

January 15, 2021

VIA ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

**RE: Docket 5073– Retail Energy Supply Association (RESA)
Petition for Implementation of Purchase of Receivables Program
National Grid’s Joint Pre-Filed Direct Testimony**

Dear Ms. Massaro:

On behalf of The Narragansett Electric Company d/b/a National Grid (“National Grid” or the “Company”), enclosed, please find an electronic version¹ of the Company’s Joint Pre-Filed Direct Testimony for filing in the above referenced matter.

Thank you for your attention to this filing. If you have any questions or concerns, please do not hesitate to contact me at 401-784-4263.

Sincerely,



Andrew S. Marcaccio

cc: Docket 5073 Service List
John Bell, Division
Jon Hagopian, Esq.

¹ Per Commission counsel’s update on October 2, 2020, concerning the COVID-19 emergency period, the Company is submitting an electronic version of this filing. The Company will provide the Commission Clerk with five (5) hard copies and, if needed, additional hard copies of the enclosures upon request.

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.

The paper copies of this filing are being hand delivered to the Rhode Island Public Utilities Commission and to the Rhode Island Division of Public Utilities and Carriers.



Joanne M. Scanlon

January 15, 2021

Date

**Docket No. 5073 – Retail Energy Supply Associations Petition for Implementation of
Purchase of Receivables Program
Service List updated 1/5//2021**

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The Narragansett Electric Company
d/b/a National Grid
RIPUC Docket No. 5073
In Re: Retail Energy Supply Association's (RESA)
Petition for Implementation of Purchas of Receivables Program
Witnesses: Kirley, Pasquariello, and Cohen

JOINT PRE-FILED DIRECT TESTIMONY

OF

DONALD KIRLEY

JOSH PASQUARIELLO

AND

JONATHAN COHEN

January 15, 2021

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1 **I. INTRODUCTION AND OVERVIEW**

2 **Donald Kirley**

3 **Q. Mr. Kirley, please state your name and business address.**

4 A. My name is Donald Kirley, and my business address is 300 Erie Boulevard West
5 Syracuse, NY 13202.

6

7 **Q. By whom are you employed and in what capacity?**

8 A. I am employed by National Grid USA Service Company, Inc. ("National Grid") as a
9 Manager Billing Projects. Relevant to this proceeding, I am responsible for implementing
10 functionality in our billing system to enable a purchase of receivables ("POR") program
11 for The Narragansett Electric Company d/b/a National Grid (the "Company").

12

13 **Q. Please summarize your professional and educational background.**

14 A. I received a Bachelor of Science, Interdisciplinary Engineering and Management from
15 Clarkson University in 2004. I received an MBA, with a concentration in Global Supply
16 Chain Management from Clarkson University in 2005. I have worked for National Grid
17 since 2008 with in various billing roles with increasing responsibility. My current role is
18 Manager of Billing Projects.

19

1 **Q. Have you ever testified before the Rhode Island Public Utilities Commission**
2 **(“PUC”) or any other regulatory body?**

3 A. Yes.

4

5 **Josh Pasquariello**

6 **Q. Mr. Pasquariello, please state your name and business address.**

7 A. My name is Josh Pasquariello, and my business address is 300 Erie Boulevard West
8 Syracuse, NY 13202.

9

10 **Q. By whom are you employed and in what capacity?**

11 A. I am employed by National Grid as a Manager for the Customer Choice team. Relevant
12 to this proceeding, I would be responsible for (i) setting up new nonregulated power
13 producers (“NPPs”) with POR and (ii) ensuring the correct POR payments are sent to the
14 NPPs from the Company.

15

16 **Q. Please summarize your professional and educational background.**

17 A. I joined National Grid in November 2019. Prior to that, I was employed by BNY Mellon
18 (formerly Bank of New York) for roughly 14.5 years. I have a B.S. in Business
19 Administration from Le Moyne College and an MBA from Cornell University.

20

1 **Q. Have you ever testified before the PUC or any other regulatory body?**

2 A. No, I have not. I did participate in a technical session before the PUC in Docket No.
3 5058 in connection with the Company's proposed Terms and Conditions for Municipal
4 Aggregators.

5
6 **Jonathan Cohen**

7 **Q. Mr. Cohen, please state your name and business address.**

8 A. My name is Jonathan Cohen. My business address is One MetroTech Center, Brooklyn,
9 New York 11201.

10

11 **Q. By whom are you employed and in what capacity?**

12 A. I am Director of Treasury Business Partnering of National Grid. Relevant to this
13 proceeding, I am responsible for identifying potential cash flow risks associated with a
14 POR program for the Company.

