

**COMMONWEALTH OF MASSACHUSETTS**

**DEPARTMENT OF PUBLIC UTILITIES**

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PETITION OF FITCHBURG GAS AND :  
ELECTRIC LIGHT COMPANY D/B/A UNITIL : D.P.U. 21-BSF-A4  
FOR APPROVAL OF BASIC SERVICE RATES :  
FOR DECEMBER 1, 2021 THROUGH MAY 31, :  
2022, FOR ITS SMALL AND MEDIUM :  
CUSTOMER GROUPS :  
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**COMMENTS OF  
RETAIL ENERGY SUPPLY ASSOCIATION**

The Retail Energy Supply Association (“RESA”)<sup>1</sup> hereby submits its comments in response to the Department of Public Utilities’ Notice of Filing and Request for Comments<sup>2</sup> in the above-captioned proceeding.

**BACKGROUND**

On October 1, 2021, Fitchburg Gas and Electric Light Company d/b/a Unitil (“Unitil”) filed a petition for approval of new Basic Service rates to get into effect on December 1, 2021.<sup>3</sup> On October 6, 2021, the Attorney General (“AG”) submitted comments with a proposal to mitigate the rate impact of Unitil’s proposed Basic Service

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<sup>1</sup> The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at [www.resausa.org](http://www.resausa.org).

<sup>2</sup> Notice of Filing and Request for Comments (Oct. 8, 2021) (“Notice”).

<sup>3</sup> Basic Service Filing of Fitchburg Gas and Electric Light Company d/b/a Unitil (Oct. 1, 2021) (“Unitil Filing”).

rate increases and requesting that, at a minimum, the Department “defer a portion of Unitil’s proposed increase to residential customers.”<sup>4</sup>

On October 8, 2021, Unitil, after consultation with the AG, submitted an alternative proposal whereby:

- lower Basic Service rates than Unitil originally proposed would be implemented for residential, small general service and medium general service customers effective December 1, 2021;
- the balance of the requested Basic Service rate increases would be deferred for collection beginning on June 1, 2022 through the Basic Service Adjustment Factor (“BSAF”), which applies to all distribution customers.<sup>5</sup>

The same day, the Department issued the Notice seeking written comments from interested stakeholders regarding the Proposal and “other possible means to mitigate the effect on customers of the proposed basic service rate increase.”<sup>6</sup> RESA hereby submits its comments in response to the Notice.

### **COMMENTS**

While RESA acknowledges that significant price increases can have a substantial effect on customers, especially low-income consumers, consistent with Department precedent,<sup>7</sup> RESA encourages the Department to refrain from deferring any portion of the increase in Unitil’s Basic Service rates. Instead, RESA recommends that the Department engage in increased education efforts regarding competitive supply opportunities, energy

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<sup>4</sup> Comments of the Office of the Attorney General (Oct. 6, 2021) (“AG Comments”), at 1, 3-4.

<sup>5</sup> Comments of Fitchburg Gas and Electric Light Company d/b/a Unitil (Oct. 7, 2021), at 2 (“Proposal”).

<sup>6</sup> Notice, at 2.

<sup>7</sup> See Docket No. D.P.U. 14-BSF-D3-A, *Petition of Massachusetts Electric Company and Nantucket Electric Company to Department of Public Utilities for approval of standard Basic Service rates for: (1) November 1, 2014 through April 30, 2015, for its residential, street lighting, and small commercial and industrial customers; and (2) November 1, 2014 through January 31, 2015, for its medium and large commercial and industrial customers*, Order on Mitigating the Impact of the Increase of Standard Basic Service Rates of Massachusetts Electric Company and Nantucket Electric Company (Nov. 6, 2014) (“National Grid Basic Service Order”).

assistance programs, budget billing options and energy efficiency measures as alternatives for reducing the impact of the rate increases.

**I. THE DEPARTMENT SHOULD NOT DEFER ANY PORTION OF THE RATE INCREASE**

Under the Proposal, Unitil would implement a smaller Basic Service rate increase than originally proposed and defer the balance of the increase for collection at a later date.<sup>8</sup> However, this proposal is inconsistent with the Electric Restructuring Act and Department precedent. Thus, the Department should reject the Proposal.

