

CITY OF MARLBOROUGH MEETING POSTING

Meeting Name: City Council Operations and Oversight Committee

Date: September 29, 2015

Time: 6:00 PM

Location: City Council Chamber, 2nd Floor, City Hall, 140 Main Street

Agenda Items to be addressed:

RECEIVED
CITY CLERK'S OFFICE
CITY OF MARLBOROUGH
2015 SEP 22 A 11:46

Order No. 15-1006232: The City of Marlborough received \$50,000.00 from Colonial Power as part of its negotiated municipal agreement to fund energy efficient improvements for the City of Marlborough and its residents.

-REFER TO OPERATIONS AND OVERSIGHT COMMITTEE

Order No. 14-1006029: Municipal Aggregation Program

-REFER TO OPERATIONS AND OVERSIGHT COMMITTEE

THE LISTING OF TOPICS THAT THE CHAIR REASONABLY ANTICIPATES WILL BE DISCUSSED AT THE MEETING IS NOT INTENDED AS A GUARANTEE OF THE TOPICS THAT WILL HAVE BEEN DISCUSSED. NOT ALL TOPICS LISTED MAY IN FACT BE DISCUSSED, AND OTHER TOPICS NOT LISTED MAY ALSO BE BROUGHT UP FOR DISCUSSION TO THE EXTENT PERMITTED BY LAW.

The public should take due notice that the Marlborough City Council may have a quorum in attendance due to Standing Committees of the City Council consisting of both voting and non-voting members. However, members attending this duly posted meeting are participating and deliberating only in conjunction with the business of the Standing Committee.

Electronic devices, including laptops, cell phones, pagers, and PDAs must be turned off or put in silent mode upon entering the City Council Chamber, and any person violating this rule shall be asked to leave the chamber. Express authorization to utilize such devices may be granted by the President for recordkeeping purposes.



IN CITY COUNCIL

JUNE 1, 2015

Marlborough, Mass., _____

ORDERED:

That the City of Marlborough received \$50,000.00 from Colonial Power as part of its negotiated municipal agreement to fund energy efficient improvements for the City of Marlborough and its residents, be and is herewith refer to **OPERATIONS & OVERSIGHT COMMITTEE.**

Councilor Ossing abstained.

ADOPTED

ORDER NO. 15-1006232



City of Marlborough

Office of the Mayor

RECEIVED
CITY CLERK'S OFFICE
CITY OF MARLBOROUGH

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Arthur G. Vigeant
MAYOR

MAY 28 A 11:2
Nicholas Milano
EXECUTIVE AIDE

140 Main Street
Marlborough, Massachusetts 01752
Tel. (508) 460-3770 Facsimile (508) 460-3698 TDD (508) 460-3610
www.marlborough-ma.gov

Patricia Bernard
EXECUTIVE SECRETARY

May 28, 2015

City Council President Patricia Pope
Marlborough City Council
140 Main Street
Marlborough, MA 01752

Ossing abstained
OTO

Re: Colonial Power

Honorable President Pope and Councilors:

I am pleased to inform you that the City of Marlborough has recently received \$50,000 from Colonial Power as part of its negotiated municipal aggregation agreement with the City to fund energy efficiency improvements for the City of Marlborough and its residents.

As electricity rates remain high and heating costs continue to rise, especially when we have winters like the one we just had, we ought to assist our residents in finding energy efficiencies in their own homes. I look forward to working with you to establish a program to utilize these funds effectively and achieve greater energy savings for the City of Marlborough and its residents.

Additionally, as you may know, National Grid has reduced its electricity rates to nearly 9 cents per kilowatt hour. This rate outperforms the rate that the City has with Colonial Power under the municipal aggregation agreement. Over the first six months of the municipal aggregation agreement, Marlborough residents were able to achieve significant savings due to the low rate we negotiated with Colonial Power. However, these new rates from National Grid mean that Marlborough residents are now paying more than they should for electricity.

I look forward to working closely with you on the best means to inform Marlborough residents of their options under the current municipal aggregation agreement.

As always, please do not hesitate to contact me with any questions or concerns.

Sincerely,

Arthur G. Vigeant
Mayor



IN CITY COUNCIL

Marlborough, Mass., NOVEMBER 17, 2014

ORDERED:

That the Municipal Aggregation Program, be and is herewith refer to
OPERATIONS AND OVERSIGHT COMMITTEE.

Councilor Ossing recused.

