November 25, 2020

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02110

Re: NSTAR Electric Company d/b/a Eversource Energy; Massachusetts Electric
Company and Nantucket Electric Company, each d/b/a National Grid; and
Fitchburg Gas and Electric Light Company d/b/a Unitil, D.P.U. 20-16/20-17/20-18

Dear Secretary Marini:

Enclosed for filing in the above-captioned matter please find the Office of the Attorney
General’s Motion for Reconsideration. Thank you for your attention to this matter. Please do not
hesitate to contact me if you have any questions about this filing.

Sincerely,

/s/ Shannon Beale

Shannon Beale
Assistant Attorney General

Enclosures

cc: Mary Alice Davey, Hearing Officer
   Service List
Pursuant to 220 C.M.R. §§ 1.11(10) and (11), the Office of the Attorney General ("AGO") hereby requests that the Department of Public Utilities (the "Department") reconsider its decision in its November 5, 2020 order in D.P.U. 20-16, D.P.U. 20-17, and D.P.U. 20-18 (the "Order") to set the annual remuneration rate at 2.75 percent of the annual payments under the Power Purchase Agreements ("PPAs").
I. BACKGROUND

Section 83C of an Act Relative to Green Communities, St. 2008, c. 169, as amended by St. 2016, c. 188 (“Section 83C”) directs the electric distribution companies to jointly and competitively solicit proposals from offshore wind energy generation resources for cost-effective long-term contracts for generation and any associated environmental attributes and/or renewable energy certificates (“RECs”) equal to an annual amount of approximately 1,600 megawatts (“MW”) of aggregate nameplate capacity by June 30, 2027. Section 83C(b). Section 83C contemplates multiple solicitations to reach 1,600 MW. Id. Here, the Proposed PPAs relate to the second solicitation pursuant to Section 83C, part of the staggered procurement schedule developed by the Massachusetts Electric Distribution Companies (“EDCs” or “Companies”) and the Department of Energy Resources (“DOER”). Exh. Joint Testimony of Waltman/Brennan/Glover at 6-7. The EDCs issued the first Request for Proposals for Long-Term Contracts for Offshore Wind Energy Generation on June 29, 2017 in accordance with the approval of the Department. Id. at 7. As a result of that solicitation, the EDCs executed and filed for Department approval PPAs with Vineyard Wind for an aggregate 800 MW of offshore wind energy generation. Id. The PPAs were approved by the Department in dockets D.P.U. 18-76/18-77/18-78. Id. Therefore, the EDCs had a remaining obligation to solicit for 800 MW of additional offshore wind energy generation under Section 83C. Id.

Section 83C also provides that an EDC may receive remuneration up to 2.75 percent of the annual payments under a long-term contract to compensate the company for accepting the

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1 The EDCs include three electric distribution companies in Massachusetts: NSTAR Electric Company d/b/a Eversource Energy; Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid; and Fitchburg Gas and Electric Light Company d/b/a Unitil.
financial obligation of the long-term contract. See 220 CMR 23.07.²

On February 10, 2020, the Companies separately filed petitions with the Department for approval of long-term PPAs (“Proposed PPAs”) entered into pursuant to Section 83C and 220 CMR § 23.00. The Proposed PPAs govern the terms of each Company’s purchase of its pro-rata share of energy and Environmental Attributes³ produced by the Mayflower Wind facility. Exh. Joint Testimony of Waltman/Brennan/Glover at 7-8. Mayflower Wind intends to develop its 804 MW facility in two phases (collectively, the “Project”). Id. at 8. Accordingly, each EDC has entered into a PPA for each of the two phases of the Project, entitling each EDC to purchase its pro-rata share of energy and Environmental Attributes generated by the combined 804 MW project. Id. Additionally, the EDCs request the recovery of remuneration equal to 2.75 percent of the annual payments under the Proposed PPAs, the maximum remuneration allowed by the statute. Id. at 9, 42.

