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December 15, 2020

VIA ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888
luly.massaro@puc.ri.gov

**Re: Docket 5073 - Petition of Retail Energy Supply Association
for Implementation of Purchase of Receivables Program**

Dear Ms. Massaro,

Enclosed please find an electronic version of the Direct Testimony of Daniel W. Allegretti on behalf of the Retail Energy Supply Association in the above-referenced matter.¹

Thank you for your attention to this filing. If you have any questions, please do not hesitate to contact me at 617-342-6884.

Very Truly Yours,

/s/ Ryan M. Murphy

Ryan M. Murphy

Enclosure

cc: Docket 5073 Service List

¹ Per Commission counsel's update on October 2, 2020 concerning the COVID-19 emergency period, RESA is submitting an electronic version of this filing. RESA will also provide the Commission Clerk with six (6) hard copies of the enclosures via First Class Mail.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the cover letter and any materials accompanying this certificate was electronically transmitted to the individuals listed below on December 15, 2020.

/s/ Ryan M. Murphy

Ryan M. Murphy, Esq.

Docket No. 5073 – Retail Energy Supply Associations Petition for Implementation of Purchase of Receivables Program - Service List updated 11/12/2020

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BEFORE THE
STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION

DIRECT TESTIMONY OF

DANIEL W. ALLEGRETTI

ON BEHALF OF
THE RETAIL ENERGY SUPPLY ASSOCIATION

Docket No. 5073

December 15, 2020

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1 **I. INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Daniel W. Allegretti and my business address is 25 Toad Hill Road,
4 Franconia, New Hampshire.

5 **Q. ON WHOSE BEHALF ARE YOU PROVIDING THIS TESTIMONY?**

6 A. I am providing this testimony on behalf of the Retail Energy Supply Association
7 (“RESA”).¹

8 **Q. BY WHOM ARE YOU EMPLOYED?**

9 A. Since 2018, I have been employed as a Consultant by Sigma Consultants in Acton,
10 Massachusetts. In this position, I provide strategic advice to energy companies and trade
11 associations with regard to government and regulatory affairs. I also represent clients
12 before regional stakeholder groups, including the New England Power Pool, and before
13 state legislative, executive and regulatory bodies. RESA is one of my clients.

14 **Q. PLEASE DESCRIBE YOUR PRIOR EMPLOYMENT EXPERIENCE.**

15 A. From 2002 to 2018, I served as Vice President, State Government Affairs – East/Energy
16 Policy, for Exelon Corp/Constellation Energy Commodities Group (“Constellation
17 Energy”) in Baltimore, Maryland. In that role, I advocated, testified and generally
18 represented the interests of Exelon before federal, state and provincial agencies,
19 executive departments and legislative bodies, and within regional transmission
20 organizations, throughout the Northeastern United States and Eastern Canada. Prior to

¹ The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

1 that position, I was Senior Director, Government Affairs, for Enron Corp. in Houston
2 Texas from 1996 to 2001. At Enron, I advocated before state utility commissions,
3 executive departments and state legislatures during the critical transformation from
4 regulated monopoly service to competitive wholesale and retail electricity markets in
5 New England. Specifically, I represented Enron with the New England Power Pool
6 (“NEPOOL”) organization during the development of a region-wide transmission tariff
7 and creation of an independent system operator. I provided leadership in the reform of
8 NEPOOL governance to include all industry sectors and was elected NEPOOL chairman
9 in 2000. Before starting with Enron, I practiced as an attorney in private practice for six
10 years. More details about my professional background are available through a review of
11 my resume and bio, which are included in RESA Exhibit DWA-1.

12 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE STATE OF RHODE**
13 **ISLAND PUBLIC UTILITIES COMMISSION (“COMMISSION”)?**

14 A. Yes, I have testified on behalf of Constellation Energy as an expert in connection with
15 Commission proceedings regarding the procurement of default electric service.

16 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

17 A. The purpose of my Direct Testimony is to support the Petition for Implementation of
18 Purchase of Receivables Program (“Petition”) filed by RESA on September 16, 2020.

19 **Q. PLEASE DESCRIBE RESA.**

20 A. RESA is a diverse organization of competitive energy suppliers of varying sizes and
21 business plans serving all types of retail energy consumers in Rhode Island and
22 throughout the United States where the energy industry has been restructured to allow for
23 customers to choose the company that supplies their electricity and/or natural gas.

1 **Q. PLEASE SUMMARIZE RESA’S PROPOSAL.**

2 A. Through its Petition, RESA requests that the Commission direct the implementation of a
3 Purchase of Receivables (“POR”) program by the electric distribution companies
4 (“EDCs”). In RESA’s view, a POR program would facilitate the development of a
5 competitive retail market for the provision of electric generation services in Rhode Island
6 as envisioned by the Utility Restructuring Act of 1996.²

7 **Q. ARE YOU SPONSORING ANY OTHER EXHIBITS?**

8 A. Yes. Below is a table identifying the exhibits that I am sponsoring, including RESA
9 Exhibit DWA-1, which I referenced above. Also, please note that RESA Exhibit DWA-5
10 contains the responses of The Narragansett Electric Company d/b/a National Grid
11 (“National Grid”) to data requests served by RESA, which are referenced in this Direct
12 Testimony.

RESA Ex. DWA-1	Allegretti Biography and Resume
RESA Ex. DWA-2	Connecticut Market Savings Report
RESA Ex. DWA-3	Massachusetts Market Savings Report
RESA Ex. DWA-4	Proposed POR Program Terms and Parameters
RESA Ex. DWA-5	Copies of National Grid Responses to RESA-1-1, ³ 1-2, RESA 1-3, RESA 1-5 and RESA 1-6

13

14 **II. PURCHASE OF RECEIVABLES PROGRAM**

15 **Q. WHAT IS A PURCHASE OF RECEIVABLES (“POR”) PROGRAM?**

16 A. A POR program sets forth the parameters under which the EDC bills and collects the
17 charges (accounts receivable) owed to a participating supplier that is providing the end-

² R.I. Gen. Laws § 39-1-27.1

³ Please note that this response was mistakenly identified as PUC-1-1. However, it is the response to RESA 1-1.

