

D.P.U. 95-1D

Application of Boston Edison Company:

(1) under the provisions of G.L. c. 164, § 94G and the Company's tariff, M.D.P.U. 592-A, for approval by the Department of Public Utilities of a new annual fuel and purchased power adjustment charge and New Performance Adjustment Charge to be billed to the Company's customers pursuant to meter readings in the billing months of November and December 1995, and January 1996; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. §§ 8.00 et seq. and M.D.P.U. 545-A. The rules established in 220 C.M.R. §§ 8.00 et seq. set forth the filings to be made by utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978.

APPEARANCES: John M. Fulton, Esq.
Boston Edison Company
800 Boylston Street
Boston, Massachusetts 02199
FOR: BOSTON EDISON COMPANY
Applicant

L. Scott Harshbarger, Attorney General
By: Frank P. Pozniak
Assistant Attorney General
Department of the Attorney General
Regulated Industries Division
Public Protection Bureau
200 Portland Street
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Intervenor

I. INTRODUCTION

On October 3, 1995, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Boston Edison Company ("BECo" or the "Company") applied to the Department of Public Utilities ("Department") for approval of a new annual fuel charge¹ in conformance with its tariff, M.D.P.U. 592-A, and for approval of a quarterly change of its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 545-A. The Company requested that the change be effective for bills issued pursuant to meter readings in the billing months of November and December 1995, and January 1996. The matter was docketed as D.P.U. 95-1D.

Pursuant to notice duly issued, a public hearing on the Company's application was held on October 27, 1995, at the Department's offices in Boston. Notice of the hearing was published in the Boston Herald and The Boston Globe. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings. The Attorney General of the

¹ On November 4, 1994, the Department approved an experimental annual fuel charge proposal submitted by the Company. Boston Edison Company, D.P.U. 94-1D at 17 (1994). Among other things, the experimental annual fuel charge permitted the Company to levelize the fuel cost component at \$0.03059 per month for the period November 1994 through October 1995. Id. at 4. The Company applied interest to the difference between the cumulative over/under recovery amount under the annual fuel charge and the over/under recovery amount that would normally occur if a quarterly fuel charge were in effect. Id. at 4-5. In Boston Edison Company, D.P.U. 95-1A at 11 (1995), the Department approved the Attorney General's recommended treatment of the New Performance Adjustment Charge which had the effect of creating an annualized New Performance Adjustment Charge by netting the projected cumulative over/under-recovery in the new performance adjustment charge expenses with the projected cumulative over/under-recovery in fuel cost component expenses.

Commonwealth ("Attorney General") intervened as of right in this proceeding pursuant to G.L. c. 164, § 11E.

In support of its filing, the Company sponsored two witnesses: Rose Ann Pelletier, power contracts division manager in the fuel and power contracts department; and Anne M. Lynch, senior research analyst in the fuel and power contracts department. The evidentiary record includes ten Company exhibits and the Company's responses to two record requests of the Department and two record requests of the Attorney General. On October 31, 1995, the Attorney General filed comments on the Company's proposed fuel charge. The Company filed reply comments on November 1, 1995.

BECo is a public utility engaged principally in the generation, purchase, transmission, distribution, and sale of electricity. The Company supplies retail electric service to an area of approximately 590 square miles encompassing the City of Boston and 39 surrounding cities and towns. BECo serves about 570,000 residential customers, 91,000 commercial customers, and 1,600 industrial customers. BECo also supplies wholesale electricity to other utilities and municipal electric departments.

The Company's last base rate increase occurred in October of 1992 as a result of the Department's approval of a settlement agreement ("1992 Settlement") in Boston Edison Company, D.P.U. 92-92 (1992). The Company's previous base rate increase before D.P.U. 92-92 occurred in October 1989 as a result of the Department's approval of a settlement agreement ("1989 Settlement") in Boston Edison Company, D.P.U. 88-28/88-48/89-100 (1989).

II. THE COMPANY'S ANNUAL FUEL CHARGE PROPOSAL

A. Company's Proposal

The Company states that, in its opinion, the experimental annual fuel charge approved in D.P.U. 94-1D was a success (Exh. Revised BE-1, at 3). The Company hired Opinion Dynamics Corporation to conduct a survey of the Company's customers to determine whether all classes of customers wanted to continue the annual fuel charge (id.). According to the Company, the results of the survey indicate that a majority of the Company's residential, small and large commercial, and industrial customers valued and placed importance on the continuation of the annual fuel charge (id.; Tr. at 25-27). Therefore, the Company filed its proposed annual fuel charge and requested that the Department approve the annual charge and allow it to remain in effect for the period November 1, 1995 through October 31, 1996 (Exh. Revised BE-1, at 4).

