

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES**

Re: Petition of Fitchburg Gas and Electric Light Company)
d/b/a Unitil for approval of Basic Service rates for)
December 1, 2021 through May 31, 2022, for its small and)
medium customer groups.)

D.P.U. 21-BSF-A4

COMMENTS OF COLONIAL POWER GROUP, INC.

On October 8, 2021, the Department of Public Utilities (the “Department”) issued a Notice and Request for Comments seeking written comments from interested stakeholders addressing: (1) the mitigation proposal submitted by Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”) on October 8, 2021; and (2) other possible means to mitigate the effect on customers of the proposed basic service rate increase for residential and small commercial and industrial customers for the period December 1, 2021 through May 31, 2022. In its October 8, 2021 filing, Unitil informed the Department that it reached a compromise agreement with the Attorney General's Office (“AGO”) to implement fixed basic service rates at levels below the basic service rates initially proposed by Unitil on October 1. They further agreed to propose that Unitil would collect the deferred balance through the Basic Service Adjustment Charge beginning June 1, 2022, for a seven-month period ending December 31, 2022.¹ Colonial Power Group Inc. (“CPG”) appreciates the opportunity to file comments on Unitil’s proposal. CPG is an energy consultant engaged by over 80 municipal aggregation plan clients throughout the Commonwealth including the towns of Ashby and Lunenburg, both communities located within the service territory of Unitil. CPG submits these comments to advance the interests of its clients.

¹ The Basic Service Adjustment Charge applies to all Unitil's distribution customers.

The rapid and unyielding increase in forward electricity prices over the last several months has been jarring and unparalleled, at least in recent history. The unfortunate timing of these extremely high market prices and Unitil's solicitation for basic service supply resulted in an initial basic service price proposal that the AGO correctly described as "shocking". This comes at a particularly bad time for any resident or business already struggling to manage a tight budget. As such, CPG does not object to Unitil's proposal to set its basic service rates for the period December 1, 2021 through May 31, 2022 ("Winter 2022") below the rates that it initially filed using the conventional approach and also deferring the recovery of any under-collections for a future period.

However, Unitil's proposal to recover any deferred costs from all its distribution customers through the Basic Service Adjustment Charge violates the principle of 'cost causation'² by improperly imposing basic service costs on ratepayers who (1) were not basic service customers at the time Unitil issued its RFP for its Winter 2022 period (the "RFP Date"), and (2) do not take basic service supply at any time during the Winter 2022 period ("Competitive Market Customers"). Following the principles of cost causation, Competitive Market Customers should not be financially affected by the results of Unitil's power procurement activities for basic service load. This includes ratepayers participating in the municipal aggregation programs of the towns of Lunenburg and Ashby, programs that have been served by competitive suppliers continuously since June 2013 (Lunenburg) and July 2015 (Ashby) and, at the time of Unitil's RFP Date, both programs had executed fixed price contracts with competitive suppliers through November 2024. Customers participating in the towns' aggregation programs receive no direct benefit from Unitil's basic service. It would be in opposition with established Department policy

² See for example, "In setting rates for utility service and otherwise providing for the recovery of costs by utilities, the Department applies the basic principle of cost causation; that is, the entity responsible for cost to be incurred is responsible for payment of the costs (cost responsibility follows cost incurrence) ("Cost Causation Principle)." Vote and Order Opening Investigation, D.P.U. 20-75, October 22, 2020, at 2 [citations omitted].

to rationalize a broad-based cost allocation on the concept that because basic service serves as a last resort safety net for all distribution customers therefore all distribution customers should share a portion of the cost of basic service. Apart from the Basic Service Adjustment Charge, it is long-established Department policy that basic service costs are assessed only to those ratepayers that receive basic service. CPG appreciates that Unitil's proposal seeks to lessen the impact on any one ratepayer by sharing these extraordinary costs across as broad a base of ratepayers as possible. However, the proposed cost shift creates an exceptional and an inappropriate burden on Competitive Market Customers. CPG estimates that a deferred cost recovery charge assessed to all Unitil distribution customers will equal approximately \$0.013 /kWh.³