1 user customer with generation service and where the customer is receiving a single
 2 consolidated bill from the EDC for both supply and distribution charges. Through a POR
 3 program, the EDC owns the accounts receivables of the suppliers and retains the right to
 4 pursue collection of those charges.

5 **Q. WHAT ARE THE KEY ELEMENTS OF RESA’S PROPOSED POR PROGRAM?**

6 A. As proposed by RESA, the EDC would purchase the receivables of nonregulated power
 7 producers (“NPPs” or “suppliers”), at a discounted rate, regardless of whether the EDC
 8 has collected the owed monies from customers.

9 **Q. WHY IS IT APPROPRIATE TO PLACE THE RISK OF NON-COLLECTION ON**
 10 **THE EDC?**

11 A. The reason it is appropriate to place the risk of non-collection on the EDC is that because
 12 in Rhode Island today, only the EDC may terminate a customer for non-payment.⁴ The
 13 EDCs have well-established, ratepayer-funded systems in place to exercise this ability
 14 within the requirements of the law. Conversely, suppliers do not have the opportunity to
 15 pursue collection of charges in the event of non-payment. As a result, the risk of
 16 nonpayment for services rendered may create obstacles for suppliers to enter the market
 17 because – as competitive market entities – they are dependent on receiving payment for
 18 their services to continue to operate.

19 **Q. HAS THE RHODE ISLAND GENERAL ASSEMBLY AUTHORIZED THE**
 20 **COMMISSION TO IMPLEMENT A POR PROGRAM?**

21 A. Yes. In originally passing the Utility Restructuring Act of 1996, the General Assembly
 22 found that it is in the public interest to promote competition in the electric industry.⁵

⁴ R.I. Gen. Laws § 39-1.1-1; 810-RICR-10-00-1.3.B

⁵ R.I. Gen. Laws § 39-1-1(d).

1 More recently, in 2018, the General Assembly recognized the “importance of competitive
 2 choice in electric generation service.”⁶ In emphasizing the benefits of a competitive
 3 generation market, the legislature authorized the Commission “to implement a purchase
 4 of receivables program where the electric distribution company purchases the receivables
 5 of the nonregulated power producer at a discount rate that is then offset from the monthly
 6 payments the electric distribution company makes to the nonregulated power producer if
 7 the commission finds that the benefits of the program to ratepayers would exceed the
 8 costs to ratepayers.”⁷

9 **III. BENEFITS OF POR PROGRAMS**

10 **Q. IN YOUR EXPERIENCE, WHAT ARE THE BENEFITS OF POR PROGRAMS?**

11 A. A POR program is a key factor in supporting retail market development. Since EDCs
 12 handle billing, collection and termination activities for both the wires and supply charges,
 13 this model enables suppliers to more cost-effectively serve mass market customers. It is
 14 important to remember that the EDC’s ratepayers have paid for the utility billing,
 15 collection and termination systems, under which the utility is the sole entity in Rhode
 16 Island permitted to render a single bill for both supply and delivery charges... As
 17 competitive market entities, suppliers will have varying systems and operations but – for
 18 the most part – do not have the vast billing and collection tools available to them as the
 19 utilities. When utilities offer to purchase (and then own) the suppliers’ receivables, this
 20 one rule change leverages the billing and collections systems paid for by utility rate

⁶ R.I. Gen. Laws § 39-1-27.13(a).

⁷ R.I. Gen. Laws § 39-1-27.13(a).

1 payers and has a significant positive impact on the ability of competitive entrants to serve
2 consumers that may otherwise be uneconomic to serve in a competitive market.

3 Another advantage of a POR program includes a reduced risk of non-payment,
4 allowing suppliers to avoid costly credit screening and selective enrollment processes.
5 Also, a POR program often eliminates the need for customers to post security deposits
6 and permits customers who would have been denied for credit reasons to choose
7 competitive supply.

8 Taken together, the leveraging of the existing utility systems and elimination of
9 unnecessary costs for suppliers will incentivize more suppliers to bring their competitive
10 offering to Rhode Island electric consumers. As a result, a POR program would provide
11 consumers with greater access to the supply offered in the competitive market.

12 **Q. WHAT IS THE CURRENT STATUS OF PARTICIPATION IN THE RETAIL**
13 **MARKET IN RHODE ISLAND?**

14 A. According to National Grid’s responses to RESA discovery, the Company provides
15 distribution service to 498,292 customers. Of those distribution customers, only 60,058
16 purchase electricity from suppliers.⁸

17 **Q. HAVE REGULATORS IN OTHER RESTRUCTURED STATES RECOGNIZED**
18 **THE BENEFITS OF POR PROGRAMS?**

19 A. Yes. Also, in my opinion, implementation of a POR program in Rhode Island would
20 produce benefits consistent with the experiences of other states. For example, on June
21 16, 2011, the Department of Public Utilities (“DPU”) in Massachusetts explained that the
22 “purpose of a POR program is to mitigate the risk that competitive suppliers bear
23 regarding nonpayment by their customers, thus avoiding the need for suppliers to

⁸ National Grid Responses to RESA 1-2 and RESA 1-3 (included in RESA Exhibit DWA-5).

1 undertake costly credit screening and selective enrollment processes, particularly for
 2 small commercial and residential customers.”⁹ The DPU further noted that a “POR
 3 program mitigates such risk by establishing the terms and conditions by which the
 4 electric distribution companies purchase the billing accounts receivable of competitive
 5 suppliers operating in their service territories.” As observed by the DPU, “the
 6 expectation is that implementation of a POR program will reduce the barriers that
 7 competitive suppliers face in seeking entry into the competitive market, thereby
 8 increasing the number of market participants and enhancing retail competition.”¹⁰

9 Similarly, in Pennsylvania, where most electric and natural gas companies have
 10 voluntarily implemented POR programs, the Public Utility Commission (“PA PUC”)
 11 recognized that these programs “can promote efficiencies, reduce costs to consumers and
 12 reduce barriers to market entry” by suppliers.¹¹ Consequently, to immediately increase
 13 supplier participation and, in turn, promote effective competition in the retail market for
 14 the benefit of consumers, the PA PUC established interim guidelines allowing them to be
 15 implemented on a uniform basis across the state, while recognizing operational
 16 differences.¹²

⁹ *Investigation by the Department of Public Utilities regarding Purchase of Receivables*, D.P.U. 10-53-A (Order Adopting Model Terms and Conditions issued June 16, 2011), at 3.