ADOPTED

ORDER NO. 14-1006029



RECEIVED
CITY CLERK'S OFFICE
CITY OF MARLBOROUGH
2014 NOV 13 A
City of Marlborough
Office of the Mayor

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Arthur G. Vigeant
MAYOR

Michael C. Berry
EXECUTIVE AIDE

Patricia Bernard
EXECUTIVE SECRETARY

*assing abs
OK*

November 13, 2014

City Council President Patricia Pope
Marlborough City Council
140 Main Street
Marlborough, MA 01752

Re: Municipal Aggregation Program

Honorable President Pope and Councilors:

As you know, there is serious concern over the increase in electricity rates from National Grid. Recently, the Department of Public Utilities (DPU) ruled that National Grid will not be required to recalculate their rates which mean a substantial increase for the residents and ratepayers of the Marlborough community.

I am pleased to report that the City of Marlborough selected Hampshire Power as the supplier under a municipal aggregation for its Community Choice Power Supply Program ("City's Program") Hampshire Power will provide electric power supply for all National Grid Basic Service consumers in Marlborough. This plan means that through the city's bulk purchasing power our customers will pay a rate of \$.12858/kWh instead of the National Grid rate of \$.16273/kWh.

Councilors Joe Delano and Ed Clancy were intimately involved in helping craft a fair and transparent deal for the city and have worked with our team to ensure our residents have access to accurate information so that they may make the best decisions for their households. To that end, we have created a link on the city's homepage that details how residents can opt out of the program and why this deal is best for our residents. It will also include periodic updates throughout the term of the program.

Enclosed for your information is the ruling from DPU as well as the correspondence that has been mailed out to the entire city. Please do not hesitate to let me know if you have any questions.

Sincerely,

Arthur G. Vigeant
Mayor



THE CITY OF MARLBOROUGH'S COMMUNITY CHOICE POWER SUPPLY PROGRAM CONSUMER NOTIFICATION FORM

Dear Marlborough National Grid Basic Service Consumer:

The City of Marlborough is pleased to announce that it has selected Hampshire Power as the supplier under a municipal aggregation for its Community Choice Power Supply Program ("City's Program"). Hampshire Power will provide electric power supply for all National Grid Basic Service consumers in Marlborough. This letter is intended to tell you about this program for electric power supply. The savings to be realized under the City's Program is provided in the chart below. In accordance with state law, it also informs you of your rights and options if you choose not to participate in the Program.

YOU WILL NOT NOTICE ANY CHANGE. The only difference you will see is that Hampshire Power will be printed under the "Supply Services" section of your monthly bill. You will continue to receive one bill from National Grid. You will continue to send your payments to National Grid for processing. National Grid will continue to respond to emergencies, read meters and maintain the distribution and transmission lines. Reliability and quality of service will remain the same. Furthermore, you will continue to have all existing consumer rights and protections.

GUARANTEE OF SAVINGS. As you may know, National Grid's Basic Service rates are set to rise significantly on November 1, 2014. The City's Program is designed to offset this rise in rates, stabilize rates for one year, and guaranteed savings during the period from November 1, 2014 to April 30, 2015.

COMPARATIVE RATES AND TERMS

| | City's Program (Supplier Services Only) | National Grid Basic Service (Supply Services Only) |
|--|--|--|
| Rate Residential Commercial/Streetlight Industrial | \$.12858/kWh \$.12858/kWh \$.12858/kWh | \$.16273/kWh \$.15228/kWh \$.17488/kWh |
| Duration | December 2014– December 2015 <i>(Rates apply to service beginning and ending on the days of the month that your meter is read in your service area.)</i> | November 1, 2014 – April 30, 2015 <i>(Residential and Small Commercial rates change every 6 months, Large Commercial and Industrial rates change every 3 months)</i> |
| Exit Terms | NO PENALTY CHARGE | May receive a reconciliation charge or credit |

YOU DO NOT NEED TO TAKE ANY ACTION to participate in the City's Program.

ALL BASIC SERVICE CONSUMERS will automatically be enrolled in the City's Program and start benefiting from the lower rate beginning on the day of the month in December 2014 that your meter is read. This date varies by service area. Your meter reading date is shown on your bill.

CONSUMERS SHOULD MONITOR RATES in March when new National Grid's rates will be set for the May 2015 – November 2015 period. Consumers can opt-out of the City's Program with no penalty charge at any time and return to National Grid's Basic Service.

