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October 2, 2014

Ann G. Berwick, Chair
Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02110

Re: Basic Service Supply Rates

Dear Chair Berwick:

I am writing to request that the Department of Public Utilities ("Department") open an investigation, pursuant to the Department's supervisory authority found in G.L. c. 164, § 76, into ways to mitigate the dramatic rate increases that will impact National Grid's Basic Service customers on November 1, 2014, as well as anticipated increases to other electric distribution companies' basic service rates.

In recognition of this Office's limited statutory authority to review increases in basic service supply costs under chapter 164, I am writing separately to ask the Department to consider ways it can mitigate the impact these extraordinary rate increases will have on families and businesses in the Commonwealth.

On September 16, 2014, National Grid submitted its Basic Service filing for the periods November 1, 2014 through April 30, 2015 ("Winter Rates"). National Grid requested approval of the results of its solicitation within five business days of the date of its filing. Consequently, the Department stamp approved the filing on September 23, 2014.

National Grid's Winter Rates are dramatically higher than its current rates. For instance, Basic Service rates will jump from the current rate of 8.3 cents/kWh to 16.2 cents/kWh for residential customers on the fixed price option. Small commercial and industrial customers on Basic Service will pay an average of 15.138 cents/kWh on a fixed rate. Large commercial and industrial customers will pay between 17.3 cents/kWh and 17.8 cents/kWh on a fixed rate.

For further perspective on the magnitude of the increased rates, last year's winter rate for residential customers on a fixed price option was 10.025 cents/kWh. Small commercial and industrial customers paid 9.4 cents/kWh on a fixed rate. The fixed price option for large commercial and industrial customers was 9.88 cents/kWh on average.

The full magnitude of the increases in Basic Service rates may violate the Department's rate continuity precedent. *See GAF Orders*, D.T.E. 01-9 through 01-18 at 5 (2001). In the *GAF Orders*, the Department defined rate continuity to mean "that rate structure changes should be made in a predictable and gradual manner which allows consumers reasonable time to adjust their consumption patterns in response to a change in structure." *Id. quoting Cambridge Electric Light Company*, D.P.U. 87-221-A at 7-8 (1988); *see also National Grid*, D.P.U. 09-39 at 402. Here, rate increases for residential customers on the order of 37 percent higher from last winter and 100 percent from the rate currently in effect are not gradual and do not provide consumers with a reasonable amount of time to adjust their consumption patterns. Moreover, with the heating season beginning at the same time as National Grid's rate increase, many consumers will have little ability to adjust their consumption patterns.

As such, the Attorney General's Office respectfully requests that the Department work with National Grid and other stakeholders to determine what part, if any, of the cost recovery of the Winter 2014/2015 residential Basic Service rates may be deferred to the next 6-month period, May 1, 2015 through October 31, 2015 to smooth out the rate impacts between those periods. The Department should explore allowing more flexibility in the timing of recovery for Basic Service supply costs for other rate classes as well.

Because the Department has an obligation to balance concerns for rate continuity against additional carrying costs and market price distortion that may arise as a result of deferrals, the Department should seek the involvement of stakeholders and establish some process to determine the appropriate deferrals. *See GAF Orders*, D.T.E. 01-9 through 01-18 at 8 (2001). The Attorney General's Office looks forward to working with all parties to develop a solution to expected high winter rates from NSTAR Electric, Western Massachusetts Electric Company and Fitchburg Gas and Electric Light Company d/b/a Unitil.

We also ask that the Department open a separate generic investigation into the sufficiency of competition in the electricity supply market and the distribution companies' reliance on, and exposure to, that market. In particular, we urge the Department to review basic service procurement practices, including the timing of the solicitation, as well as the methods used to solicit. The investigation should also review the effect of ISO New England's winter reliability plans and the effect of current gas transportation constraints on wholesale energy prices this winter and in future winters.

Finally, the Department should explore initiatives which could provide customers with greater notice of these changes. In this regard, we acknowledge and appreciate the letters the Department sent to the distribution companies, dated October 2, which ask the companies to submit materials to the Department by October 10 describing how the companies may improve their notifications of customers of impending rate changes. We look forward to working with the Department, the distribution companies and all stakeholders to consider these important improvements.

Thank you for your consideration of our request. Please do not hesitate to contact me if you have questions regarding this or any other matter.

Sincerely,



Jesse S. Reyes
Chief, Office of Ratepayer Advocacy

cc: Alexandra Blackmore, National Grid
Jerrold Oppenheim, LEAN
Charlie Harak, NCLC