¹⁰ *Id.*

¹¹ *Investigation into the Natural Gas Supply Market: Report on Stakeholder’s Working Group*, PA PUC Docket No. I-00040103F000 (Order entered September 11, 2008), at 17-18; 52 Pa. Code § 69.1814 (public interest is served by having POR program). *See also PPL Electric Utilities Corporation Retail Markets*, PA PUC Docket No. M-2009-2104271 (Order entered August 11, 2009) at 27-30.

¹² *Establishment of Interim Guidelines for Purchase of Receivables (POR) Programs*, PA PUC Docket No. M-2008-2068982 (Order entered December 19, 2008), at 3, 8 and Annex A. *See, e.g., Pa. P.U.C. v. PPL Electric Utilities Corporation*, PA PUC Docket No. R-2010-2161694 (Order entered December 21, 2010); PPL Tariff Electric Pa. P.U.C. No. 1S, Sections 12.9, 12.9.1 and 12.9.2.

1 Besides Massachusetts and Pennsylvania, other restructured states have also
 2 successfully implemented POR programs, including New York,¹³ Connecticut,¹⁴
 3 Delaware,¹⁵ Illinois,¹⁶ New Jersey,¹⁷ Ohio¹⁸ and Maryland.¹⁹ The Maryland Public
 4 Service Commission credits implementation of the POR program in 2010 with playing a
 5 significant role in the increase in the number of residential customers served by
 6 suppliers.²⁰

¹³ *See In the Matter of New York State Electric & Gas Corporation's Plan to Foster the Development of Retail Energy Markets*, NY Case 05-M-0453 (Order Adopting the Terms and Conditions of The Joint Proposal for the Purchase of Accounts Receivable issued December 27, 2005).

¹⁴ *See Connecticut General Statutes § 16-244c (j)* (“Each electric distribution company shall offer to bill customers on behalf of participating electric suppliers and to pay such suppliers in a timely manner the amounts due such suppliers from customers for generation services, less a percentage of such amounts that reflects uncollectible bills and overdue payments as approved by the Public Utilities Regulatory Authority.”).

¹⁵ *See In the Matter of the Review of Customer Choice in the State of Delaware*, PSC Docket No. 15-1693 (Order adopted August 21, 2018).

¹⁶ *See 220 ILCS 5/16-118 (c)* (electric utilities with more than 100,000 customers are required to file a tariff giving suppliers the option to have utility purchase receivables at a discounted rate that reflects historical bad debt and reasonable start-up and administrative costs); Ameren Illinois Company d/b/a Ameren Illinois, Electric Service Schedule III.C.C. No. 1: <https://www.ameren.com/-/media/rates/files/illinois/aiel5otstc.pdf>

¹⁷ *See New Jersey Natural Gas Agreement for Billing and Collections Services* (last revised December 3, 2019): https://www.njng.com/my-business/energy-suppliers/pdf/Fillable_Agmt_for_Billing_and_Collection_Svcs.pdf

See also FirstEnergy Supplier Services FAQ – New Jersey: <https://www.firstenergycorp.com/content/dam/supplierservices/files/faq/FAQNJ.pdf>

¹⁸ *See In the Matter of the Application of Ohio Power Company for Authority to Establish a Standard Service Offer Pursuant to R.C. 4298.143 in the Form of an Electric Security Plan*, OH Case No. 13-2385-EL-SSO (Order entered February 25, 2015), at 70-81.

¹⁹ *See* COMAR 20.53.05.03.

²⁰ *See* Report to the Governor and the Maryland General Assembly on the Status of Standard Offer Service dated December 31, 2018, which is available at this link: <https://www.psc.state.md.us/wp-content/uploads/Final-Competition-Report.pdf>

1 **Q. HAVE YOU IDENTIFIED ANY OTHER BENEFITS MORE UNIQUE TO**
 2 **RHODE ISLAND ELECTRIC CUSTOMERS?**

3 A. Yes. Rhode Island law permits municipal aggregation for the sale and purchase of
 4 electricity.²¹ Such a program permits a municipality to choose an electric supplier for
 5 residents and businesses within the community, making it easier for customers to obtain
 6 the benefits of electric choice. Implementation of a POR program would facilitate
 7 supplier participation in municipal aggregation and increase the likelihood of its success.

8 **Q. HAS RESA BEEN ABLE TO QUANTIFY BENEFITS TO CONSUMERS OF POR**
 9 **PROGRAMS?**

10 A. The key benefit flowing to consumers of POR programs is enhanced access to cost
 11 savings offered by suppliers in the competitive retail market. Using Connecticut has an
 12 example, RESA issued an “Energy Market Savings Report” in October 2020, which
 13 shows that Connecticut consumers could have saved more than \$2 million in October by
 14 shopping for the best deal for electricity. A copy of this Energy Market Savings Report
 15 is attached as RESA Exhibit DWA-2. Similarly, Massachusetts consumers could have
 16 saved more than \$2 million in October 2020, as shown by RESA Exhibit DWA-3.

17 **Q. BESIDES POSSIBLE COST SAVINGS, DO CONSUMERS BENEFIT IN OTHER**
 18 **WAYS FROM A ROBUST COMPETITIVE MARKET?**

19 A. Yes. A robust competitive market, where suppliers are competing against each other to
 20 serve consumers, benefits are derived through the development of new and innovative
 21 product and services, as well as enhanced customer service. Examples of products that
 22 are available in a competitive market, which are noted in RESA’s Energy Market Savings
 23 Reports, include gift cards, free LED light bulbs, Echo Dot, monthly shopping/dining

²¹ R.I. Gen. Laws § 39-3-1.2.

1 certificates, electric vehicle (“EV”) charger rebates and free weekend EV charge, and
 2 charitable donations based on customer usage.