PROGRAM ANNOUNCEMENTS, UPDATES, AND RATE CHANGES will be posted on the City's website at www.marlborough-ma.gov under News & Announcements and the Municipal Aggregation Directory Tab and/or Quick Links.

BUDGET PLAN OR ELIGIBLE LOW-INCOME DELIVERY RATE CONSUMERS will continue to receive those benefits from National Grid.

IF YOU HAVE ALREADY CHOSEN A COMPETITIVE SUPPLIER ON YOUR OWN you will not be enrolled in the City's Program. You will continue to get your electricity from that Competitive Supplier. If you wish to enroll in the City's Program, you will need to opt-out of the program you have chosen by following that Competitive Supplier's opt-out instructions and then opt-in to the City's Program.

IF YOU DO NOT WISH TO PARTICIPATE IN THE CITY'S PROGRAM you may: 1) Opt-out and continue paying National Grid's Basic Service rate; or 2) Opt-out and choose your own Competitive Supplier (if one is available to you).

HOW TO OPT-OUT

Fill out, sign, and return the enclosed postage paid card **OR** visit www.colonialpowergroup.com/marlborough/ and click the opt-out button, then fill out and submit the Opt-Out Form. You may also call Colonial Power Group, Inc. at 508-485-5858, or Hampshire Power at 413-584-1300 to opt-out of the program.

ANY TIME AFTER ENROLLMENT you can still opt-out with **NO PENALTY CHARGE**. If you choose to opt-out after the initial enrollment, you may submit an Opt-Out form at www.colonialpowergroup.com/marlborough/ **OR** call us toll-free at (866) 485-5858 **OR** call Hampshire Power at [413\) 584-1300](tel:413-584-1300) and ask to be placed on National Grid Basic Service

IF YOU FAIL TO PAY YOUR BILL IN A TIMELY MANNER consistent with the requirements of Massachusetts law, you may be switched back to the National Grid Basic Service.

Basic Service consumers in the City of Marlborough will receive further notification of this Program on their December 2014 bill from National Grid.

BEWARE OF OTHER ENERGY OFFERS You may receive direct mail, phone calls, or even visits to your door from energy marketers. These companies are **NOT** associated with the City's Program or with National Grid. If you have questions about any offers you receive, please call 508-485-5858.

FOR FURTHER INFORMATION regarding the City's Program you can visit our website at www.colonialpowergroup.com/marlborough/ or call us toll-free at (866) 485-5858. To learn more about Hampshire Power visit: <http://www.hampshirecog.org/programs-and-services/electricity-services/hampshire-power>

Colonial Power Group, Inc. is an energy broker chosen by the City of Marlborough to facilitate the Community Choice Power Supply Program.

Este es un aviso importante. Por favor asegure que se traduce.

Este é um aviso importante. Queira mandá-lo traduzir.



The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 14-BSF-D3-A

November 6, 2014

Petition of Massachusetts Electric Company and Nantucket Electric Company to Department of Public Utilities for approval of standard Basic Service rates for: (1) November 1, 2014 through April 30, 2015, for its residential, street lighting, and small commercial and industrial customers; and (2) November 1, 2014 through January 31, 2015, for its medium and large commercial and industrial customers.

ORDER ON MITIGATING THE IMPACT OF THE INCREASE OF STANDARD BASIC
SERVICE RATES OF MASSACHUSETTS ELECTRIC COMPANY
AND NANTUCKET ELECTRIC COMPANY

I. INTRODUCTION

Under the Electric Industry Restructuring Act,¹ bundled retail electric service has been restructured so that retail generation service can be provided by competitive suppliers, while the delivery of electricity is still provided by electric distribution companies as a regulated monopoly service. G.L. c. 164, § 1B(d). Electric distribution companies, however, are required to provide basic service to any customer not taking generation service from a competitive supplier.

G.L. c. 164, § 1B(d). Each electric distribution company procures its basic service supply through a competitive solicitation. G.L. c. 164, § 1B(d). The basic service rate is set to pass through the market costs of electricity supply to customers.² See G.L. c. 164, § 1B(d).³ The Department of Public Utilities (“Department”) reviews an electric distribution company’s basic service solicitation to ensure that it is competitive and that the resulting rates are appropriately market based. D.T.E. 02-40-C at 22-23. Based on market conditions, the cost of electricity in the New England region has substantially increased for the upcoming winter months.

