relevant EDI standards developed specifically for New Hampshire.

Q. Do the Commission's Puc 2200 rules require utilities to offer additional services to CPAs, above what is required to be provided to CEPs?

A. Yes. While we are not attorneys, it is our understanding that there are additional services that are required to be provided to CPAs under the Puc 2200 rules. Docket No. DE 23-063, which is currently pending before the Commission, addresses one example concerning an optional "bill ready" form of consolidated billing. However, it is currently Liberty's intention to make whatever additional services required to be provided to CPAs or their CEPS available to all CEPs, when permissible, in order to maintain a level competitive playing field and to potentially improve utilization of such services.

Therefore, Liberty will address any new service offerings through future revisions of the ESSA, whether through addendum or revised agreements.

III. TARIFF REVISIONS

Q. Has the Company prepared tariff revisions implementing the POR Program?

A. Yes. Attachment 2, which also borrows from Section I of the Settlement Agreement and incorporates the new August 1 effective date for changes to the DPR and payment date (*i.e.*, the effective date of the annual reconciliations) per Order No. 27,047, includes both clean and redline versions of the proposed tariff changes.

Q. Do the proposed tariff revisions include Liberty's proposed discount rate for application when the POR Program launches?

A. No. As shown in Attachment 2, Liberty proposes to calculate and file on or before February 3, 2025, an initial DPR to be applied to receivables purchased when the POR program launches (presumably by May 1, 2025). As the Settlement Agreement requires the use of calendar year data, Liberty proposes to file in February 2025 in order to include more current 2024 calendar year data in setting the initial DPR and payment date that will be applicable during most of calendar year 2026.

Q. Is the DPR expressed in dollars or cents per kilowatt hour?

A. No. As the name implies, the DPR is expressed as a percentage, which reflects the discount at which the Company purchases a Supplier's receivables for Energy Service. That is, Liberty will deduct a percentage of a Supplier's receivables for Energy Service at the applicable DPR and pay the Supplier the difference. For example, at an applicable

DPR of 5%, the Company retains $5 of every $100 of Supplier receivable purchased and pays the Supplier $95.

Q. How is the discounted amount of Supplier receivables used by the Company?

A. In general, the discounted amount of Supplier receivables retained by the Company provides cost recovery for the POR Program. The DPR is the sum of three percentage calculations, or components. Some of the discounted amounts are retained to recover implementation and ongoing administrative costs, which is reflected in the Administrative Cost Percentage ("ACP") calculation. Other portions of the amounts retained reflect the fact that an Energy Service receivable is not worth its full face value, as Liberty will not recover the full amounts from customers on average (*i.e.*, uncollectible), which is reflected in the Uncollectible Percentage ("UP") component of the DPR. Lastly, as the DPR is the product of a fully-reconciling cost recovery mechanism, a portion of the discounted amount will also reflect a true-up of the costs and write offs resulting from POR with discounted amounts previously taken, which is reflected in the Past Period Reconciliation Percentage ("PPRP"). As a reconciling factor, the PPRP may increase or decrease the DPR. Thus, the costs of the POR Program will be fully born by Suppliers and will not impact customers remaining on Liberty's default supply service.

Q. Can you provide an overview of how these components of the DPR will operate during the coming years?

A. As provided in the approved Settlement Agreement, Liberty calculates the DPR in three parts or components. The initial DPR will be set using just two of the three components.

Liberty's calendar year 2024 write offs divided by its total billings will set the initial UP component of the DPR. This serves as a proxy for Suppliers' actual uncollectible rate, which will be used in subsequent UP calculations. Next, Liberty will calculate the second component, the ACP, by dividing its forecasted administrative costs by the dollar amounts Liberty billed for Energy Service on behalf of the Suppliers in 2024, as previously noted. Liberty will amortize the costs to implement POR over a five-year period. The sum of the UP and ACP will equal the single DPR that Liberty will apply to Supplier receivables initially purchased after POR implementation.

In its first reconciliation filing on March 1, 2026, Liberty will calculate two separate DPRs for accounts receivable from the Large Customer Group (Rates G-1, G-2, EV-L, and EV-M) and Small Customer Group (Rates D, D-10, D-11, D-12, G-3, M, LED-1, LED-2, T, and V) utilizing all three components. With respect to the PPRP, Liberty will reconcile the actual administrative costs, which will be allocated between the two customer groups based on the Suppliers' Energy Service billings for each group, and the actual write-offs for the receivables purchased from each group with the discounted amounts charged for the purchase of receivables at the single DPR from each group, respectively. This sum will then be divided by the amounts Liberty billed for Energy Service to each the customer group on behalf of the Suppliers during the most recent calendar year to derive separate PPRPs for each customer group. Furthermore, Liberty will calculate a single ACP applicable to both customer groups, as described previously. Lastly, Liberty will calculate separate UPs based on the actual write offs associated with Supplier receivables purchased from each supply group, respectively. The sum of the applicable PPRP, ACP, and the applicable UP will set the DPR for each supply group beginning August 1, 2026.