3 Since suppliers do not have a captive customer base, they must listen to their
 4 customers to better understand what they need from their electric supplier. In a well-
 5 functioning market, suppliers use that feedback to develop products and services that are
 6 designed to meet each customer’s unique electricity needs. Through healthy competition
 7 among suppliers, customers are more likely to receive cost-effective solutions. Also,
 8 suppliers that need to compete for every customer whose business they acquire and work
 9 hard to retain, they are naturally driven to ensure an excellent customer experience. The
 10 General Assembly in Rhode Island has recognized the value of electric competition, and
 11 by implementing a POR program, the Commission can more effectively ensure that the
 12 legislature’s goals are fulfilled.

13 **IV. COSTS OF POR PROGRAM**

14 **Q. HAS RESA QUANTIFIED THE COSTS OF A POR PROGRAM?**

15 A. Through discovery propounded upon National Grid, RESA has obtained information
 16 about National Grid’s estimated costs of a POR program. Specifically, National Grid
 17 has identified approximately \$0.6 million to upgrade its customer billing system and
 18 noted that this is the amount incurred in Massachusetts for this upgrade. The costs are
 19 broken down as follows:

20 Table DWA-1

Cost Type	Total
Capital Cost	\$0.4M
Operational Expense	\$0.2M
Total	\$0.6M

21

1 The Company has also estimated \$5,000 in operational expense per year to add a Rhode
2 Island POR program to a daily control, which is used to ensure that proper payments are
3 being generated to suppliers. National Grid does not anticipate any other costs except in
4 connection with outside counsel for the handling of this proceeding, which are
5 undetermined at this time.²² I note, however, that National Grid’s total implementation
6 costs incurred for the POR program in Massachusetts, including legal fees, was
7 \$682,000.²³

8 **Q. HOW DOES RESA PROPOSE THAT NATIONAL GRID RECOVER THESE**
9 **COSTS?**

10 A. It is RESA’s expectation that these costs can be fully recovered through the discounted
11 rate, or standard complete billing percentage (“SCBP”), which RESA proposes in its
12 Petition. This is consistent with the cost recovery methods that have been used in other
13 jurisdictions. The initial implementation costs may need to be spread over two-three
14 years to avoid a discount that is too high for suppliers to participate, with ongoing costs
15 recovered during the year they are incurred. As an example of the size of total
16 discounts, including all components of the SCBP, National Grid provided the amounts
17 that were applied during each program year in Massachusetts, as follows:²⁴

²² National Grid Response to RESA 1-1 (included in RESA Exhibit DWA-5).

²³ National Grid Response to RESA 1-1 (included in RESA Exhibit DWA-5); RESA Petition, Para. 25.

²⁴ National Grid Response to RESA 1-5 (included in RESA Exhibit DWA-5).

1

TABLE DWA-2

Effective Date	Residential	Commercial	Industrial
6/27/2014 (Transition)	9.36%	5.72%	0.46%
6/26/2014	1.89%	0.64%	0.23%
5/1/2015	2.19%	(0.27%)	0.25%
5/1/2016	2.61%	0.88%	0.02%
5/1/2017	2.27%	1.12%	0.03%
5/1/2018	1.72%	0.83%	0.04%
5/1/2019	2.58%	0.68%	0.05%
5/1/2020	3.11%	1.35%	0.12%

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If the terms of the POR program adopted in Rhode Island produce similar discounts, RESA expects that the discounted rate, including recovery of implementation and ongoing costs, would be reasonable and enable supplier participation in the POR program. This approach would obviate the need for National Grid to recover any of these costs from ratepayers. In responding to RESA's discovery, National Grid was not able to estimate the discounted rate that would be applied in Rhode Island. However, this was largely due to unknowns concerning other components of the discount, including the uncollectible rate. RESA has done follow-up discovery to National Grid, asking for an estimate of the amount of discount that would be directly attributable to the implementation and ongoing costs that it has identified. I reserve the right to reference those responses by either supplementing this Direct Testimony or including the information in my Rebuttal Testimony.

1 **Q. DO YOU HAVE ANY SPECIFIC OBSERVATIONS ABOUT NATIONAL GRID'S**
2 **RESPONSE TO RESA'S DISCOVERY?**

3 A. Yes. As I mentioned above, National Grid referred to the difficulty in estimating the
4 discount due to uncertainties regarding the uncollectible rate. In its response, National
5 Grid referred to the Commission's termination moratorium during the COVID-19
6 pandemic and explained the effect on the amount of uncollectible costs that the Company
7 has written off.²⁵ I would simply caution the Commission not to let the pandemic be a
8 stumbling block to moving forward with a POR program. Through a reconciliation
9 process, the discount will reflect the actual amount of uncollectible costs incurred by
10 National Grid. And, now more than ever, customers should be afforded the benefits of a
11 well-functioning competitive market.

12 **V. PROPOSED TERMS AND PARAMETERS OF POR PROGRAM**

13 **Q. HAS RESA DEVELOPED PROPOSED TERMS AND PARAMETERS FOR A**
14 **POR PROGRAM IN RHODE ISLAND?**

15 A. Yes. RESA's proposed terms and parameters are set forth in Paragraph 30 of the Petition
16 and shown in RESA Exhibit DWA-4, which is attached to this Direct Testimony. I note
17 that with limited exceptions, these proposed terms and parameters track those
18 implemented by National Grid in Massachusetts. Therefore, I submit that they are
19 reasonable for implementation in Rhode Island.

20 **Q. PLEASE DESCRIBE THE BASIC ELEMENTS OF THE DISCOUNTED RATE,**
21 **WHICH RESA REFERS TO AS THE SCBP.**
22

23 A. As described in RESA's Petition, the SCBP would be set annually for a 12-month period
24 and would be comprised of the following: (1) the uncollectible percentage, which is
25 calculated for each customer class based on actual uncollectible expense data for all

²⁵ National Grid's Response to RESA 1-6 (included in RESA Exhibit DWA-5).