Over the last few years, the Department has implemented numerous initiatives to enhance the reliability of electricity service, reduce electricity costs, and empower customers to more

¹ Act Relative to Restructuring the Electric Utility Industry in the Commonwealth, Regulating the Provision of Electricity and Other Services, and Promoting Enhanced Consumer Protections Therein. St. 1997, c. 164 (“Restructuring Act”).

² Electric distribution companies do not earn a return on or derive a profit from providing basic service.

³ See also, Pricing and Procurement of Default Service, D.T.E. 99-60-B (2000); Default Service Procurement, D.T.E. 02-40-B at 22-23 (2003); Default Service Procurement, D.T.E. 02-40-C at 22-23 (2003).

efficiently manage their use of electricity.⁴ Together with the electric distribution companies, the Attorney General of the Commonwealth (“Attorney General”), the Department of Energy Resources (“DOER”), and other stakeholders, the Department continues to work to further these goals.

The Department recognizes, however, that higher winter electric rates continue to be a challenge for electric distribution companies’ customers, particularly posing a difficult financial burden for electric space heating customers. Thus, in this Order, the Department directs electric distribution companies to take actions to mitigate the financial effects of large increases to basic service rates this winter. Specifically, the Department directs the electric distribution companies to promote and allow residential customers to enroll in budget billing programs throughout the winter months, which will allow customers to spread their total electricity costs evenly over a specified period of time. In addition, the Department directs the electric distribution companies

⁴ Examples include removing financial disincentives for electric and gas utilities to utilize demand resources through revenue decoupling; enhancing our energy efficiency guidelines; fostering the development of distributed generation through the promulgation of net metering regulations; overseeing the implementation of electric utility smart grid pilot programs; approving utility-owned solar generating facilities; working to update distributed generation interconnection standards; approving long-term contracts for renewable power; and working to modernize the electric grid. See, e.g., D. P.U. 07-50 (2007); Energy Efficiency Guidelines, D.P.U. 08-50-B (2009); Energy Efficiency Guidelines, D.P.U. 11-120 (2011); 220 C.M.R. § 18.00 et seq. (rules governing net metering); Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 11-129 (2012) (smart grid pilot program); Smart Grid Pilot Evaluation Working Group, D.P.U. 10-82 (2011); Western Massachusetts Electric Company, D.P.U. 09-05 (2009) (solar generating facility program); Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 09-38 (2009) (solar generating facility program); Interconnection of Distributed Generation, D.P.U. 11-75 (2011); Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 10-54 (2010) (long-term renewable energy contracts); NSTAR Electric Company, D.P.U. 11-05/06/07 (2011) (long-term renewable energy contracts); Modernization of the Electric Grid, D.P.U. 12-76 (2012).

to continue their ramped up efforts to increase education regarding the competitive supply market, and to implement targeted energy efficiency programs, particularly for low-income and electric space heating customers, in order to assist customers in reducing their electric bills, especially during the winter months.

II. PROCEDURAL HISTORY

On September 16, 2014, pursuant to D.T.E. 99-60-B, D.T.E. 02-40-C, and G.L. c. 164, § 1B(d), Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid (“National Grid”), requested that the Department approve rates based on the results of the Company’s most recent basic service supply solicitation for: (1) November 1, 2014 through April 30, 2015, for its residential, street lighting, and small commercial and industrial (“C&I”) customers; and (2) November 1, 2014 through January 31, 2015, for its medium and large C&I customers. As a result of National Grid’s basic service solicitation, the fixed residential basic service rate for November 1, 2014 through April 30, 2015 is 16.182 cents per kilowatt hours, which is approximately 37 percent higher than the fixed basic service residential rate in effect November 1, 2013 through April 30, 2014. On September 23, 2014, the Department approved National Grid’s standard basic service rates for effect November 1, 2014.

On October 2, 2014, the Attorney General submitted a letter to the Department requesting, among other things, that we investigate whether the impact of National Grid’s residential basic service rates could be mitigated by deferring a portion of cost recovery to a future residential basic service term. The Attorney General also requested that the Department consider allowing National Grid to defer a portion of its C&I basic service cost recovery.