15

16 **Q. Please summarize your professional and educational background.**

17 A. I am a qualified accountant with the Institution for Chartered Accountants in England and
18 Wales and a qualified Treasurer with the Association of Corporation Treasurers. From
19 2006 to 2012, I worked at BDO LLP, an accounting, tax, audit and consulting services

20

1 firm. I worked in audit, specializing in financial services companies, including banks,
2 brokers and fund managers. I joined National Grid plc in 2012 as a member of the
3 Corporate Banking Group. In that role, I was responsible for managing the bank
4 relationships, including associated borrowings and revolving credit facilities on behalf of
5 National Grid's affiliates, including NEP. I was also responsible for analyzing and
6 monitoring National Grid's credit ratings and managing interactions with debt investors
7 in transactions with the various Company's affiliates. I joined National Grid's Debt
8 Capital Markets group in 2015, participating in public bond issuances and managing the
9 associated currency and interest rate risks. I also participated in the sale of significant
10 assets in one of National Grid plc's largest operating companies in the United Kingdom.
11 I began my current position in 2017, where I am focused on business partnering to
12 determine the efficiency of operations and obtain identified value opportunities. In my
13 current position, I am familiar with the financing activities of the Company.

14
15 **Q. Have you ever testified before the PUC or any other regulatory body?**

16 A. Yes, I have testified before regulatory bodies in Massachusetts and New York.

17
18 **II. PURPOSE & STRUCTURE OF TESTIMONY**

19 **Q. What is the purpose of this joint testimony?**

20 A. The purpose of this testimony is to highlight the Company's costs and risks associated

1 with the implementation of a POR program as proposed by the Retail Energy Supply
2 Association ("RESA") and to elaborate on ways to mitigate or eliminate such risks in a
3 manner that is not detrimental to ratepayers.
4

5 **Q. How is this testimony structured?**

6 A. In addition to the Introduction and Purpose & Structure of this testimony (Sections I and
7 II, respectively), this testimony includes the following sections:

- 8 • Description of the risks to the Company if a POR program as proposed by
9 RESA is implemented in Rhode Island and ways to mitigate such risk
10 (Section III);
 - 11 • Explanation of the Company's position on how the Company's
12 implementation costs will be recovered pursuant to RESA's proposed POR
13 program (Section IV);
 - 14 • Explanation of the Company's position on the terms and parameters of the
15 POR program as proposed by RESA (Section V); and
 - 16 • Conclusion (Section VI).
- 17

1 **III. RISKS TO THE COMPANY**

2 **Q. In Mr. Allegretti's pre-filed direct testimony, he suggests that it is appropriate to**
3 **place the risk of non-collection on the Company because only an electric distribution**
4 **company ("EDC") may terminate a customer for non-payment in Rhode Island.**
5 **Are there other risks to the Company associated with a POR program as proposed**
6 **by RESA?**

7 A. Yes. Cash flow is a risk to the Company. The size of the risk is dependent on
8 participation in POR. If a significant population of customers are unable to pay their bills
9 on time and the Company is paying NPPs based on an historic average payment lag
10 which the Company is not experiencing in a scenario such as the current COVID-19
11 pandemic, it may create cash flow challenges for the Company. In his testimony, Mr.
12 Allegretti cites to the Company's authority to terminate a customer for non-payment as a
13 reason for the Company to take on the risk of non-collection. However, in a scenario that
14 causes many customers to have difficulty paying their bills on time (i.e., the COVID-19
15 pandemic), the Company's authority to terminate a customer for non-payment may be
16 paused. As a result, the Company is left with lower than anticipated cash flow.