Both the Massachusetts legislature and the Department have long-recognized the need to ensure that rates are cost-based and customers receive appropriate price signals. Indeed, the Electric Restructuring Act specifically states that “competitive markets in generation should . . . provide electricity buyers and sellers *with appropriate price signals* . . . .”<sup>9</sup> Consistent with the statutory requirement, the Department has found that:

It is essential to the development of a robust competitive market to have prices set at levels that provide customers with *appropriate price signals* regarding the costs associated with providing the service, as established by the competitive market. Default service prices that do not represent the actual cost of providing the service would inhibit the development of a competitive generation market and would thus be detrimental to all electricity consumers.<sup>10</sup>

Therefore, no matter how significant, “[m]asking of seasonal price variability is an avoidance of reality that serves no one.”<sup>11</sup>

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<sup>8</sup> Proposal, at 2.

<sup>9</sup> Electric Restructuring Act, § 1(g) (emphasis added).

<sup>10</sup> Docket No. D.T.E. 99-60, *Investigation by the Department of Telecommunications and Energy on its own Motion into the Pricing and Procurement of Default Service pursuant to G.L. c. 164, § 1B(d)*, Order D.T.E. 99-60-A (May 11, 2000) (“D.T.E. 99-60-A”), at 3 (emphasis added).

<sup>11</sup> Docket No. D.T.E. 99-60, *Investigation by the Department of Telecommunications and Energy on its own Motion into the Pricing and Procurement of Default Service pursuant to G.L. c. 164, § 1B(d)*, Letter to Massachusetts Electric Company (Apr. 3, 2001) (“D.T.E. 99-60 Letter”), at 3.

Further, the Department has held that “[d]efault service is intended to be a basic service that provides customers with the appropriate incentives to turn to the competitive market for more sophisticated or advantageous service offerings.”<sup>12</sup> As a consequence, “[a]n underlying goal of the Department's default service pricing policies is to ensure that, to the extent possible, default service customers pay *the full costs* of providing that service.”<sup>13</sup>

In furthering this goal, the Department has relied on several guiding principles, including that “default service prices should be market based, be procured through reasonable business practices, and *take into account the costs of providing default service*, consistent with the development of robust competitive retail markets.”<sup>14</sup> In particular, the Department has held that “it is *critical* that *all* costs of providing default service be included in the retail price to provide an accurate price signal.”<sup>15</sup>

Moreover, “Basic [S]ervice rates are already designed to mitigate price volatility for customers by averaging six monthly prices into one flat rate.”<sup>16</sup> Indeed,

deferring costs from the current basic service term to another term . . . would not be in the ratepayers’ best interests, would disrupt the competitive market, might result in higher basic service bid prices in the future, could shift costs to non-basic service customers, and would be contrary to Department precedent.<sup>17</sup>

Specifically, such action “would not reduce the cost of basic service for customers, but instead would spread the cost recovery over a longer period of time, which

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<sup>12</sup> D.T.E. 99-60 Letter, at 2.

<sup>13</sup> Docket No. D.T.E. 99-60, *Investigation by the Department of Telecommunications and Energy on its own Motion into the Pricing and Procurement of Default Service pursuant to G.L. c. 164, § 1B(d)*, Order D.T.E. 99-60-C (Oct. 6, 2000), at 7 (emphasis added).

<sup>14</sup> D.T.E. 99-60-A, at 3 (emphasis added).

<sup>15</sup> *Id.* at 6 (emphasis added).

<sup>16</sup> National Grid Basic Service Order, at 10.

<sup>17</sup> *Id.*

would increase carrying charges and distort price signals.”<sup>18</sup> Thus, “customers would pay below market prices in the winter months and above market prices in the summer months.”<sup>19</sup>

Following these principles, the Department previously declined to approve a 2001 Massachusetts Electric Company proposal to calculate the fixed price default service option based on a twelve month (rather than six month) weighted average cost because it would simply create a scenario whereby “default service customers will pay below-market prices . . . during the initial six-month period . . . [and] pay above-market prices over the later six month period.”<sup>20</sup> Further, the Department found that the proposal would “not reduce the price for any customers, it suppresses the market price signal as it would otherwise be experienced by customers nearer to the time of usage; and it does so by simply shifting the time-period over which default service supply costs must be paid.”<sup>21</sup> Instead, “[i]n order to smooth out price fluctuations, the Department . . . direct[ed] the Company to expand its budget billing program option . . . .”<sup>22</sup>

Similarly, in response to a request from the distribution companies to implement a standard offer service fuel adjustment (“SOSFA”) “as a result of substantial increases in fuel costs, which ha[d] driven up the price of electric generation,”<sup>23</sup> the Department was “faced with the difficult task of balancing the burden of allowing present cost recovery against the potentially greater harm of increasing deferrals to be recovered in the

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<sup>18</sup> National Grid Basic Service Order, at 10.

<sup>19</sup> *Id.*

<sup>20</sup> D.T.E. 99-60 Letter, at 2.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.* at 3.

