COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES

Investigation by the Department of Public Utilities	)	
On Its Own Motion Into Electric Distribution Companies'	)	
(1) Distributed Energy Resource Planning and	)	D.P.U. 20-75
(2) Assignment and Recovery of Costs for the	)	
Interconnection of Distributed Generation	)	

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY d/b/a UNITIL
REPLY COMMENTS ON STRAW PROPOSAL

I. Introduction

Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil" or the "Company") appreciates the opportunity to provide reply comments in connection with the Department's Distributed Energy Resource Planning Proposal. As Unitil noted in its Initial Comments, the Company is generally supportive of the straw proposal, many aspects of which are consistent with Unitil's current planning processes and ongoing or future initiatives. Unitil has reviewed the initial comments submitted by other stakeholders and offers several comments in reply. The Company notes that the volume of initial comments in this docket is substantial, and the Company has not endeavored to respond to every comment or proposal with which it is not in agreement. Unitil's silence in these reply comments on any particular issue should not be interpreted as assent to or agreement with any such comment or proposal. Points made in the Company's initial comments are not reiterated below.

II. Distributed Energy Resources Long-Term Planning Stakeholder Process

Several respondents, including the Attorney General, offered initial comments regarding a distributed energy resources (DER) planning process that would incorporate stakeholder input.

Unitil recommends a streamlined and efficient process that allows for stakeholder participation while aligning with the Company's existing planning process. Any such process should not overburden Company resources or infringe upon the Company's system planning criteria, as maintenance of a safe and reliable distribution system is ultimately the responsibility of the electric distribution companies ("EDCs").

Unitil agrees with the other EDCs that any stakeholder process should not extend into the development or review of the EDCs' system planning criteria. See, e.g., DPU 20-75, Initial Comments of Eversource at 4 (December 23, 2020). As Eversource noted, planning criteria are based upon, among other things, a series of standards and engineering parameters that are critical to the safe and reliable operation of each EDC's distribution system. Id. Unitil therefore recommends an initial stakeholder process in which the Company will present a proposed load and DER forecast process for stakeholder consideration. This will allow stakeholder subject matter experts ("SMEs") the opportunity to provide relevant input, including data and policy considerations, to the Company to further inform the forecasting process without infringing upon system planning criteria. Unitil can then factor appropriate and relevant stakeholder input into its forecasting process.

Following this initial discussion of forecasting methodology, Unitil recommends an annual DER planning process that would be implemented in conjunction with the Company's current system planning process. This would include an annual stakeholder process in which the Company will present its DER forecast and recommended projects and receive input to be incorporated into the Company's final project plan.[1] Unitil proposes a multi-phase process that will allow ample opportunity for review and comment by stakeholder SMEs. The first step of the

[1] Unitil anticipates a process similar to that conducted in connection with the Company's Summer Readiness presentation of its Annual Reliability Report.

process will be to define the area and boundaries of the study and gather the system information required to perform the study. A stakeholder meeting will be offered after this step of the process to present the Company's forecast results, as well as the scope of the scenarios to be studied per the Company's planning criteria. Stakeholder SMESs will have an opportunity to provide input to Unitil regarding study scope and DER forecast results during this meeting.

Unitil will factor stakeholder input into its final scope of study. It will then generate the required planning models and perform the necessary planning analysis to create a list of system constraints. The Company's planning analysis includes steady state load flow, thermal capacity and voltage constraint, and fault duty analysis. After the system constraints are identified, Unitil will investigate options for mitigation, which may include Non-Wires Solutions (NWS) as optional solutions.

When the system constraints and recommended plans for mitigation are developed, a second stakeholder meeting will be held to present, for feedback, the identified constraints and recommended mitigation projects. During discussion of mitigation projects – which may include additional projects recommended by the stakeholders - the recommended projects will be analyzed to verify that the recommended mitigation plan solves all constraints. Once the mitigation plans are finalized and project costs are estimated, a final planning report describing the selected projects, high level estimated costs, and the reasons for project selection will be presented to the Department for review and approval.

A flowchart illustrating Unitil's proposed DER planning stakeholder process is attached hereto as Attachment 1. The Company recommends that the stakeholder process be managed by a facilitator to ensure an efficient and productive process. The facilitator should be a technical expert without an interest in the outcome of the process.

Unitil notes that the stakeholder process described above and in Attachment 1 relates to DER forecasting and project planning. The Company does not agree that stakeholders should be engaged in proposing, reviewing, and approving cost recovery for Capital Investment Projects. See NECEC Comments at 8. Review and approval of cost recovery is a function reserved to the Department.

III. Concerns About "Unnecessary Overbuilding" are Overstated and Proposed Ratepayer Protection Mechanisms are Prejudicial to the EDCs

As noted above, Unitil is generally supportive of the Department's straw proposal and agrees with the Attorney General's belief that the Department's CIP fee proposal is likely to be an effective tool for addressing the need for additional distribution capacity to accommodate DER growth. However, the Company emphatically disagrees with the Attorney General's suggestion that the EDCs will somehow take advantage of or abuse the process for financial gain. Though Unitil supports the increased development and interconnection of DER in Massachusetts, such interconnections and the policies supporting them are, ultimately, external factors that the Company must anticipate and plan for to ensure the delivery of safe and reliable service to all customers across the Company's distribution system. It is just and equitable that the EDCs be appropriately and timely compensated for financing and constructing system upgrades that may not have been necessary but for projected DER interconnection. Unitil should not be burdened or potentially punished for performing such upgrades, yet "ratepayer protections" proposed by the Attorney General and other stakeholders would do just that, notwithstanding the fact that proposed protective measures already exist. See, e.g., DPU 20-75, Attorney General Comments at 11 (December 23, 2020) (recommending, *inter alia*, that the Department "require performance metrics around CIP utilization" and "reduce or eliminate ROE" for CIP investments).