17
18 **Q. Are there measures that could mitigate the cash flow risk to the Company?**

19 A. Yes. One approach would be to perform a cash working capital lead-lag study as part of
20 each annual POR filing, comparing the timing of payments to NPPs (lead) to the timing

1 of payments from customers to the Company (lag) over the year and calculate a working
2 capital impact which could be recovered through the administrative component of the
3 discount rate. If customers are paying the Company slower than the Company is paying
4 NPPs, the Company would recover the working capital impact through an increase in the
5 discount rate applied to payments to NPPs. Similarly, if customers are paying the
6 Company quicker than the Company is paying NPPs, the Company would credit the
7 working capital impact through a reduction in the discount rate applied to payments to
8 NPPs. This approach would align with how the working capital impact is treated for Last
9 Resort Service, on a fully reconciling basis. In each annual retail rate filing submitted in
10 February, the Company includes a lead-lag study which reflects the timing of payments
11 to Last Resort Service wholesale suppliers (lead) and the timing of payments from
12 customers to the Company (lag). The resulting working capital impact, which is
13 calculated using the pre-tax weighted average cost of capital approved in the Company's
14 most recent base rate case, is recovered from Last Resort Service customers through the
15 Last Resort Service Administrative Cost Factor. An alternative approach would be if the
16 Company is able to demonstrate that it is paying NPPs more quickly than customers are
17 paying the Company, the Company could propose an interim adjustment of the payment
18 terms to NPPs.

19

1 **Q. If the Company experiences cash flow challenges due to POR, could that impact**
2 **customers?**

3 A. Whether cash flow challenges of POR can impact customers would depend upon the size
4 of the POR program and the magnitude of the cash flow challenges. If the negative
5 impact to cashflow is material, this may have a negative impact on credit ratings. If the
6 credit ratings fall, the cost of borrowing increases, potentially increasing customer bills in
7 the future.

8

9 **IV. RECOVERY OF THE COMPANY'S IMPLEMENTATION COSTS**

10 **Q. RESA's proposal provides that the Company will fully recover its costs to**
11 **implement a POR program through the discount rate or SCBP. Does the Company**
12 **believe this is a reasonable approach to recovering its implementation costs?**

13 A. Yes, the Company believes that charging NPPs as opposed to all or a subset of customers
14 is an appropriate way to recover the Company's implementation costs of a POR program.

15

16 **V. TERMS AND PARAMETERS OF A POR PROGRAM**

17 **Q. RESA's proposal provides that commercial and industrial ("C&I") customers be**
18 **treated differently in that NPPs will be permitted to utilize POR for a portion of**
19 **their C&I customers while utilizing separate billing for others. What is the**
20 **Company's position on this approach?**

1 A. The Company interprets RESA's proposal to mean that some of the NPP's C&I
2 customers would be billed directly by the NPP and not by the Company and the
3 Company would bill the remaining portion of the NPP's C&I customers through the
4 Company's Complete Billing Service and thus participate in POR. If this interpretation is
5 accurate, the Company does not have an objection.

6
7 However, the Company notes that if an NPP is participating in the Company's Complete
8 Billing Service, all of its C&I customers are receiving one bill from the Company and
9 NPP participation in POR will be required. This means that the NPP cannot have a
10 portion of its C&I customers being billed through the Company's Complete Billing
11 Service and not be part of a POR program and the remaining C&I customers also being
12 billed through the Company's Complete Billing Service and being part of a POR
13 program.

14
15 **Q. RESA's proposal provides that only generation service be included among the**
16 **receivables purchased by the Company but proposes that the Company be able to**
17 **voluntarily offer to purchase receivables for optional services. What is the**
18 **Company's position on this approach?**

19 A. As long as the accounts receivable of additional services to be purchased by the Company
20 are at the Company's option, the Company does not object to this position. If RESA's

1 position were to be amended so that the accounts receivable of additional services be
2 required to be purchased by the Company, the Company would object.

3
4 **Q. In Mr. Allegretti's pre-filed direct testimony, he suggests that the details of a POR**
5 **program in terms of obligations and rights of the NPPs and the Company would**
6 **need to be worked out in more specificity and suggests that a technical conference**
7 **may be the best approach? What is the Company's thoughts on this approach?**

8 A. This approach seems reasonable to the Company.

9
10 **Q. In Mr. Allegretti's pre-filed direct testimony, he suggests that, if approved, the POR**
11 **program be implemented for April 1st following approval. Does the Company have**
12 **any concerns about this timeline?**

13 A. This suggestion depends on when and if a POR program would be approved. The
14 Company assumes that in no scenario would an April 2021 implementation be a
15 possibility. April 2022 is reasonable provided that all contested issues in implementing
16 POR are resolved by January 1, 2022. If contested issues extend into calendar year 2022,
17 the Company proposes that it be provided 90 days following the resolution of such
18 contested issues.

19

1 **VI. CONCLUSION**

2 **Q. Does this complete your testimony?**

3 **A. Yes, it does.**