BECO contends that during the period of November 1995 through October 1996, the Company will experience an uneven cash flow (i.e., will either overcollect or undercollect) (id.). In order to ameliorate the impact of this over/undercollection, the Company proposes that interest be calculated on a daily basis at the prime rate and applied to the difference between the cumulative over/under recovery amount under the proposed annual fuel charge and the over/under recovery amount that would normally occur if a quarterly fuel charge were in effect (id.). The Company will report the monthly over/under collection, the cumulative over/under collection and the associated net interest on a quarterly basis (id.). The net interest amount will be returned to, or collected from, customers when a new annual fuel charge is filed for approval (id.; Tr. at 29-30). The Company proposes to maintain the threshold of a projected \$20 million

over/under recovery to cause an interim filing on the annual fuel charge (Exh. Revised BE-1, at 4). In the event the Company were found imprudent during a generating unit performance program review, the Company proposes to incorporate disallowed replacement power expenses and associated interest in the next quarterly reconciliation (id. at 5).

B. Attorney General Position

The Attorney General posits that the annual fuel charge should continue for only one more year (Attorney General Comments at 1). In the Attorney General's opinion, compliance with the directives contained in Electric Industry Restructuring, D.P.U. 95-30 (1995) will affect the structure and nature of the utility industry, including the fuel charge (id.). The Attorney General notes that BECo is expected to file its restructuring plan on or before February 17, 1996 (id.). The Attorney General argues that a "sound and reasonable approach during this time" would be to allow the experimental annual fuel charge for only one more year (id.).

The Attorney General also objects to the Company's proposal to collect from ratepayers the net interest, based on the prime rate, on the difference in recovery between the annual fuel charge and what it would have collected under a quarterly fuel charge (id. at 2). The Attorney General argues that the application of the prime rate in these circumstances is allowed by statute only in terms of interest payable to consumers and then only when a company has overestimated unit fuel prices by more than five percent (id., citing G.L. c. 164, § [94]G(b)). The Attorney General also argues that interest is applied on replacement power costs only when the Department finds the Company imprudently incurred the fuel costs (id., citing G.L. c. 164, § [94]G(a)). According to the Attorney General, the fact that the annual fuel charge resulted in a lower rate

than the quarterly fuel charge "should be ample incentive for the Company" (id. at 2). The Attorney General also contends that there is no provision in G.L. c. 164 that allows the interest calculation the Company proposes to include in its fuel charge (id.).

The Attorney General argues that should the Department approve an interest calculation in this proceeding, it should do so with two modifications. First, according to the Attorney General, the Department should not allow the Company to use the prime rate, but direct the Company to use the interest rate it is charged on its 30-day borrowings (id.). Second, the Attorney General argues that the Company not be allowed to collect interest on the difference between its actual and forecasted charges to the extent that the difference was attributable to its failure to meet its forecasted unit availability at its plants (id.).

C. Company Position

While the Company agrees with the Attorney General that the entire concept of a fuel charge may be revisited as a result of industry restructuring, the Company argues that the connotation of experimental not be assigned to its fuel charge (Company Reply at 1-2). The Company contends that the experiment was a success and its process is both accepted and desired by the Company's customers (id. at 1). The Company notes that, by its very nature, the annual fuel charge will be reviewed at the end of the year (id.). Thus, the Company argues that its original proposal, and not an experimental fuel charge, be approved (id.).

The Company asserts that its proposal to collect interest on the difference in recovery between the annual fuel charge and what it would have collected under a quarterly fuel charge is consistent with the Department's findings in D.P.U. 94-1D (id. at 2). The Company also asserts

that its use of the prime rate is the most appropriate rate as it is the rate allowed by the Department when the Company pays interest to its customers (id.). The Company claims that this consistent application of the prime rate for all interest calculations is fair and provides parity among all parties (id.).

The Company objects to the Attorney General's proposal to couple the interest recovery by the Company to whether or not its generating units meet their forecasted unit availability (id.). The Company specifically challenges the Attorney General's proposal to tie the recovery of interest for the performance year November 1, 1994 through October 31, 1995, with the forecasted performance at Pilgrim for the next performance year, November 1, 1995 through October 31, 1996 (id.). The Company contends that while the fuel charge and generator unit performance are interrelated, they are addressed in separate proceedings (id.). The Company believes it is inappropriate to merge the separate proceedings, as implied by the Attorney General (id.).