1 distribution customers in that class; (2) the administrative costs incurred by the Company
2 in implementing the POR program; and (3) the reconciliation of projected and actual
3 uncollectible expenses experienced during the previous year

4 **Q. WHAT DOES RESA PROPOSE WITH RESPECT TO SUPPLIER**
5 **PARTICIPATION IN THE POR PROGRAM?**

6 A. RESA proposes that suppliers that rely on the EDC to perform billing services for all or a
7 portion of their accounts in a residential customer class are required to sell all accounts
8 receivables associated with residential classes to the EDC. Based on its experience in
9 other jurisdictions, including Massachusetts, RESA is aware that it may impose an
10 unreasonable administrative burden on an EDC if residential customer accounts were
11 handled differently for a particular supplier. RESA also understands that this term
12 applies to all customer classes in Massachusetts. However, RESA believes that it is
13 reasonable to afford suppliers the flexibility to elect to serve non-residential customers,
14 including commercial and industrial customers, either through the POR program or
15 through their own billing system.

16 **Q. WHAT DOES RESA PROPOSE CONCERNING THE SCOPE OF THE POR**
17 **PROGRAM?**

18 A. RESA proposes that only charges for generation service may be included among the
19 accounts receivables that the EDC will purchase under the POR program. However,
20 RESA further proposes that an EDC be permitted to voluntarily offer to purchase
21 receivables for optional services. Also, while EDCs would not be required to do so,
22 RESA recommends that EDCs be permitted to offer a summary billing option to
23 suppliers serving customers with multiple accounts, allowing the consolidation of
24 multiple billings on a single bill format.

1 **Q. HOW DOES RESA PROPOSE TO TREAT EXISTING RECEIVABLES FOR**
2 **GENERATION SERVICES?**

3 A. RESA proposes that the EDC purchase existing receivables for generation services when
4 the program is implemented, using transition rates based on historical data. As proposed
5 by RESA, these rates would be subject to reconciliation of uncollectible expenses
6 actually experienced versus discounted supplier payments.

7 **Q. WOULD ALL CUSTOMER CLASSES BE INCLUDED IN THE POR PROGRAM**
8 **UNDER RESA'S PROPOSAL?**

9 A. Yes. RESA proposes that all customer classes be included in the POR program.
10 However, I note that this proposal is subject to the caveat that suppliers should have
11 flexibility on whether to treat non-residential customers differently by including some but
12 not others in the program. Further, as proposed by RESA, different discounts would be
13 established for each class based on the levels of uncollectible percentages.

14 **Q. HOW WOULD THE PROCESS WORK FOR THE EDC TO PAY THE**
15 **SUPPLIER?**

16 A. RESA proposes that the EDC would pay the supplier the full amount due from the
17 customer for generation service, less this discounted rate, or SCBP. For any customer
18 that has elected budget billing, the full amounts due for generation service would be
19 based on the customer's actual usage. RESA further proposes that the SCBP be
20 calculated for each customer class and filed with the Commission by February 15 of each
21 year, would go into effect on April 1 of each year and would remain in effect for a
22 twelve-month period. In addition, under RESA's proposal, the EDC would remit the
23 payments to suppliers on the basis of the average payment period of the relevant
24 customer class, based on twelve months of data.

1 **Q. PLEASE DESCRIBE RESA'S PROPOSAL FOR OBLIGATIONS AND RIGHTS OF**
2 **SUPPLIERS UNDER THE POR PROGRAM.**

3 A. As proposed by RESA, suppliers would grant the EDC a first priority perfected security
4 interest in the accounts receivable that the EDC purchases through the POR program. In
5 addition, suppliers would be permitted to place a security interest on the accounts
6 receivable from the EDC. Further, suppliers would be prohibited from attempting to
7 collect accounts receivables as of the billing date and must assign all payments received
8 from customers to the EDC.

9 **Q. WOULD OTHER ISSUES NEED TO BE ADDRESSED PRIOR TO**
10 **IMPLEMENTATION?**

11 A. Yes. RESA expects that it would be necessary to either revise the terms and conditions
12 under which suppliers and the EDC operate and/or to develop competitive service
13 agreements to outline the obligations and rights of suppliers and the EDC. The work that
14 has been undertaken in Massachusetts should greatly streamline the process in Rhode
15 Island. RESA suggests that details concerning these matters can be addressed informally,
16 such as through a technical conference.

17 **Q. WHAT IS RESA'S PROPOSED TIMEFRAME FOR THE IMPLEMENTATION**
18 **OF A POR PROGRAM?**

19 A. In its Petition, RESA proposes that the POR program go into effect within three months
20 after final Commission approval of an EDC's POR implementation plan. However, upon
21 further consideration, RESA recommends that since the program would be linked to the
22 April 1 price change, it be implemented on the next April 1 following Commission
23 approval of the EDC's POR implementation plan. This longer implementation period
24 would also allow the details noted above to be worked out after Commission approval of
25 a POR program.

1 VI. **CONCLUSION**

2 Q. **DOES THAT COMPLETE YOUR DIRECT TESTIMONY?**

3 A. Yes; however, I do reserve the right to supplement this testimony as may be appropriate.

RESA EXHIBIT DWA-1

Daniel W Allegretti
Consultant
Sigma Consultants
dallegretti@sigmaconsult.com



Prior to joining Sigma, Dan served as a Vice President in the State Government Affairs group at Exelon Corp. and affiliated company Constellation Energy. At Exelon Dan was responsible for the Company's relationship with state and provincial governments across the northeastern United States and Canada. Dan has over twenty five years experience in the electric power industry and during his career he has directed teams of internal and external professionals to shape public policy, laws and regulations. A recognized industry leader, Dan is frequently called upon to give testimony as an expert witness before various state legislative and regulatory bodies and to present as a speaker before numerous organizations. At the federal level, he served as Constellation Energy's Director of Wholesale Energy Policy and participated in a variety of proceedings before the Federal Energy Regulatory Commission. Dan is also a recognized leader with regard to several of the nation's regional transmission organizations, particularly New England where he served two terms as the elected Chair of the New England Power Pool.