Q. Are there any observations that you have to offer concerning the filing dates set in Order No. 27,047 and the use of twelve months of "actual" cost data in the approved Settlement Agreement?

A. Yes. The reconciliation component of the DPR formula, the PPRP, as set forth in Section H of the Settlement Agreement, calls for the use of "12 months" of actual data, which presumably precludes the use of forecasts incorporated in other Company reconciliation mechanisms to complete a typical twelve-month reconciliation period. However, with a March 1 deadline for the annual reconciliation filings and Liberty's proposed May 1, 2025, POR implementation date, there will not be twelve months of actual data available to use in the first reconciliation filing that would be due on March 1, 2026. However, as the use of actual data is preferred, Liberty believes the simple solution would be to change the annual filing deadline and annual effective date of the DPR to whatever date the Commission sets for POR implementation plus fourteen months, in order to reset the filing deadline, and add an additional five months to reset the effective date of the DPRs. If the May 1, 2025, POR implementation date is approved, and the Commission concurs with the need to adjust the filing deadline, Liberty would reflect July 1 as the annual filing deadline and December 1 as the effective date for approved DPRs in its compliance tariff filing.[1]

Q. Do the proposed tariff revisions reflect the date when Liberty will pay Suppliers for their discounted receivables?

A. No. Under Section D of the approved Settlement Agreement, the payment date for receivables purchased through Consolidated Billing Service in a given billing month will be set based on a formula, which is the midpoint of the month plus the average number of days between billing and receipt of payment from all customers during the most recent calendar year. Pursuant to Section G, the Company will update the payment date utilizing this formula and include it in its March 1 reconciliation filings.

Q. Do the proposed tariff revisions include Liberty's proposed payment date for application when the POR Program launches?

A. No. As shown in Attachment 2, Liberty proposes to calculate and file on or before February 3, 2025, an initial payment date for receivables purchased when the POR program launches (presumably, by May 1, 2025). As the Settlement Agreement requires the use of calendar year data, Liberty proposes to file this in February 2025 in order to use more current 2024 calendar year data in setting the initial DPR that will be applicable well into 2026.

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[1] If not approved, the first reconciliation filing will either (1) require the use of less than twelve months of actual cost data (a partial year reconciliation) or (2) require the use of forecasts to reconcile a full twelve-month period.

Note that the proposed tariff does not contain a placeholder for where the payment date (or DPRs) will be located, as it would be odd to set forth a date (or rate) with no value or a blank. These will be added in its February 3, 2025, filing.

Q. Does this payment date apply to all receivables purchased?

A. No. Pursuant to Section F of the Settlement Agreement, Liberty will pay Suppliers for any existing receivables billed through Consolidated Billing Service before POR implementation within thirty days of POR implementation, as specified in the Settlement Agreement.

IV. <u>POR PROGRAM IMPLEMENTATION</u>

Q. Did the Settlement Agreement address when POR would begin?

A. Yes. In light of the August 16, 2024, approval of the Settlement Agreement, Section E of the Settlement Agreement would set the implementation date at the later of February 1, 2025 (*i.e.*, the first of the month following the notice, which would be due January 16, 2025) or roughly two months after the phase 2 order is issued (assuming it approves the proposed tariff changes and CEPS agreements). Specifically, Section E provides:

> E. The Company shall implement its POR program on the later to occur of either (1) May 1, 2024, or (2) the first day of the month following notice by the Company to the Commission that all system modifications necessary to implement the POR program have been completed, tested, and are fully operational, which notice shall be given within six (6) months of Commission approval of this Settlement Agreement, provided, in each case, that amended Tariff (as defined below) terms and conditions and ESSMA (as defined below) provisions have been finalized and approved, to the extent necessary, not less than sixty (60) days prior to such date, consistent with the provisions of paragraph II.H below .

Q. Is this timeline still feasible?

A. No. In the year since the Settlement Agreement was entered, implementation efforts came to a halt while awaiting approval and were restarted earlier this month. But, upon further consideration, Liberty believes that to implement within two months after the approvals are granted, as provided in Section E of the Settlement Agreement, does not provide enough time to effectuate the transition required. For example, assuming a phase 2 order is entered by mid-November and a February 1, 2025, implementation date is set, then that would allow roughly two and a half months for Liberty to distribute the approved ESSA and for the Suppliers to review, sign, and return the agreement. For any Supplier not responding in time, presumably, Liberty would be obligated to drop the Supplier (for lack of a valid supplier agreement) and transition their customers back to the applicable default supply service, a process that, if required, would take considerably more time than two and a half months or the two months allotted in Section E of the Settlement Agreement. Furthermore, additional time is required for approval of the initial DPR and payment date.

Q. Did the Commission approve this timeline in the Settlement Agreement?

A. Liberty does not interpret Order No. 27,047 as having approved the timeline set in Section E. While the order generally approves the Settlement Agreement with one exception (*i.e.,* the August 1 effective date of DPRs), it also states: "The effective date of the initial POR program will be determined during the second phase of this proceeding." Order No. 27, 047 at page 10.

Q. In light of Order No. 27,047, has Liberty prepared a new timeline for POR Program implementation for Commission consideration?