III. FUEL CHARGE

On October 20, 1995 the Company, pursuant to G.L. c. 164, § 94G(b), filed with the Department its proposed changes to its fuel charge and QF power purchase rates for the billing months of November and December 1995, and January 1996. The Company's fuel charge is composed of a fuel cost component and a New Performance Adjustment Charge ("NPAC") levied in accordance with the 1989 Settlement. The fuel charge also includes a reconciliation of the Fossil Generation Performance Adjustment Charge ("FGPAC"), which, in accordance with the 1992 Settlement, was in effect for the three-year period ending October 31, 1995.

A. FUEL COST COMPONENT

For the billing months of November and December 1995, and January 1996, the Company proposes a fuel cost component of \$0.02935 per KWH, pursuant to and consistent with the annual fuel charge proposal discussed above (DPU-RR-1). This proposed fuel cost component is \$0.00124 per KWH less than the experimental fuel charge of \$0.03059 per KWH approved by the Department in Boston Edison Company, D.P.U. 94-1D (1994). The decrease in the fuel cost component is the result of several factors.

First, the Company estimates that it will over-recover approximately \$10.9 million as of October 31, 1995 (DPU-RR-1). That is, for the period November, 1994 through October 31, 1995, the Company has estimated a net decrease of about \$10.9 million in its fuel adjustment clause expenses as compared to the fuel charge expenses projected in D.P.U. 94-1D, when the experimental fuel charge was initially proposed (Tr. at 30-31). The Company stated that this over-recovery was the result of (1) lower than forecast fuel prices; (2) changes in the generation mix; and (3) higher than forecast revenues associated with capacity revenues for power sales and transmission revenues (id.).

Second, the Company is forecasting a \$19.3 million reduction in net energy expenses from those forecast in D.P.U. 94-1D (Exh. Revised BE-1, at 9; Tr. at 32). The Company attributes this reduction generally to a reduction in fuel prices, and differences in maintenance schedules and unit availabilities (Tr. at 32). Specifically, the Company is forecasting a higher capacity factor for the Pilgrim Nuclear Power Station ("Pilgrim") than was forecast in D.P.U. 94-1D, and stated that Mystic 4 and 6 are no longer considered must-run units (id. at 31-32).

Third, the Company is forecasting that the revenue credit associated with its contract with Braintree Municipal Light Department will increase by about \$1.33 million as compared to the Braintree revenue credit forecast in D.P.U. 94-1D (Exh. Revised BE-1, at 9; Tr. at 35).

According to the Company, the revenue credit incorporated in D.P.U. 94-1D was based on 1.9 MW of capacity while the revenue credit from Braintree for this filing is based on 7.9 MW (Tr. at 35).

According to the Company, the forecast decrease in net energy expenses is partially offset by a forecast increase in net capacity expenses which the Company states to be about \$11.4 million higher than the amount forecast in D.P.U. 94-1D (Exh. Revised BE-1, at 9). The Company attributes about \$9 million of this increase to capacity charges associated with its Masspower contract (id.). The Company stated that the Masspower capacity charges it forecasted in D.P.U. 94-1D were lower than the actual charges, and that the Company is forecasting a slight increase in these charges for the upcoming period of November 1995, through October 1996 (Tr. at 34).

The Company's forecast decrease in net energy expenses are further offset by the Company's proposal to include in this filing (1) a projected interest reconciliation amount of \$382,445; (2) a replacement power expense reconciliation of \$1,056,236; and (3) a FGPAC reconciliation of \$1,000,000 (Exhs. Revised BE-1, at 10, 14; Revised BE-4, at 1-3). Pursuant to D.P.U. 94-1D, for the period November 1, 1994 through October 31, 1995, BECo calculated the interest on the cumulative over/under-recovery position above what would normally occur if a quarterly fuel charge were in effect. The Company proposes to collect from customers \$382,445

of interest (Exhs. Revised BE-1, at 10; Revised BE-2, Attachment A). This amount is based on actual data for the 11-month period of October 1994 through September 1995, and estimated data for the month of October 1995 (id.). BECo stated that it will present a final interest reconciliation amount in its January 1996 filing to reflect actual data for October 1995 (Tr. at 40).