On July 27 and 28, 2020, the Department held joint evidentiary hearings. On August 14, 2020, the Companies (jointly) and the AGO and submitted Initial Briefs, while PowerOptions, Inc. (“PowerOptions”) submitted a Letter in Lieu of an Initial Brief. On August 28, 2020, the Companies (jointly) and the AGO submitted reply briefs. Both the AGO and PowerOptions

² Prior to Section 83C, the statute allowed for remuneration “equal to” a certain amount (i.e., four percent under Section 83 and 2.75 percent under Section 83A). The language of Section 83C provides for annual remuneration of “up to 2.75 percent” of the annual contract payments. St. 2008, c. 169, § 83C; 220 CMR 23.07 (emphasis added).
³ “Environmental Attributes” are defined under the PPAs to include RECs and any and all attributes available under ISO-New England rule, the Massachusetts Renewable Energy Portfolio Standard under G.L. c. 25A, § 11F, the Massachusetts Clean Energy Standard established under 310 C.M.R. § 7.75, the Massachusetts Clean Peak Standard under regulations to be promulgated pursuant to G.L. c. 25A, § 17, the Global Warming Solutions Act, G.L. c. 298, and any and all other international, federal, regional, state, or other law, rule, regulation, program, or market attributable, now or in the future, to the EDCs’ purchase of energy from Mayflower Wind’s facilities. Exh. Joint Testimony of Waltman/Brennan/Glover at 8 n.1.
urged the Department to reject the Companies’ request for the maximum remuneration of 2.75 percent for the twenty-year life of the contracts. See, e.g., AGO Br. at 2, 23, 31; AGO Reply Br. at 2, 3-4, 6; PowerOptions Letter in Lieu of Initial Br. at 1-2, 3.

On November 5, 2020, the Department issued its Order approving the PPAs. The Order also included the Department’s decision to approve the Companies’ request for the maximum annual remuneration of 2.75 percent of the annual payments under the PPAs for the twenty-year life of the contracts (Section IX). The AGO requests that the Department reconsider its remuneration decision.

II. STANDARD OF REVIEW

Pursuant to 220 C.M.R. § 1.11(10), a party may request reconsideration of a final Department order within twenty days of service of the order. While parties should not attempt to reargue issues considered and decided in the main case, “[r]econsideration of previously decided issues is granted when extraordinary circumstances dictate that [the Department] take a fresh look at the record for the express purpose of substantively modifying a decision reached after review and deliberation.” NSTAR Electric Company and Western Massachusetts Electric Company, D.P.U. 17-05-F, at 4 (2018). A party also may seek reconsideration when it believes “the Department’s treatment of an issue was the result of mistake or inadvertence.” Id.

III. ARGUMENT

A. The Department Should Reconsider its Order Because it Failed to Support its Decision to Grant the Maximum Allowable Remuneration with Subsidiary Facts or a Statement of Reasons.

The Department has an obligation under well-established law to make subsidiary

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4 The AGO supported the Companies’ request for approval of the PPAs and does not seek reconsideration of the Department’s approval of the PPAs. Here, the AGO only asks the Department to reconsider its remuneration decision.
findings to support its decisions and to provide a “statement of reasons . . . including
determination of each issue of fact or law necessary to the decision.” Massachusetts Inst. of

Recently, the Commonwealth of Massachusetts Appeals Court issued a decision finding that the Department failed to meet the requirements set forth in G.L. c. 30A, § 11 (8) when it made its return on equity (“ROE”) determination in D.P.U. 17-05. See Attorney General v. Dep’t of Pub. Utils., 2019-P-1383 (Mass. App. Ct. Nov. 4, 2020). In its decision, the Appeals Court reiterated the Department’s long-standing obligation to make subsidiary findings and to
provide a “statement of reasons . . . including determination of each issue of fact or law necessary to the decision” and detailed how the Department failed to meet that obligation. *Id.* at 8-9. The Appeals Court’s decision sets forth clearly how the Department could, on remand, rectify the deficiencies in its Order. *Id.* at 11.⁵

The Appeals Court issued its decision remanding the D.P.U. 17-05 Order back to the Department on November 4, 2020. The Order in this case, meanwhile, was issued just one day later, on November 5, 2020. Accordingly, while the Appeals Court decision does not change the Department’s obligations under G.L. c. 30A, § 11 (8), the Department, in making its remuneration decision here, did not have the benefit of the most recent, specific guidance provided by the Appeals Court. Thus, the Department’s failure to comply with the directives from the Appeals Court in *Attorney General*, 2019-P-1383 in reaching its remuneration decision here may have been a mistake due to timing. Now that the Department has the benefit of that decision, it should have the opportunity to reconsider the remuneration issue and provide the requisite subsidiary findings and a statement of reasons clearly connecting the Department’s analysis and findings to the specific remuneration percentage awarded.