On October 3, 2014, the Department issued a Notice and Request for Comments⁵ seeking written comments from interested stakeholders addressing (1) whether and how any portion of National Grid's standard basic service cost recovery should be deferred to a later basic service term; and (2) other possible means to mitigate the effect on customers of the standard basic service rate increase. On October 10, 2014, the Department issued an Additional Request for Comments seeking written comments addressing a proposed method to calculate National Grid's standard basic service rates for its residential and small C&I customers over the twelve-month period November 1, 2014 through October 31, 2015.⁶ (This proposal and the Attorney General's deferral proposal are referred to herein as the "Basic Service Proposals.")

⁵ Apart from this proceeding, on October 2, 2014, the Department directed National Grid, Western Massachusetts Electric Company ("WMECo"), NSTAR Electric Company ("NSTAR"), and Fitchburg Gas and Electric Light Company, d/b/a Unitil ("Unitil"), to provide information on their (a) customer outreach and education regarding competitive supply market options; and (b) program offerings to help customers mitigate the impacts of the basic service rate increases (e.g., budget billing, energy efficiency programs). On October 10, 2014, each company submitted its responsive information (collectively, "October 10, 2014 Letters"). Because of their relevance to this proceeding, we incorporate the companies' responses into this docket.

⁶ Under the proposed method, National Grid would calculate the standard basic service rates for the six-month period November 1, 2014 through April 30, 2015 based on the weighted average of: (1) the standard basic service rate for the period November 1, 2014 through April 30, 2015 approved by the Department on September 23, 2014; and (2) a proxy weighted average standard basic service rate for the period May 1, 2015 through October 31, 2015, using the monthly bids submitted by the winning suppliers selected by National Grid in its most recent basic service solicitation to provide 50 percent of its basic service supply for that six-month period. At the time that the results of National Grid's next solicitation are known (i.e., National Grid solicits the remaining 50 percent of its basic service supply requirement for that period), National Grid would calculate the standard basic service rates effective May 1, 2015 according to the method described above, replacing the proxy rate described above with the actual rates that otherwise would go into effect on May 1, 2015.

Between October 14, 2014 and October 17, 2014, the Attorney General, Associated Industries of Massachusetts (“AIM”), Cape Light Compact (“Compact”), Colonial Power Group, Inc. (“CPG”), Conservation Law Foundation (“CLF”), Mass Energy Consumers Alliance (“Mass Energy”),⁷ Consolidated Edison Solutions, Inc. (“ConEdison Solutions”), Direct Energy, DOER, the Low-Income Weatherization and Fuel Assistance Program Network and the Massachusetts Energy Directors Association (“LEAN”), Town of Nantucket (“Nantucket”), National Consumer Law Center (“NCLC”), National Grid, NextEra Energy Power Marketing, LLC (“NextEra”), Exelon Corporation (“Exelon”),⁸ NSTAR, WMECo,⁹ Retail Energy Supply Association (“RESA”), Transcanada Power Marketing Ltd. (“Transcanada”), Unitil, and 47 Coffin Street Ratepayer Advocates filed comments.

On October 22, 2014, the Attorney General filed a Motion for Leave to File Reply Comments (“Attorney General Motion”) and submitted Reply Comments. On October 23, 2014, National Grid filed a Motion for Leave to Reply to the Attorney General’s Reply Comments and submitted Reply Comments (“National Grid Motion”).¹⁰

⁷ CLF and Mass Energy jointly submitted comments on behalf of CLF, Mass Energy, the Appalachian Mountain Club, Berkshire Environmental Action Team, Cape Wind Associates, Clean Water Action, Environmental League of Massachusetts, Green Justice Coalition, Health Care Without Harm, Mass Audubon, MassPLAN, Mother Out Front, and National Wildlife Federation.

⁸ NextEra and Exelon submitted joint comments.

⁹ WMECo and NSTAR, which are affiliated companies within the Northeast Utilities holding company system, submitted joint comments (together referred to as “Northeast Utilities”).

¹⁰ Both the Attorney General Motion and National Grid Motion address the carrying charges applicable to deferral balances. As discussed in Section IV.A, below, the

III. SUMMARY OF COMMENTS

A. Introduction

The comments generally address: (1) whether National Grid's basic service rates should be recalculated; (2) what other steps can be taken to mitigate the impact of the increase in basic service rates; and (3) whether the Department should open broader investigations into (i) revising the pricing and procurement of basic service; and (ii) promoting greater customer access to the competitive supply market. Below, the Department provides a general summary of the comments addressing these three topics. The Department appreciates all of the commenters' thorough and thoughtful comments.