Regarding the Company's proposed replacement power expense reconciliation adjustment of \$1,056,236, BECo stated that this represents (1) the difference between the estimated and actual replacement power costs in connection with Pilgrim, New Boston 1, Mystic 4, and Mystic 7 units disallowed in D.P.U. 94-1A-1 (1995); and (2) replacement power expenses associated with outages caused by transformer failure in 1994 at Mystic 5 and 6 (Exh. Revised BE-1, at 10). The Company indicated that it had already returned \$2.3 million, on a preliminary basis, to customers during the period February 1995, through October 1995 (id.). BECo calculated the actual replacement power expenses for all periods to be \$1,107,237 (Exh. Revised BE-4). Therefore, since the Company had already returned \$2.3 million, it proposed a reconciliation adjustment, including interest, of \$1,056,236 (\$2,300,000 minus \$1,107,237) (Exh. Revised BE-1, at 10).

The Company's proposed FGPAC reconciliation of \$1,000,000 is discussed in section III.C. below.

B. NEW PERFORMANCE ADJUSTMENT CHARGE

In accordance with the terms of the 1989 Settlement, a Performance Adjustment Charge ("PAC") went into effect for the three-year period beginning November 1, 1989. See BECo Tariff M.D.P.U. 783. The 1989 Settlement further provided that beginning November 1, 1992,

an NPAC would take the place of the PAC (1989 Settlement at 8). See BECo Tariff M.D.P.U.

784. The NPAC will remain in effect until October 31, 2000 (1989 Settlement at 11).

As defined in the 1989 Settlement, the NPAC is calculated as:

NPAC = $[(\text{POUT} \times \text{PRAT}) + \text{SALP} + \text{PIA}]/\text{KWH}$, where

POUT = one-third of the Company's retail share of the KWHs of net power generated at Pilgrim during the performance year² during which the NPAC will be in effect;

PRAT = the Pilgrim Cent-Per-KWH Rate established under the 1989 Settlement;

SALP = a Systematic Assessment of Licensee Performance Adjustment;

PIA = a Performance Indicator Adjustment; and

KWH = the estimated number of KWHs to be sold by BECo under rates subject to the Department's jurisdiction during the applicable performance year (1989 Settlement at 9-11).

The product of the POUT multiplied by the PRAT, referred to by the Company as the capacity factor adjustment ("CFA"), for the twelve-month period from November 1, 1995 to October 31, 1996 is \$69,548,814 (Exh. BE-5, at 3). The CFA is based on a forecasted 90.6 percent Pilgrim annual capacity factor ("CF") for the 1995-1996 performance year (id.).

The SALP Adjustment is based on Pilgrim's average SALP score issued by the U.S. Nuclear Regulatory Commission ("NRC") (1989 Settlement at 9). The NRC issued its most recent SALP evaluation on November 16, 1994. The average SALP score for Pilgrim in this report was 1.25 (Exh. BE-5, at 3). The 1989 Settlement provides that for each one tenth of a point that the SALP score is less than 1.6, \$500,000 will be added to the NPAC costs to be

² The term "performance year" shall refer to any of the eleven consecutive twelve-month periods beginning November 1, 1989 (1989 Settlement at 9-11).

recovered over the remainder of the performance year (1989 Settlement at 9-11); thus, an increase of \$50,000 will be made for each hundredth of a point by which the SALP score is less than 1.6. Since the Company's score is 1.25, thirty-five hundredths of a point less than 1.6, the Company has included a positive adjustment of \$1,750,000 ($\$50,000 \times 35$) in the calculation of the NPAC (Exh. BE-5, at 4).

The PIA contains five individual measures reflecting performance at Pilgrim:

(a) Automatic Scrams While Critical; (b) Safety System Failures; (c) Safety System Actuations; (d) Collective Radiation Exposure; and (e) Maintenance Backlog Greater Than Three Months Old (1989 Settlement at 9-11). The PIA is based on Pilgrim's performance relative to the industry. For the purposes of calculating the performance adjustment charge, the Company estimated that Pilgrim's performance on each of the five indicators will fall within the neutral zone (Exh. 4, at 4-5). Accordingly, the Company forecasts the PIAs for these indicators in the current period to be zero (id.).

According to the terms of the 1989 Settlement, the PAC and the NPAC may be calculated using estimates of these performance factors (1989 Settlement at 7, 11). The 1989 Settlement also provides that the Company shall reconcile any estimates used in calculating a quarterly PAC or NPAC when final information concerning the performance factor values becomes available (id.). The NPAC may change on a quarterly basis because the Company's forecast of retail KWH sales has changed or because the Company has under- or over-recovered revenues from the previous quarter. The Performance Adjustment Charge and each of its components are subject to reconciliation at the conclusion of each twelve-month period.