Other industry leadership positions Dan has occupied include Board seats on the Northeast Power Coordinating Council, the Independent Power Producers of New York, the New England Power Generators Association, the Retail Energy Supply Association, the Northeast Energy and Commerce Association, the Electric Power Generators Association of Pennsylvania and the Electricity Markets Investment Group of Ontario, as well as being a Member Representative on the New York ISO Management Committee, serving on the Ontario IMO Markets Advisory Council and being named by Governor John Baldacci in 2007 to serve on the Maine Energy Council. In 2017 Dan was recognized by the Northeast Energy and Commerce Association with its Vanguard Award for his career contributions in support of competitive energy markets. Dan has also worked as an Independent transmission project developer with Anbaric Northeast Transmission Development Corp. and as a practicing attorney in New Hampshire. Dan holds a J.D. from Georgetown University and a B.A. from Colby College and currently resides with his family in Bow, New Hampshire.

Daniel W. Allegretti
One Essex Drive
Bow, New Hampshire
(603) 224-7130

Experience

2018-Present – Sigma Consultants, Acton, Massachusetts Consultant

- Provide strategic advice and representation to energy companies and trade associations with regard to government and regulatory affairs.
- Represent clients before regional stakeholder groups, including the New England Power Pool, and before state legislative, executive and regulatory bodies.
- Clients include Exelon Corp., Hull Street Energy and the Retail Energy Supply Association.

2002-2018 - Exelon Corp./ Constellation Energy Commodities Group Baltimore, Maryland Vice President State Government Affairs - East/ Energy Policy

- Advocate, testify and generally represent the interests of the company before federal, state and provincial agencies, executive departments and legislative bodies, and within regional transmission organizations, throughout the Northeastern United States and Eastern Canada.
- Supervised a staff of professionals to advocate and represent company interests under my direction across the eastern seaboard region.
- Provide direct business support to internal teams who originate new business transactions or who manage an active portfolio in support of existing business. Efforts include support for the development of large scale, multi-million dollar energy infrastructure projects (both generation and transmission) as well as defense of one of the largest electric power portfolios in the region.
- Maintain and expand a network of contacts and relationships within industry and government to support regulatory and legislative advocacy and information gathering and safeguard and enhance the good name of the corporation within broader business and government communities.

**2008-2009 – Anbaric Northeast Transmission Development Company, LLC, Wakefield, MA
Senior Vice President**

- Conceived, developed and promoted multi-billion dollar independent transmission projects in the Northeastern United States and Canada.
- Represented Anbaric before state, federal and provincial governmental entities and before non-profit and industry organizations.

**1996-2001 - Enron Corp., Houston, TX
Senior Director, Government Affairs**

- Advocated on behalf of industry-leading company before state utility commissions, executive departments and state legislatures during the critical transformation from regulated monopoly electric service to competitive wholesale and retail electricity markets in New England.
- Represented company within the New England Power Pool organization during the development of a region-wide transmission tariff, organized wholesale electricity markets and creation of an independent system operator. Provided leadership in the reform of NEPOOL governance to include all industry sectors and was elected NEPOOL chairman in 2000.
- Provided direct business support to wholesale business origination, retail sales and wholesale power marketing and trading businesses.

**1989-1995 - Brown, Olson & Wilson, Concord, NH
Attorney**

- Represented independent power developers, municipal governments and energy trading companies before state and federal agencies and courts and in contract and settlement negotiations.
- Conducted research, met with clients and prepared, filed or submitted a variety of legal memoranda, briefs, contracts and consulting reports.

Education

1985-1988 - Georgetown University Law Center, Washington, D.C.

- Completed *juris doctor* degree
- Completed internships with U.S. International Trade Commissioner, U.S. Court of Appeals judge and U.S. Senator

- Admitted to the bar in MA and NH

1981-1985 - Colby College, Waterville, Maine

- B.A., Economics, French (*cum laude*, phi beta kappa)

Honors/Positions

- Vanguard Award Recipient (2017) presented by the Northeast Energy and Commerce Association for career contributions in support of competitive energy markets.
- New England Power Pool
 - Chairman Nepoch Participants Committee (2001 & 2002)
 - Chairman Nepoch Budget & Finance Subcommittee (2005)
 - NEPOOL Supplier Sector elected representative (1996-2006)
 - Chair of various *ad hoc* Nepoch committees and working groups (1996-2005)
- Board of Directors, Northeast Power Coordinating Council (2001-2008)
- Board of Directors, New England Power Generators Association (2009-2018, Chairman 2017-18)
- Board of Directors Independent Power Producers of New York (2002-2008)
- Board of Directors, Electric Power Generators Association of Pennsylvania (2008)
- Board of Directors, Northeast Energy & Commerce Association (2009-2015). NECA Vanguard Award recipient (2017)
- Management Committee, New York Independent System Operator (2002-2005)
- Maine Energy Advisory Council (appointed by Governor in 2006)
- Ontario Independent Electric System Operator, Market Advisory Council (2002-2005)
- Ontario Electric Markets Investment Group, governing body (2002-2008)

RESA EXHIBIT DWA-2

ENERGY MARKET SAVINGS REPORT

Connecticut

By shopping for the best deal for electricity, Connecticut consumers could have saved more than **\$2 million** in October and benefited from a wide range of value-added products and services by switching to competitive suppliers.

Savings Over

Eversource – CL&P:	\$886,300
United Illuminating:	\$1,424,932
October Potential Market Savings:	\$2,311,232

October Notable Offers:



PRICE PLANS

Monthly shopping/dining certificate



ECO-FRIENDLY

Electric vehicle charger rebate and free weekend EV charging



VALUE ADDED PRODUCTS

Charitable donation based on customer usage

RESA EXHIBIT DWA-3

ENERGY MARKET SAVINGS REPORT



Massachusetts

By shopping for the best deal for electricity, Massachusetts consumers could have saved more than **\$2 million** in October and benefited from a wide range of value-added products and services by switching to competitive suppliers.