1. **The Department Mistakenly Failed to Provide a Statement of Reasons to Support its Decision to Grant the Companies’ Request for the Maximum Remuneration of 2.75 Percent for the Twenty-Year Life of the Contracts.**

In the AGO’s appeal of the Department’s ROE decision in D.P.U 17-05, the AGO argued that the Department failed to make subsidiary findings of fact or provide adequate reasoning to support its ROE decision. *See Attorney General*, 2019-P-1383, at 7. The arguments

⁵ The AGO also raised concerns related to the Department’s compliance with G.L. c. 30A, § 11(8) in the AGO’s Motion for Reconsideration in the previous 83C docket, D.P.U. 18-76/18-77/18-78, and in its Motion for Clarification and Reconsideration in D.P.U 18-15.
set forth by the AGO in that case are virtually identical to those that we now make in this motion. The Appeals Court, siding with the AGO, vacated the Department’s 10 percent ROE decision and remanded the D.P.U. 17-05 Order back to the Department for an explanation as to “how it arrived at a chosen ROE so that the decision can be reviewed by the courts and understood by ratepayers.” Id. at 11.

The Court found it particularly problematic that while the Department provided a detailed summary of evidence that it considered in setting the ROE, “the department [failed] to explain how it arrived at the ten percent ROE that it ultimately selected.” Id. at 9. The Court chose to vacate the Department’s ROE decision because it could not “discern why the department chose [10 percent] rather than some other within the [proposed] range” and was “forced to speculate as to how the department reached the result it did.” Id. The Court summarized its decision by stating simply that “[w]hile we recognize that the department has discretion in setting an appropriate ROE and that mathematical precision is not required, the department must explain how it arrived at a chosen ROE so that the decision can be reviewed by the courts and understood by ratepayers.” Id. at 11.

Here, the Department, in its analysis and findings related to remuneration, concludes that “the Companies’ request for annual remuneration of 2.75 percent of the annual payments under the PPAs is reasonable and in the public interest.” Order at 85. The factors that the Department considered in making such a determination include “the financial obligations the Companies incur under the PPAs, the evidence regarding the impact of the PPAs on their financial condition, and [] previous determinations regarding the appropriate level of remuneration for long-term clean energy contracts under Sections 83C and 83D…., the importance of regulatory consistency[, and the lack of quantitative evidence available at this time regarding the future
impact of incurring the financial obligations of the PPAs...” Order at 91. However, the Department fails to set forth the manner in which its reasoning was connected to the ultimate decision to grant a remuneration of 2.75 percent as opposed to any other remuneration percentage. *MIT*, 425 Mass. at 871; *Costello*, 391 Mass. at 536. Setting aside the arguments made as to whether or not remuneration is warranted at all here, nowhere in the over eight pages of analyses and findings related to remuneration does the Department offer any indication as to how or why it decided that the factors that it purported to consider specifically support remuneration of 2.75 percent as opposed to any other remuneration percentage.

While the Department makes it clear that no reliable *quantitative analysis*6 is available at this time to “support a particular level of remuneration,” it notes that approval of a particular level based on qualitative evidence is appropriate. Order at 86. Yet, the Department fails to explain what qualitative evidence it relied upon to affirmatively select 2.75 percent as the appropriate remuneration percentage. Instead, the Department identifies qualitative record evidence but fails to explain how its consideration of this qualitative evidence may have impacted its ultimate remuneration decision, and in two other instances rejects or ignores quantitative record evidence. *See* Order at 89-91. A clear explanation as to how the Department considered qualitative record evidence and how that evidence warranted a remuneration of 2.75 percent is conspicuously absent.

First, the Department notes that in lieu of quantitative analysis regarding the level of remuneration, the Companies produced “benchmarks,” which the Companies argue the Department should consider when determining the appropriate rate of remuneration. *Id.* at 89

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6 The Department rejected the Companies repeated attempt to quantify the need for and level of remuneration based on a net benefit analysis in a footnote. Order at 90.
(citing Companies Br. at 44, 48-49). The Department, however, finds that the Companies’ proposed “benchmarks” are of limited value in linking the 2.75 percent to the risks incurred by the PPAs because they “do not recognize that the Companies’ future obligations under the PPAs are fully offset by cost recovery through the LTRCA factor.” Id. at 90. This acknowledgment by the Department that the future obligations of the PPA are fully offset by cost recovery aligns with the AGO’s arguments and would seem to warrant a lower remuneration percentage, highlighting precisely why it is essential that the Department explain how it reasoned from its findings to the ultimate decision reached. MIT, 425 Mass. at 871 (quoting Costello, 391 Mass. at 536). Without such reasoning, a reader of the Order is left to speculate as to how the Department decided that 2.75 percent was appropriate as opposed to some lower percentage.