However, in D.P.U. 95-1A at 11-12, the Department approved a proposal to offset any NPAC increase against any projected over-recovery position, which established an annualized NPAC. In this filing, the Company includes a preliminary reconciliation for the November 1, 1994 through October 31, 1995 performance year (Exh. BE-5, at 6). The Company proposes an NPAC for the period of November 1995 through October 1996, of \$0.00570 per KWH (Exhs. Revised BE-1, at 12; BE-5, at 1). The proposed factor represents an increase of \$0.00244 per KWH from the effective NPAC of \$0.00326 as approved in D.P.U. 95-1A (Exh. Revised BE-1, at 12).

The Company stated that this increase is attributed to two major factors. First, BECo is projecting a Pilgrim CF of 90.6 percent as compared to a CF of 64.6 percent forecasted in D.P.U. 94-1D (id. at 13-14). According to the Company, the forecast CF impacts both the POUT and PRAT components, which in turn affect the amount of NPAC revenues to be recovered (id. at 14). Second, the Company forecasts a SALP adjustment of \$1,750,000 compared to \$850,000 forecasted in D.P.U. 94-1D (id. at 13).

C. FOSSIL GENERATION PERFORMANCE ADJUSTMENT CHARGE

The FGPAC was comprised of two parts: (1) an Equivalent Availability Factor ("EAF") Incentive; and (2) a Heat Rate Incentive (1992 Settlement at 4-6).

The EAF Incentive is based on the weighted average annual EAF for the Company's fossil units -- Mystic Units 4, 5, 6, and 7, New Boston Units 1 and 2, and the Company's combustion-turbine units -- where weighing is a function of unit capacity (id. at 4). The EAF neutral zone is set at 76 percent to 84 percent. For each percentage point that the EAF falls below 76 percent

for any performance year, the EAF Incentive will be a negative adjustment of \$500,000. For each percentage point that the EAF is above 84 percent for any performance year, the EAF Incentive will be a positive adjustment of \$500,000. The EAF may not exceed \$3 million, positive or negative, for any performance year (id. at 4-5). For the forecast period, the Company anticipates that its performance in this area will fall within the neutral zone. Accordingly, the Company has proposed no EAF adjustment (Exh. BE-6, at 1-3).

The Heat Rate Incentive applies to the annual average heat rate at the Company's Mystic Unit 7 (id. at 5-6). The specific heat rate goal varies based on the capacity factor achieved at Mystic Unit 7 (id.). For any performance year, the Heat Rate Incentive will be a positive adjustment of \$7,500 for each British Thermal Unit ("BTU") per KWH that Mystic Unit 7's annual average heat rate drops below the neutral zone (id.). The maximum annual increase is \$1 million (id.). The Heat Rate Incentive will be a negative adjustment of \$7,500 for each BTU per KWH that the heat rate exceeds the neutral zone for any performance year (id.).

The projected capacity factor for the twelve month period from November 1, 1994 through October 31, 1995, is 40.9 percent (id. at 4). The target heat rate is 10,823 BTU/kWh, and the neutral zone is 10,931 BTU/kWh to 10,607 BTU/kWh (id.). The projected heat rate for this period is 10,421 BTU/kWh. Thus, the Company proposes a \$1 million heat rate incentive $[(10,607 - 10,421) \times \$7,5000] = \$1,395,000$ or \$1,000,000 (id.).

IV. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. §§ 8.00 et seq., rates to be paid to QFs for short-run power purchases are filed at the time of the fuel adjustment charge filing. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to 220 C.M.R. § 8.04, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighing is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b). The Company is also required, under 220 C.M.R. § 8.04(6)(b), to file its short-run capacity purchase rates, calculated on a KWH basis by voltage level, according to the formula in 220 C.M.R. § 8.04(6)(a).