Under the Straw Proposal framework, Capital Investment Projects proposed by an EDC "would be eligible for consideration of cost recovery" through a reconciling charge and CIP fees, but must receive pre-approval for cost recovery before commencing. DPU 20-75, Vote and Order Attachment A ("Straw Proposal") at 5. Numerous respondents, including the Attorney General, have proposed stakeholder processes that would allow for substantial stakeholder input regarding DER forecasting, mitigation options, and project selection from stakeholders and the Department. Regardless of the process that is ultimately put into place, this sort of pre-approval transparency and collaboration will ensure that CIP projects are necessary, locationally appropriate, and sized correctly based upon the information available to the EDC at the time of planning.

It is hypothetically possible that following this process and for reasons beyond an EDC's control, DERs do not interconnect at forecasted times or volumes. In such a scenario, the EDC should not be penalized for making an otherwise informed and prudent investment decision. "Performance metrics" may be appropriate for pre-approved investments over which the Company exercises control. See DPU 15-121, Order on Grid Modernization Plan at 201-204 (May 10, 2018) (discussing a process to develop performance metrics related to the deployment of grid modernization investments). They are not appropriate when the "performance" to be measured is that of unregulated third parties over which the EDC has no control. As such, Unitil recommends against developing performance metrics in connection with CIP investments. If anything, such metrics could have the effect of disincentivizing CIP investments, thereby undermining the purpose of this docket.

Unitil also disagrees with the Attorney General's proposal that the Department "reduce or eliminate ROE" for CIP investments due to a perceived lower level of risk associated with cost recovery. As a general matter, it is a well-established principle of cost-of-service ratemaking that a utility company may earn a fair return on its rate base, including a return on equity capital. This is customarily a significant part of any rate case that involves complex analyses of numerous factors. The return on equity that is ultimately approved by the Department is established on an enterprise-wide basis; it is not based upon an analysis of the specific perceived risk associated with various classes of investment. "The return should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties." Bluefield Water Works and Improvement Co. v. Public Service Commissioner of West Virginia, 262 U.S. 679, 693 (1923); see also Federal Power Commission v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944) (finding that "the return to the equity owner should be commensurate with returns on investment in other enterprises having corresponding risks," and that the return should be "sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and attract capital."). The EDCs' CIP investments will be financed in the same manner as any other capital investment, and a company should earn the same return on equity that the Department establishes in that company's most recent rate case.

While it is true that, as a matter of timing, an EDC may begin earning a return on CIP investments on an accelerated basis, it is also true that the EDCs will be compelled to invest capital on an accelerated basis to accommodate DER interconnections. Reducing (or eliminating) the return on equity for CIP investments would be arbitrary and not based upon the factors that customarily inform the ROE analysis. It would also have the effect of reducing, on an average basis, the Company's overall return on equity as established in its last rate case, thereby upsetting the expectations of the EDCs and their shareholders with respect to return on equity. In other words, reducing or eliminating the return on equity for CIP investments would, in addition to being fundamentally unfair to the EDCs, likely be in violation of Hope and Bluefield and well-established ratemaking principles.

IV. Cost Recovery Through a CIP Fee is Appropriate

The AGO proposes that the Department consider an export tariff that would provide for the recovery of fees over time rather than through an upfront fee when interconnecting. AGO Comments at 10, 12. However, the AGO acknowledges that such an option is not feasible at this time and will not resolve immediate interconnection issues. Id. at 10. Unitil believes that tariff-based fees designed to recover costs over time will not adequately address the challenges that EDCs currently face in connection with the need to plan for and implement system upgrades to accommodate increased DER interconnections. The imposition of an up-front CIP fee is a straightforward and transparent method of ensuring that interconnecting DERs make a proportional and timely contribution to investments from which they will directly benefit. Such a fee ensures certainty and transparency to the EDCs and interconnecting DERs. Unitil does not believe that it is an appropriate use of Department, EDC, or stakeholder resources to evaluate an alternative to the Department's proposed mechanism that is, per the AGO's acknowledgment, unworkable at this time.

Unitil notes that the Straw Proposal does not expressly address the calculation and recovery of O&M costs associated with Capital Investment Projects. Unitil supports the development of a methodology for calculating O&M and an O&M fee to recover such costs.

V. Conclusion

Unitil appreciates the opportunity to provide reply comments and looks forward to working collaboratively with the Department and other stakeholders in this Docket.

Respectfully submitted,

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

By its counsel,

Patrick H. Taylor (BBO# 663958)
Senior Counsel
Unitil Service Corp
6 Liberty Lane West
Hampton, NH 03842-1704
taylorp@unitil.com
(603) 773-6544

Dated: February 5, 2021