B. Recalculation of Basic Service Rates

Nantucket is the only commenter to expressly support the Basic Service Proposals. Nantucket and the Attorney General state that the magnitude of the increase in basic service rates may implicate the Department's rate structure goal of continuity (Attorney General Comments at 2; Nantucket Comments at 2). Nantucket and the Attorney General contend that the Basic Service Proposals may minimize the immediate impact of the increased rate affording additional time for customers to adjust their consumption and budgets, or find a suitable competitive supplier (Attorney General Comments at 2; Nantucket Comments at 2).

No other commenters support the Basic Service Proposals (see, e.g., CPG Comments at 1; DOER Comments at 2; NextEra and Exelon Comments at 3; National Grid Comments at 1). These commenters state that, if implemented, the Basic Service Proposals would result in higher

Department does not defer or recalculate National Grid's standard basic service rates. Therefore, the Department does not address either Motion in this Order.

customer costs because they would include carrying charges on deferrals.¹¹ In addition, in the long term, the Basic Service Proposals would result in higher basic service rates from the additional risk premiums factored into bids in subsequent basic service procurements (see, e.g., Direct Energy Comments at 15-17; DOER Comments at 5; National Grid Comments at 7-8, 11; Northeast Utilities Comments at 3, 5; Unitil Comments at 3; TransCanada Comments at 4-5). According to several commenters, the Basic Service Proposals likely would have unintended consequences negatively affecting distribution rates,¹² the competitive supply market, and non-basic service customers, such as municipal aggregation customers (see, e.g., 47 Coffin Street Ratepayer Advocates Comments at 3; AIM Comments at 2-5; Attorney General Comments at 2; Compact Comments at 2; National Grid Comments at 2, 7, 11; RESA Comments at 5-7; TransCanada Comments at 4-5). Moreover, the commenters assert that the Basic Service Proposals might violate the Electric Industry Restructuring Act and Department precedent that requires basic service to be competitively procured and priced at the market price of electricity, with a uniform rate for periods of up to six months (see, e.g., Direct Energy Comments at 4-6; National Grid Comments at 2, 5, 10; Northeast Utilities Comments at 2; Unitil Comments at 2; citing G.L. c. 164, § 1B(d)). Finally, some commenters argue that there is no factual or legal basis for the claim that the basic service rate increases violates the Department's rate structure goal of continuity because supply rates are not subject to the Department's ratemaking standards

¹¹ If either of the Basic Service Proposals is adopted, National Grid estimates that the deferral balance would be between \$168 million and \$372 million at the end of the six-month basic service period (National Grid at 3).

¹² AIM notes that due to differences in solar generation output during winter and summer months, under the Basic Service Proposals distribution customers may bear significantly higher costs due to net metering payments (AIM Comments at 4).

for distribution rates (i.e., efficiency, simplicity, fairness, and continuity) (see, e.g., CPG Comments at 1; DOER Comments at 4; RESA Comments at 8-9).

C. Customer Education, Expansion of Existing Budget Billing¹³ and Energy Efficiency Programs

To mitigate the impact of National Grid's basic service rate increases, several commenters recommend customer education, expansion and promotion of the electric distribution companies' existing budget billing programs, and utilization of energy efficiency measures. The commenters assert that customer education regarding the basic service rate increases would assist in the mitigation strategies described below¹⁴ (see, e.g., AIM Comments at 5; Attorney General Comments at 4; Compact Comments at 2; ConEdison Solutions Comments at 3-4; DOER Comments at 7; RESA Comments at 14). For example, some commenters recommend additional customer outreach and education about competitive supply options (see, e.g., CLC Comments at 2; ConEdison Solutions Comments at 3; RESA Comments at 10, 12; Direct Energy Comments at 22; TransCanada Comments at 6). Several commenters recommend active promotion of National Grid's budget billing program to mitigate the impact of the basic service rate increases (see, e.g., Attorney General Comments at 4; ConEdison Solutions Comments at 3; Direct Energy Comments at 20; DOER Comments at 7; National Grid Comments at 15; NCLC Comments at 1; RESA Comments at 7-8). Some commenters assert

¹³ A budget billing plan is an equalized payment arrangement whereby the customer's electric usage is projected for a period, equal monthly charges are calculated and billed for that period, and said charges are reconciled with actual usage in the final billing for said period. 220 C.M.R. § 25.01(2).