Savings Over

Eversource Energy East:	\$1,011,503
Eversource Energy West:	\$41,158
National Grid:	\$853,765
Unitil:	\$379,651
October Potential Market Savings:	\$2,286,077

October Notable Offers:



PRICE PLANS

\$25 Amazon gift card



ECO-FRIENDLY

Two free LED light bulbs



VALUE ADDED PRODUCTS

Amazon Echo Dot

RESA EXHIBIT DWA-4

**RESA'S PROPOSED TERMS AND PARAMETERS FOR
PURCHASE OF RECEIVABLES PROGRAM IN RHODE ISLAND**

- (1) *Supplier Participation in and Scope of POR program.*
- a. Suppliers that rely on the EDC to perform billing services for all or a portion of their accounts in a residential customer class are required to sell all accounts receivables associated with residential classes to the EDC.
 - b. Only charges for generation services may be included among the accounts receivables that the EDC will purchase under the POR program. However, an EDC may voluntarily offer to purchase receivables for optional services.
 - c. The EDC may offer a summary billing option to suppliers who have qualified customers with multiple electric service accounts, allowing the consolidation of multiple billings on a single bill format.
 - d. Existing receivables for generation services will be purchased by the EDC when the program is implemented, using transition rates based on historical data. These rates will be subject to reconciliation of uncollectible expenses actually experienced versus discounted supplier payments.
 - e. All customer classes will be included in the POR program, with different discounts being established for each class based on the levels of uncollectible percentages.
- (2) *Payment to Suppliers.*
- a. The EDC will pay the supplier the full amount due from the customer for generation service, less (a) the full amounts due from customers for generation service multiplied by (b) the Standard Complete Billing Percentage ("SCBP"), as defined below. For any customer that has elected budget billing, the full amounts due for generation service will be based on the customer's actual usage.
 - b. The EDC will compute the SCBP in accordance with a formula that adds together (a) the uncollectible percentage for the customer class, based on actual data for the most recent period for which data is available; (b) the administrative cost percentage, which is the EDC's total forecasted administrative costs divided by the total amounts billed by the EDC; and (c) the past period reconciliation percentage, which is the sum of three percentages, including the difference between uncollectible expenses estimated and actually incurred; the difference between the administrative costs actually incurred and administrative costs actually billed to customers; and interest.
 - c. The SCBP will be calculated for each customer class and filed with the Commission by February 15 of each year. It will remain in effect for one year.

- d. The EDCs will remit the payments to suppliers on the basis of the average payment period of the relevant customer class, based on twelve months of data.

(3) *Obligations and Rights of Suppliers.*

- a. Suppliers will grant the EDC a first priority perfected security interest in the accounts receivable that the EDC purchases through the POR program.
- b. Suppliers may place a security interest on the accounts receivable from the EDC.
- c. Suppliers may not attempt to collect accounts receivables as of the billing date and must assign all payments received from customers to the EDC.

RESA EXHIBIT DWA-5

The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 5073
In Re: Retail Energy Supply Association (RESA)
Implementation of Purchase of Receivables Program
Responses to RESA's First Set of Data Requests
Issued on November 3, 2020

PUC 1-1

Request:

Please refer to the Petition for Implementation of Purchase of Receivables Program filed by the Retail Energy Supply Association on September 16, 2020 at Paragraphs 9 and 23. Please provide an estimate of costs that National Grid would incur to implement a POR Program in Rhode Island. The estimate should include all anticipated costs, including those associated with information system tasks, billing operations tasks, legal lien-related costs, legal fees and other administrative costs.

Response:

Information system upgrade

The Company's affiliate implemented a purchase of receivables ("POR") program in Massachusetts in 2014. The customer billing system upgrade for the Massachusetts POR program was implemented at a cost of approximately \$0.6 million. The implementation of a POR program in Rhode Island would require a similar upgrade to the customer billing system to enable the program. Therefore, the estimated cost to upgrade the customer billing system in order to support a POR program in Rhode Island would be similar.

Estimated Cost to Implement Purchase of Receivables in Customer System Cost

Cost Type	Total
Capital Cost	\$0.4M
Operational Expense	\$0.2M
Total	\$0.6M

Billing Operation Tasks

No billing operational task costs have been identified.

Legal lien-related costs and legal fees

The Company does not anticipate any incremental legal costs related to the credit and collections process. It is expected that there will be some legal cost associated with outside counsel throughout the preparation and commencement of this docket. However, these are undetermined at this time.

The Narragansett Electric Company
d/b/a National Grid
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Issued on November 3, 2020

PUC 1-1, page 2

Other Administrative Tasks

The Company has estimated \$5,000 in operational expense per year to add Rhode Island POR program to a daily control. The daily control is used to ensure proper payments are being generated to retail energy supply companies (non-regulated power producers in Rhode Island).

The Narragansett Electric Company
d/b/a National Grid
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Implementation of Purchase of Receivables Program
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Issued on November 3, 2020

RESA 1-2

Request:

Please provide the number of distribution customers National Grid serves, broken down by class.

Response:

Below presents the average number of customers to which the Company provides distribution service, by rate class, for the 12-month period ending October 2020. The Company is also providing the same information by Standard Offer Service procurement group.

	Average Number of Customers
Rate Class	
A-16 Residential	402,587
A-60 Residential Low Income	32,818
B-32 Large Demand Backup	5
C-06 Small C&I	51,488
G-02 General C&I	7,883
G-32 Large Demand	1,009
M-1 Station Power	2
Streetlighting	2,499
X-01 Electric Propulsion	1
Total	498,292
Standard Offer Service Procurement Group	
Residential (A-16, A-60)	435,405
Commercial (C-06, G-02, Streetlighting)	61,870
Industrial (B-32, G-32, X-01)	1,015
Subtotal, Procurement Groups	498,290
M-1 Station Power	2
Total	498,292

The Narragansett Electric Company
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In Re: Retail Energy Supply Association (RESA)
Implementation of Purchase of Receivables Program
Responses to RESA's First Set of Data Requests
Issued on November 3, 2020

RESA 1-3

Request:

Please provide the number of distribution customers served by National Grid that purchase electricity supply from non-regulated power producers, broken down by class.

Response:

Below presents the average number of customers purchasing electricity supply from non-regulated power producers, by rate class, for the 12-month period ending October 2020. The Company is also providing the same information by Standard Offer Service procurement group.