The Department also dismissed record evidence related to its own record request concerning a non-linear decline in financial obligations over time. Order at 90-91; see also RR-DPU-1. The Department stated that it failed to consider such quantitative evidence because it felt that the timing of the discussion did not provide all parties the opportunity to fully explore the issue on the record. Order at 90-91. Finally, the AGO’s expert witness provided written testimony supporting reasonable bases that the Department could consider in order to justify a remuneration between 1.375 percent and 1.891 percent. Order at 67-68 (citing Exh. AG-VM-2, at 13-14). The Department does not discuss this testimony or these numbers anywhere in the analysis and findings section of its Order. The lack of discussion as to how the Department chose 2.75 percent as opposed to any other number below 2.75 percent leaves a reader of the Order to wonder whether any other numbers were considered and rejected or whether there was any analysis performed at all to arrive at the 2.75 percent remuneration decision.

In attempting to justify its decision to grant the Companies’ request for the maximum
2.75 percent remuneration, the Department cites only to its own previous Section 83C and 83D Orders. See Order at 83-91. No other past Department precedent is cited, nor are there any cites to any other legal basis supporting the awarding of the 2.75 percent remuneration. As the Department itself has acknowledged, the determinations regarding remuneration made in previous long-term-contract proceedings cannot substitute for reasoning as to why a certain remuneration is granted for the particular contracts under consideration in a given docket. In the three previous Section 83C and 83D Orders, the Department noted that it could find a lower remuneration rate in future proceedings, and made it explicitly clear that such a ruling would be made on the “distinct record” of each long-term contract proceeding. D.P.U 18-64/18-65/18-66, at 136 (2019); D.P.U. 18-76/18-77/18-78, at 73 (2019); D.P.U. 18-76-A/18-77-A/18-78-A, at 23 (2019). Yet, the Department appears not to rest its decision on the distinct record here but, rather, it simply adopted the remuneration of 2.75 percent set in previous rulings without any reliance on record evidence or any clear reasoning tying such evidence to the 2.75 percent. Order at 89, 91. The AGO raised the same issues concerning the Department’s failure to make subsidiary findings and provide a statement of reasons supporting the remuneration in the previous 83C case and also opposed the 2.75 percent remuneration in the 83D case. D.P.U 18-64/18-65/18-66, at 119-122; D.P.U. 18-76-A/18-77-A; 18-78-A, at 5-6. This makes is especially troubling that the Department fails to provide adequate reasoning, based on the distinct record in this case, to explain why it awarded a remuneration of 2.75 percent.

Finally, the AGO and the Companies, in their briefs, both address regulatory and policy decisions made by neighboring states related to the granting of remuneration to EDCs in connection with the signing of long-term energy contracts. Order at 65-66 (citing AGO Br. at 17-19); 82-83 (citing Companies’ Reply Br. at 14-15). However, a discussion of whether or not
these decisions were considered in making a final remuneration determination is noticeably
absent from the Department’s analysis and findings. Given the Department’s reliance on the
“nascent stage of the market” and “scarce” information about the impacts of offshore wind
procurement on the financial condition of purchasing utilities in supporting its decision to grant
2.75 percent remuneration, Order at 85-86, its lack of consideration of such decisions not to grant
any remuneration in neighboring states is puzzling. These decisions provide precisely the type
of information that the Department purports to be lacking. This is just a further example of the
Department’s black box reasoning failure to connect any of its findings to the remuneration
ultimately granted.

Ultimately, the Department has again failed in its Order to clearly set forth the factors
upon which it actually relied in determining that 2.75 percent is reasonable and appropriate or to
specifically connect any of its reasoning to its remuneration decision. The Department has
therefore failed to satisfy its fundamental obligation to provide a reasoned basis for its decisions
as required by G.L. c. 30A, s 11(8). See also Costello, 391 Mass. at 308, (“we will not supply a
reasoned basis for the agency’s action that the agency itself has not given.”); School Comm. Of
Chicopee v. Massachusetts Comm’n Against Discrimination, 361 Mass. 352, 354-355 (an agency
has a duty to make subsidiary findings of fact on all issues relevant and material to the ultimate
issue to be decided and to set forth the manner in which it reasoned from the subsidiary facts to
reach its ultimate decision.).

2. Department Orders Must Contain Findings and Reasons to
Allow Meaningful Judicial Review and to Permit Ratepayers to
Understand How Their Rates are Set.