If the Department approves Unitil's rate setting proposal, then CPG respectfully requests that the Department reject Unitil's proposed deferred cost recovery proposal and replace it with the alternative recovery mechanism as follows. CPG recommends that Unitil be allowed to collect any deferred costs by assessing a recovery charge on any customer account that (1) was enrolled on basic service as of the RFP Date, or (2) is enrolled on basic service after the RFP Date and prior to Unitil concluding the collection of its cost deferral (the "Deferral Recovery Date"). CPG proposes that such accounts should be assessed the recovery charge for the full deferral recovery period even if any such account enrolls with a competitive supplier prior to the Deferral Recovery Date. This approach captures those customers that were included in customer data provided to prospective wholesale suppliers as well as customers who, for whatever reason enroll on basic service prior to the Deferral Recovery Date. It excludes ratepayers who have previously contracted with competitive suppliers and, consequently, should not be classified as a contributing factor for these basic service procurement costs. CPG

³ Based on Unitil's estimated deferral costs of \$3.2 million (see Unitil Comments in D.P.U. 21-BSF-A4, October 7, 2021, footnote 2) and estimated seven-month total customer usage of 252,087 MWh (see Massachusetts DOER Electric Customer Choice Date for 2018, 2019, and 2020 at <https://www.mass.gov/info-details/electric-gas-customer-choice-data>).

acknowledges that, by design, basic service provides last resort supply even for ratepayers that have unintended or unplanned transfers to basic service. As such, under CPG's proposal such customers would be subject to the full basic service rate as well as any deferred cost recovery fees for the full duration of the collection period. Customers who were on basic service as of the RFP Date and who later elect to leave basic service supply would still be subject to the deferred cost recovery charge through to the Deferral Recovery Date. CPG believes that this mechanism is administratively feasible given Unitil's current system capability to target accounts with specific charges or credits (for example, its administration of net metering credits or alternative on bill credits through its SMART tariff).

In regard to the City of Fitchburg's municipal aggregation plan, should the city receive plan approval from the Department in the coming months, CPG's proposal addresses two important factors. It recognizes the city's letter agreement with Unitil and the AGO to refrain from launching its aggregation program prior to June 1, 2022, which sought to provide reasonable confidence for Unitil and its wholesale supplier that the bulk of basic service customers located in Fitchburg would continue to take basic service for the full Winter 2022 term. Accordingly, CPG's proposal assigns shared cost responsibility to such customers for Unitil's basic service procurement costs, including recovery of deferred costs, even if the city should launch its program later in 2022. The provision also preserves flexibility for the city to launch its program at a time of its choosing without the Department having to contemplate any restrictions on its launch date.

Finally, CPG urges Unitil to submit plans or alternatives for the provision of basic service for its residential and small general ratepayers given the high likelihood that the City of Fitchburg will launch its municipal aggregation program in the near future. With the benefit of hindsight, the city's petition for approval of its municipal aggregation plan in December 2020 should have served as the catalyst for Unitil to develop and obtain approval for a new basic service procurement strategy since the exit of much of the city's load from basic service was

only inevitable. The small amount of remaining basic service load may require an entirely new approach for setting basic service rates that may not include securing fixed prices from wholesale suppliers.⁴ CPG believes that any new mechanism should be approved for its use to set basic service rates starting June 1, 2022. At the very least, a fully vetted 'plan B' mechanism should be in place and approved by the Department in the event Unitil is unable to secure acceptable fixed price offers in the conventional manner. Assuming that Unitil and the Department agree such an undertaking is warranted at this time, CPG suggests that it may be prudent for the Department to defer any decision on the time period over which Unitil shall recover its deferred basic service costs. The Department may find it easier to make such a determination after current unknowns become clearer or resolved, including the total amount of deferred costs that Unitil needs to recover, a possible new basic service procurement methodology, and projected market prices for the next basic service period. The lack of clarity on these issues makes it difficult to make a reasoned decision on an appropriate cost recovery timeline, though CPG anticipates the period may need to be longer than the seven months proposed by Unitil.

Dated: October 18, 2021

⁴ In comments filed on July 28, 2015 in DPU 15-40, Unitil acknowledged that the growth in municipal aggregation "could result in potential [wholesale] bidders opting to not participate...." (at 3)