	Average Number of Customers
Rate Class	
A-16 Residential	39,349
A-60 Residential Low Income	4,862
B-32 Large Demand Backup	2
C-06 Small C&I	10,708
G-02 General C&I	3,670
G-32 Large Demand	792
M-1 Station Power	2
Streetlighting	672
X-01 Electric Propulsion	1
Total	60,058
Standard Offer Service Procurement Group	
Residential (A-16, A-60)	44,211
Commercial (C-06, G-02, Streetlighting)	15,050
Industrial (B-32, G-32, X-01)	795
Subtotal, Procurement Group	60,056
M-1 Station Power	2
Total	60,058

The Narragansett Electric Company
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Implementation of Purchase of Receivables Program
Responses to RESA's First Set of Data Requests
Issued on November 3, 2020

RESA 1-5

Request:

Please indicate the discounted rate, or standard complete billing percentage, that National Grid has set in each year since offering a POR Program in Massachusetts.

Response:

The Massachusetts Purchase of Receivables ("POR") Program was approved to be implemented on and after June 26, 2014. Historical and present MA POR Standard Complete Discount Percentages for the Company's affiliates, Massachusetts Electric Company and Nantucket Electric Company, are as follows:

Effective date	Residential	Commercial	Industrial	Cite
6/27/2014 (Transition Rates) ¹	9.36%	5.72%	0.46%	DPU 14-POR-1, Transition Rate Filing 5/28/14, Attachment 1, Page 1, Lines (q), (r), (s)
6/26/2014	1.89%	0.64%	0.23%	DPU 14-POR-1, Discount Rate Filing 5/16/14, Attachment 1, Page 1, Line (3)
5/1/2015	2.19%	(0.27%)	0.25%	DPU 15-POR-1, Attachment 1, Page 1, Line (4)
5/1/2016	2.61%	0.88%	0.02%	DPU 16-POR-1, Attachment 1, Page 1, Line (4)
5/1/2017	2.27%	1.12%	0.03%	DPU 17-POR-1, Attachment 1, Page 1, Line (4)
5/1/2018	1.72%	0.83%	0.04%	DPU 18-POR-1, Attachment 1, Page 1, Line (4)
5/1/2019	2.58%	0.68%	0.05%	DPU 19-POR-1, Attachment 1, Page 1, Line (4)
5/1/2020	3.11%	1.35%	0.12%	DPU 20-POR-1, Attachment 1, Page 1, Line (4)

¹ The transition rates were applied to the existing accounts receivable balances of Competitive Suppliers participating in the POR Program in Massachusetts on June 27, 2014. The accounts receivable purchased were those pre-existing balances for electric supply sold and billed prior to June 26, 2014.

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RESA 1-6

Request:

Please estimate the initial discounted rate, or standard complete billing percentage, that National Grid would expect to establish in Rhode Island. When presenting this information, please show the discounted rate based on the assumptions of recovering implementation costs over a period of one, two, three, four or five years.

Response:

The Company is hesitant to provide an estimate of an initial discount, or standard complete billing percentage that the Company would expect to establish as the terms of a purchase of receivables ("POR") program have not yet been determined. If the Company were to assume that the POR program is very similar to the Massachusetts program, as is shown in the Company's response to RESA 1-5, there would be two discount rates at the beginning of the program. One discount rate, the transition discount rate, would be applied to the existing accounts receivable of non-regulated power producers ("NPPs") participating in the POR Program on the first day the program goes operational and would apply to the accounts receivable purchased on that date assuming all existing accounts receivable would be included in and subject to purchase in the POR Program. The Company has not performed the analysis necessary to determine what the discount rates for purchase of existing receivables would be and whether or not the methodology used in Massachusetts would be appropriate in Rhode Island. Regarding the discount rate to apply to purchase accounts receivables created after the implementation date of the POR program, in Massachusetts, its calculation was different in the first year from what it has been in subsequent years. Below is an excerpt from the Terms and Conditions for Competitive Suppliers in Massachusetts, taken from the Company's Massachusetts affiliate's tariff, M.D.P.U. No. 1420.

During the first year of program operation, the Uncollectible Percentage is the uncollectible expense for the participating Customer Class based on actual data, excluding uncollectible expenses related to amounts billed by the Company for Generation Service purchased from Competitive Suppliers, divided by the total amounts billed by the Company, including late payment fees if included in uncollectible expense and excluding amounts billed by the Company for Generation Service purchased from Competitive Suppliers, to that participating Customer Class. The period used to calculate the first year Uncollectible Percentage will be the same period as that used/reflected in the calculation of its uncollectible costs associated with the amounts the Company bills for Basic Service supply.

The Narragansett Electric Company
d/b/a National Grid
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RESA 1-6, page 2

M.D.P.U. No. 1420, Section 8B.2.b., definition of UPcc at 12.

The Company would follow a consistent approach as its affiliate in Massachusetts because it does not have specific charge-off information associated with generation service provided by NPPs. Assuming that the Company would use this same approach to determine and first-year discount rate, the first-year discount rate would be dependent upon what period of time is used to determine the uncollectible costs and revenue used in the calculation. During the Covid-19 pandemic, pursuant to the PUC's termination moratorium, the Company did not terminate service to customers and thus did charge off accounts. Only since late September has the Company begun to resume outbound collections calling, sending disconnect notices and resuming limited service terminations to commercial and industrial customers only. As such, any projection of a discount rate will not be representative of what the discount rate would be since a POR program isn't approved and not representative of what the discount rate would be at the time a POR program is implemented if the PUC adopts the same approach used by the Company's Massachusetts affiliate.

In an attempt to be responsive, the Company has provided uncollectible (charge off) percentages by customer class, which is a reasonable approximation of the standard complete billing percentage, on a rolling 12-month basis, for the period 2017 through October 2020, in Attachment RESA 1-6. The Company believes that it is premature to provide an estimate of the administrative cost component of the standard complete billing percentage at this time as it is not clear exactly which administrative costs would be included in such a calculation. Since the end of March 2020, the uncollectible rates illustrated in Attachment RESA 1-6 are lower than what they otherwise would have been absent the Covid-19 pandemic due to the PUC's termination moratorium, which directly impacts charge offs and, consequently, the uncollectible rate.