¹⁴ DOER suggests a coordinated educational outreach with its Green Communities Division, Chambers of Commerce, Community Development Corporations, and municipal "main streets" initiatives (DOER Comments at 7).

that the electric distribution companies should expand budget billing programs by:

(1) restructuring the programs as opt-out; (2) allowing small business customers to enroll; (3) including competitive supplier charges; and (4) allowing flexible repayment terms and “down payment” requirements, particularly for low-income customers (see, e.g., ConEdison Solutions Comments at 3, n.3; Direct Energy Comments at 20-21; LEAN Comments at 2; NCLC Comments at 1). Regarding energy efficiency, some commenters suggest that the electric distribution companies should more actively promote participation in residential energy efficiency programs, specifically to electric space heating and low-income customers, through targeted mailings and direct outreach (see, e.g., DOER Comments at 6; RESA Comments at 15). Finally, the commenters support increasing investment in energy efficiency to mitigate price volatility and lower electricity consumption in the long term (see, e.g., CLF and Mass Energy Comments at 7; Direct Energy Comments at 22; Northeast Utilities Comments at 5).

D. Basic Service Procurement and Competitive Supply Market

Several commenters recommend that the Department initiate an investigation into revising the manner in which electric distribution companies procure and price basic service supply for residential and small C&I customers, including, but not limited to, changes in the length and timing of basic service supply solicitations (see, e.g., AIM Comments at 5; CPG Comments at 2; LEAN Comments at 3; NextEra and Exelon Comments at 6-7; Town of Nantucket Comments at 2). Some commenters also recommend that the Department take steps to (i) raise awareness of the supply options offered by the competitive market, and (ii) facilitate the ability of customers to switch to competitive supply (see, e.g., ConEdison Solutions Comments at 3; RESA Comments at 13; TransCanada Comments at 6).

IV. ANALYSIS AND FINDINGS

A. Recalculation of Basic Service Rates

The Restructuring Act requires that basic service be competitively procured and priced at the market price of electricity. G.L. c. 164 § 1B(d). In D.T.E. 99-60-B, the Department established a six-month fixed price¹⁵ option as the customary default service pricing option for residential and small C&I customers. D.T.E. 99-60-B at 5; see also D.T.E. 02-40-B. Basic service rates are already designed to mitigate price volatility for customers by averaging six monthly prices into one flat rate. The Department agrees with the majority of the commenters that changing National Grid's basic service rates by deferring costs from the current basic service term to another term, or by calculating a weighted average basic service rate over a twelve-month period, would not be in the ratepayers' best interests, would disrupt the competitive market, might result in higher basic service bid prices in the future, could shift costs to non-basic service customers, and would be contrary to Department precedent.

As almost all commenters discussed, the Basic Service Proposals would not reduce the cost of basic service for customers, but instead would spread the cost recovery over a longer period of time, which would increase carrying charges and distort price signals. If the Department adopted either Basic Service Proposal, customers would pay below market prices in the winter months and above market prices in the summer months. Overall, basic service price signals and seasonal price variability would be disguised and potentially increase customer

¹⁵ The Department has found that setting fixed pricing options for a longer term is inconsistent with keeping default service prices at market-based levels. D.T.E. 02-40-B at 44.

migration risk for basic service suppliers. See Massachusetts Electric Company, D.T.E. 99-60, Letter Order at 3 (April 3, 2001).

While we recognize that higher basic service rates in winter may pose a financial challenge for many customers, the Department finds that its current approach to basic service ratemaking strikes an appropriate balance between two objectives – price stability and efficient price signals (i.e., aligning basic service rates with prevailing market prices). See D.T.E. 02-40-B at 44-45. An appropriate price signal promotes efficient demand levels and further assures an adequate and reliable supply of electricity. D.T.E. 99-60, Letter Order at 3. Further, the Department notes that no commenter asserts that National Grid’s basic service solicitation was inconsistent with the applicable statutory and regulatory requirements or yielded prices above the average monthly market price for electricity.

For the reasons discussed above, the Department declines to recalculate National Grid’s basic service rates that were effective November 1, 2014. Instead, as discussed below, the Department directs National Grid, and the other electric distribution companies, to continue their ramped up efforts to educate customers about the increasing basic service rates and to promote programs that will assist customers in managing their energy use and electricity costs.

B. Customer Education, Expansion of Existing Budget Billing and Energy Efficiency Programs

The comments emphasize that all electric distribution companies should increase customer education efforts and implement programs to assist customers in mitigating the impact of higher basic service rates. The Department fully agrees that higher winter electric rates are a challenge for all electric distribution customers. Therefore, the Department discusses below

ways that National Grid, NSTAR, Unitil, and WMECo can continue to assist customers in managing their energy use and bills.