“The DPU stands as the agency charged with the responsibility for protecting the interests
(1986). Yet, when the Department fails to provide adequate information about its decision-making process, the basis for its decision is unascertainable. This undermines ratepayers’ interests. It is widely accepted that the Department has a great deal of discretion when it comes to ratemaking and other areas where the Legislature has delegated to it decision-making authority. See, e.g., NSTAR Elec. Co v. Department of Pub Utils., 462 Mass. 381, 385 (2012). But it is precisely this level of discretion that makes it all that much more imperative that the Department make its reasoning transparent, so that interested parties can determine how the Department reached its decision. Only then can the AGO evaluate whether to seek judicial review on behalf of the Commonwealth’s ratepayers. In this case, without any connection between the Department’s reasoning and the remuneration percentage granted, the AGO cannot determine whether the Department’s remuneration decision is reasonable or should be appealed. The ability to effectively appeal Department ratemaking determinations is of significant consequence to the ratepayer. In this case, even a few tenths of a percentage are worth millions of dollars a year, all of which is charged to the Commonwealth’s ratepayers.

The Department’s opaque decision-making also prevents other interested parties, such as utilities or interest groups, from appealing Department decisions or from having the benefit of clear Department orders to help guide future actions. See Boston Gas, 368 Mass. at 804 (Department decision was “of interest to all utilities in selecting their rate-making procedures . . . [and] should have been an informative guide for future conduct.”). Inadequate rate decisions also undermine the Attorney General’s exercise of her statutory obligation to represent ratepayers, G.L. c. 12, § 11E, including by appealing Department decisions that are inconsistent with law and precedent. All of these are important public interests that are frustrated by the Department’s Order in this case.
The Department’s failure to provide a statement of reasons for its remuneration decision and to explain how the 2.75 percent is tied to its reasoning also prevents meaningful Court review of the Order and threatens the integrity of the regulatory process. *MIT,* 425 Mass. at 873 (the purpose of G.L. c. 30A, § 11(8) is to require the Department to give a guide to its reasons so that the Court may exercise its function of appellate review); *Attorney Gen. v. Department of Pub. Utils.*, 392 Mass. 262, 270 (1984) (remand for further statement of subsidiary findings and reasons because Department provided an inadequate statement of findings and reasons to allow the Court to conduct appellate review); *Costello*, 391 Mass. at 533 (without an adequate statement of reasons Court is unable to determine whether an appellant has met his burden of proof that a decision of the Department is improper).

Finally, as acknowledged by the Department, “regulatory consistency is critically important to rating agencies’ assessment of the Companies’ credit rating.” Order at 89 (citing 2019 83C Order at 69-70). Additionally, “decisions about remuneration provide the financial markets with important signals about the Department’s commitment to support clean energy contracting over the long term.” *Id.* at 88 (citing 2019 83C Order at 68-69). The Department relies on these factors in support of its decision to grant the maximum allowable remuneration. However, the Department, in its attempt to provide regulatory certainty and reassuring financial signals, in fact does quite the opposite with this Order. For example, the Department found the Company’s “benchmarks,” proposed to determine the appropriate rate of remuneration, to be of limited value because they “do not recognize that the Companies’ future obligations under the PPAs are fully offset by cost recovery through the LTRCA factor.” *Id.* at 89, 90 (citing Companies Br. at 44, 48-49). This finding by the Department that the future obligations of the PPAs are fully offset by cost recovery raises a question as to whether such factors as cost
recovery might lead to a lower remuneration in the future and highlight why it is necessary for the financial markets to understand how the Department reasoned from its findings to the ultimate decision reached. *MIT*, 425 Mass. at 871 (quoting *Costello*, 391 Mass. at 536). Without such reasoning, investors are left to speculate as to how the Department decided that 2.75 percent was appropriate and wonder whether various undisclosed factors may lead to a lower remuneration in the future.

**IV. CONCLUSION**

WHEREFORE, for the foregoing reasons, the Office of the Attorney General respectfully requests that the Department reconsider its decision to set the remuneration level at 2.75 percent and provide requisite subsidiary findings and a statement of reasons to support any remuneration granted.

Respectfully submitted,

MAURA HEALEY
ATTORNEY GENERAL

By /s/ Shannon Beale

Shannon Beale
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Dated: November 25, 2020
COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF PUBLIC UTILITIES

NSTAR Electric Company  
d/b/a Eversource Energy 

D.P.U. 20-16 

Massachusetts Electric Company and 
Nantucket Electric Company d/b/a National Grid 

D.P.U. 20-17 

Fitchburg Gas and Electric Light Company 
d/b/a Unitil 

D.P.U. 20-18 

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served upon all parties of record in this proceeding in accordance with the requirements of 220 C.M.R. 1.05(1) (Department’s Rules of Practice and Procedure). Dated at Boston this 25th Day of November, 2020.

Respectfully submitted,

MAURA HEALEY 
ATTORNEY GENERAL

By:  
/s/ Shannon Beale 
Shannon Beale 
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