In Revised Exhibit BE-7, the Company has proposed the following standard rates to be paid to QFs during November and December 1995, and January 1996:

Energy Rates By Voltage Level (Dollars/KWH)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
115 KV	0.02945	0.01843	0.02238
14 KV	0.02995	0.01871	0.02274
4 KV	0.03014	0.01881	0.02287
Secondary	0.03075	0.01915	0.02330

Short-Run Capacity Rates

<u>Voltage Level</u>	<u>Short-Run Capacity Rate</u>
115 KV	0.02914 dollars/KWH
14 KV	0.02996 dollars/KWH
4 KV	0.03040 dollars/KWH
Secondary	0.03137 dollars/KWH

V. ANALYSIS AND FINDINGS

The Company's proposal for an annualized fuel charge is similar in form and procedure that was approved in D.P.U. 94-1D, except that the present proposal is not termed an experiment. In D.P.U. 94-1D at 13-17, the Department found that an annualized fuel charge was consistent with G.L. c. 164, § 94G and Department precedent, and was in the public interest. In addition, because the Company's survey indicates that a majority of the Company's customers have accepted and valued the stability and continuity of the annual fuel charge, the Department further finds that the proposal is in the public interest. Given that the Company's proposal here is similar to the one approved in D.P.U. 94-1D, the Department finds that the Company's present proposal is consistent with G.L. c. 164, § 94G, and Department precedent, for the same reasons stated in D.P.U. 94-1D, at 15-16. Because the annual fuel charge will be reviewed and reconciled in one year, the Department finds it unnecessary to apply the term "experimental" to the Company's fuel charge. We note that to the extent that the Company's restructuring plan filed pursuant to D.P.U. 95-30 affects the Company's fuel charge, the Department will address that issue in its review of the Company's restructuring plan.

In D.P.U. 94-1D at 14, the Department found that while G.L. c. 164, § 94G provides that the approved fuel charges reflect a quarterly reconciliation for any differences between the fuel

charge revenues and actual fuel and purchased power costs, the Company's proposal to reconcile the under- or over-recovery on an annual basis included interest payments which served to treat both shareholders and ratepayers as if quarterly reconciliation were actually implemented. The Department finds that the Company's proposed interest calculation is equally appropriate here. The Department also finds that the application of the prime rate is appropriate. The Department notes that under the Company's experimental plan approved in D.P.U. 94-1D and under the Company's present proposal, the application of the prime rate is used to calculate both the interest on the under- and over-recovery. That is, the interest amount that is to be collected from or returned to ratepayers is based on the same interest rate, the prime rate. The Attorney General also maintains that if the Department allows the Company to collect interest on the underrecovery of the annual fuel charge compared to quarterly adjustments, the Department should require BECo to use the same rate that the Company is charged on its 30-day borrowings. In D.P.U. 94-1D at 14, the Department noted that the reconciliation on an annual basis included interest payments "to treat both the shareholders and ratepayers as if quarterly reconciliation were actually implemented." The Department finds that the prime rate is appropriate to calculate the interest rate on Company over-recovery, and therefore the prime rate is fair and appropriate to apply to Company underrecovery as well.

Further, the Department does not accept the Attorney General's position that the Company should not be allowed to collect interest on the difference between its actual and forecasted charges to the extent that the difference was attributable to its failure to meet its forecasted unit availabilities at its plants for two reasons. First, the Company does not "collect

interest on the difference between its actual and forecasted charges." Rather, the interest is calculated on the difference between the cumulative over/under recovery amount under the annual fuel charge and the over/under recovery amount that would normally occur if a quarterly fuel charge were in effect. Second, both the annual fuel charge and the quarterly fuel charge that are used in the determination of the amount subject to interest charges are based on the same assumptions regarding unit availabilities.

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of November 1995 through October 1996 shall be \$0.03505 per KWH, subject to refund and to quarterly review. The fuel charge shall be comprised of a fuel cost component calculated as shown in Table 1 attached to this Order, and a New Performance Adjustment Charge calculated as shown in Table 2 attached to this Order; and
2. that the QF power purchase rates for November and December 1995, and January 1996 shall be the rates set forth in Section IV of this Order.

VI. ORDER

Accordingly, after due notice, hearing, and consideration, it is

ORDERED: That Boston Edison Company is authorized to put into effect a fuel charge of \$0.03505 per kilowatthour as set forth in Section V, Finding 1, of this Order for bills issued pursuant to meter readings in the billing months November and December 1995, and January 1996, subject to refund; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to

kilowatthours sold to the Company's customers subject to the jurisdiction of the Department; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for the billing months of November and December 1995, and January 1996 shall be those stated in Section IV and found to be proper in Section V of this Order; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G(a) and (b), the fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the period applicable to the present charge; and it is

FURTHER ORDERED: That the fuel charge shall appear as a separate item on all customers' electric bills and shall be referenced with a footnote that will identify each customer's fuel cost component and will explain that the fuel charge also includes the New Performance Adjustment Charge.

By Order of the Department,

Mary Clark Webster, Commissioner

Janet Gail Besser, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).