The Department agrees with several commenters that encouraging customers to take advantage of the electric distribution companies' budget billing programs will help some customers mitigate the effects of the increases in basic service rates. Therefore, we direct the electric distribution companies to more actively promote and allow customers to enroll in budget billing programs on a rolling twelve-month basis. At this time, we do not require electric distribution companies to offer budget billing programs to any customer class other than residential customers. However, while we recognize that there may be implementation limitations, the Department encourages the electric distribution companies to explore the possibility of allowing low-income customers who participate in an arrearage management program and small C&I customers to participate in budget billing or similar program. The Department also directs the electric distribution companies to include a discussion of the possibility of enrolling customers participating in arrearage management programs into budget billing programs in the companies' next arrearage management program filings.

The Department agrees that directing the electric distribution companies to encourage customers, especially electric space heating and low-income customers, to participate in energy efficiency programs will help mitigate the effects of high electricity prices. The Department recognizes that a number of initiatives in that regard are already underway. The electric distribution companies continue to collaborate with the Executive Office of Energy and Environmental Affairs, DOER, the Massachusetts Clean Energy Center ("Mass CEC"), LEAN, and the Massachusetts Energy Efficiency Advisory Council ("EEAC") on a number of energy

efficiency initiatives, including providing enhanced rebates for qualifying heating systems, light-emitting diode (“LED”) lighting, and wireless thermostats, to assist customers in lowering their energy use this winter. DOER recently provided \$5.1 million for residential renewable energy and energy efficiency improvements for the winter season.¹⁶ Moreover, the electric distribution companies and DOER, independently, maintain websites with information on winter energy resources, including energy efficiency, financing options, fuel assistance, and rebates. The Department encourages all electric customers to take advantage of these programs and directs the electric distribution companies to continue to coordinate with their vendors to ensure that customers can implement energy efficiency measures throughout the winter. The Department also encourages the companies to continue to collaborate with LEAN, DOER, and the EEAC to develop energy efficiency initiatives that will help lower electric space heating and low-income customers’ winter energy costs.

As stated above, each electric distribution company has outlined and documented measures it has implemented to ensure that customers are fully informed in order to respond to the basic service price increases this winter. Each electric distribution company has and plans to continue a broad education campaign through bill inserts, websites, social media, radio, and television to inform customers about ways to mitigate the impact of higher electric rates (see October 10, 2014 Letters). Specifically, the companies have promoted budget billing, energy efficiency, and low-income assistance programs, and have provided customers with information

¹⁶ DOER awarded: \$1.6 million to the Mass CEC to expand the rebate program for air source heat pumps; \$2.5 million to Mass Save for bonus rebates for efficient natural gas boilers and furnaces; \$0.3 million to the Department of Housing and Community Development for air source heat pumps for public housing; and \$0.7 million to the low-income heating assistance program administrators for wood pellet stoves and air source heat pumps.

about the competitive supply market (see October 10, 2014 Letters). National Grid, in particular, issued press releases and began these initiatives prior to filing its petition for approval of the basic service rates effective November 1, 2014 (see National Grid October 10, 2014 Letter, Att. B). In addition to other directives herein, the Department directs the electric distribution companies to continue their efforts to educate customers about impending basic service rate increases, including educating customers about competitive electricity supply options.

C. Investigations into Basic Service Procurement and Competitive Supply Market

Several commenters urge the Department to revise the manner in which electric distribution companies procure and price basic service. While the Department recognizes that the increase in basic service rates presents challenges for ratepayers, an investigation into restructuring basic service rates would not mitigate the basic service cost impacts this winter. Further, the Department notes that our ongoing investigation into the implementation of time varying rates also may affect the structure of basic service procurement and pricing – in addition to giving electric customers more tools with which to control their electricity bills. See Time Varying Rates, D.P.U. 14-04-C (November 5, 2014). Therefore, the Department will defer to a future date a decision on whether to open an investigation into revisiting the Department's established rules regarding the procurement and pricing of basic service.

As noted above, some commenters recommend that the Department take steps to facilitate the development of the retail competitive supply market. The Department recognizes that providing customers with a robust set of competitive supply options is a key component of ensuring that customers are well positioned to respond to increases in market prices. As such,