A. Yes. In fact, Liberty has prepared two timelines for consideration. The first and Liberty's preferred timeline sets May 1, 2025, as the go-live date for the POR Program. The main distinction of this timeline is that an existing Supplier failing to return the ESSA in time would be dropped as a Supplier, as it would not have a valid agreement in effect after the January 31, 2025, deadline set in the proposed tariff, Attachment 2. Thus, this timeline largely provides for the orderly transition of a Supplier's customers to Liberty default supply service. An inherent buffer period is provided to resolve any issues, as the initial step would be to halt the addition of any new customers starting in February 2025 and then to return its customers to default supply in April 2025, prior to the May 1, 2025. The benefit of this approach is that it would prevent one Supplier from holding POR implementation hostage by not returning the ESSA.

Q. Does Liberty have reason to believe that a CEPS might refuse to sign the Supplier Agreement?

A. Liberty has not received any feedback from the Supplier community that there is a preference for consolidated billing without POR or that a particular Supplier would refuse to sign the Supplier Agreement. However, the consequences of discovering later that such a sentiment exists would be to delay POR implementation, strand IT investments, and delay recovery until such matters can be resolved. Therefore, Liberty prefers to set a more definitive timeline for POR implementation, one that advances POR and leaves behind any Supplier that does not adhere to the timeline for returning signed ESSA.

Q. Are Suppliers that sign the ESSA obligated to sell their receivables at the discount rate, and under the terms, set forth in the revised tariff?

A. Not necessarily. As shown in Attachment 1, the ESSA allows Suppliers to separately bill for their Energy Services, which is the same option that they have today. They just cannot utilize Consolidated Billing Service without selling their receivables. However, separately billing may not be a viable option for some Suppliers.

Q. What is Liberty's proposed timeline for POR implementation?

A. Assuming an order is entered in phase 2 of the instant proceeding before December 1, 2024, Liberty proposes the following schedule:

- Before December 1, 2024: PUC approves the proposed ESSA and tariff revisions.
- December 1, 2024: Tariff revisions take effect.
- December 20, 2024: Liberty to distribute ESSA to Suppliers and provide notification that (1) any Supplier that does not return a signed ESSA by January 31, 2025, will not be allowed to enroll new customers after February 1, 2025, and (2) their customers will be returned to Liberty default supply during the April billing period.
- January 31, 2025: Due date for signed ESSAs from Suppliers.
- February 3, 2025: Liberty to file initial DPR and payment date for Commission approval.
- February 11, 2025: Liberty to send notification to the Suppliers not returning an ESSA by January 31, 2025, confirming that their customer(s) will be dropped

from their pool in April 2025. Liberty will then begin preparing and submitting notifications to the customers of such Suppliers that they will be returned to Liberty's default supply service in April.

- Late March or Early April 2025: Commission approval of initial DPR and payment date.
- May 1, 2025: POR implementation day. Suppliers with a signed ESSA and their customers will be moved from Consolidated Billing Service to Consolidated Billing Service with POR.
- May 15, 2025: In accordance with Puc 2205.05 New Utility Service Customers, Liberty to send the CPAs updated default service lists of customers, so they may give that customer the option to opt out of the applicable aggregation program.

Q. What is Liberty's alternative proposed timeline?

A. Liberty's alternative proposal utilizes essentially the same schedule described above, including the May 1, 2025, go-live date, but it does not establish any consequences for Suppliers not returning the ESSA in time. That is, a Supplier that does not return the ESSA in time will not be dropped as a Supplier. Under this schedule, the deadline for Suppliers to return the ESSA becomes more of a soft target. That means a Supplier that does not return a signed Supplier Agreement on time or at all could delay the implementation to sometime beyond May 1, 2025, or until the matter can be resolved, presumably before the Commission.

As discussed in the instant and other POR proceedings, utilities cannot be expected to maintain two consolidated billing services, one that includes POR and one without for those that do not sign, and the approved Settlement Agreement in this case contemplates Liberty providing only consolidated billing with POR.

Q. What is Liberty's alternative timeline for POR implementation?

A. Again, assuming an order is entered in phase 2 of the instant proceeding before December 1, 2024, Liberty proposes the following schedule:

- Before December 1, 2024: PUC approves the proposed ESSA and tariff revisions.
- December 1, 2024: Tariff revisions take effect.
- December 20, 2024: Liberty to distribute ESSA to Suppliers.
- January 31, 2025: Due date for signed ESSAs from Suppliers.
- February 3, 2025: Liberty to file initial DPR and payment date for Commission approval.
- Late March or Early April 2025: Commission approval of initial DPR and payment date.
- May 1, 2025: POR implementation day. assuming all Suppliers have returned a signed ESSA.

Q. Did Liberty prepare proposed tariff language supporting its alternative POR implementation timeline?

A. No. The proposed tariff set forth in Attachment 2 reflects Liberty's preferred POR implementation timeline. However, to comport with its alternative timeline, Liberty would only need to remove the tariff provisions related to the dropping of any noncompliant Supplier as a Supplier and moving its customers to default supply.

V. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.