<sup>23</sup> Docket Nos. D.T.E. 00-66, 00-67, 00-70, *Standard Offer Service Fuel Adjustments*, Letter Order (Dec. 4, 2000) (“SOSFA Order”), at 1.

future.”<sup>24</sup> Ultimately, the Department rejected a deferral of the cost increases associated with the SOSFA for several reasons. First, “costs that are not recovered from [default] service customers now will be recovered, with interest, from *all* customers in the future, *regardless whether* the customer received [default] service or not.”<sup>25</sup> Additionally, “there is grave financial risk in forcing large deferrals” as “the total amount of costs deferred for future recovery could well grow to a level that would threaten the financial viability of the distribution companies.”<sup>26</sup> Furthermore, “continuing to price [default] service significantly below costs artificially impedes the development of a truly robust competitive market and the ability of competitive suppliers to develop products at prices that would attract customers.”<sup>27</sup> All of these principles remain true and relevant today. Thus, consistent with its prior precedent, the Department should find, as it did the last time there was a significant increase in Basic Service rates proposed, that “Basic [S]ervice rates are already designed to mitigate price volatility for customers by averaging six monthly prices into one flat rate”<sup>28</sup> and decline to permit Unitil to defer any portion of its proposed Basic Service increase to future periods.

The AG attempts to distinguish the National Grid Basic Service Order arguing that “unlike the AGO’s proposal in 14-BSF-D3-A, the . . . proposal here maintains the price signaling because it defers only a portion of the increase.”<sup>29</sup> However, this argument is inapposite because *any* deferral “would disrupt the competitive market,

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<sup>24</sup> SOSFA Order, at 2.

<sup>25</sup> *Id.* at 3 (emphasis in original).

<sup>26</sup> *Id.*

<sup>27</sup> *Id.* at 4.

<sup>28</sup> National Grid Basic Service Order, at 10.

<sup>29</sup> AG Comments, at 5.

might result in higher basic service bid prices in the future, could shift costs to non-basic service customers, and would be contrary to Department precedent.”<sup>30</sup>

The AG further asserts “that the increase to basic service customers here is much greater than the increase at issue in D.P.U. 14-BSF-D3-A. In D.P.U. 14-BSF-D3-A, the proposed basic service rate was ‘only’ 16.182 cents per kWh, which represented a 37% increase over the prior winter.”<sup>31</sup> First and foremost, this is inaccurate. Unitil’s originally proposed residential fixed price increase represents “a 37.9 percent increase versus rates currently in effect” and “a 34.8 percent increase versus rates in effect December 1, 2020.”<sup>32</sup> Moreover, as the Department has previously concluded no matter how significant, “[m]asking of seasonal price variability is an avoidance of reality that serves no one.”<sup>33</sup> Thus, the Department should reject the Proposal and not permit Unitil to defer any portion of its proposed Basic Service rate increase.

## **II. BASIC SERVICE COSTS SHOULD NOT BE RECOVERED THROUGH DELIVERY RATES**

The Proposal further provides that the portion of the rate increase that is deferred will be collected through delivery rates.<sup>34</sup> However, this is also inconsistent with the Electric Restructuring Act and Department precedent, would further distort price signals, and would unnecessarily increase the costs that shopping customers pay to subsidize Basic Service.

Both the Massachusetts legislature and the Department have long-recognized the need to ensure that rates are cost-based and customers receive appropriate price signals.

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<sup>30</sup> National Grid Basic Service Order, at 10.

<sup>31</sup> Proposal, at 2.

<sup>32</sup> Unitil Filing, Cover Letter, at 3.

<sup>33</sup> D.T.E. 99-60 Letter, at 3.

<sup>34</sup> See AG Comments, at 4.

Despite the legislature and the Department’s long-standing recognition that customers should receive appropriate price signals, the electric distribution companies (“EDCs”) still improperly capture Basic Service related (i.e., bypassable) costs in delivery (i.e., non-bypassable) rates. Although the Department has undertaken efforts in the past to appropriately allocate costs between the bypassable and non-bypassable portion of rates,<sup>35</sup> certain Basic Service related costs are still captured in the EDCs’ non-bypassable rates.

The EDCs essentially incur three types of costs to provide Basic Service to their customers: (a) wholesale costs; (b) procurement and energy provision costs; and (c) administrative costs. Consistent with cost causation, the Department has already concluded that all of these costs should be included in Basic Service rates and, through a subsequent settlement, the EDCs expressly agreed to collect all of the following costs through Basic Service rates: wholesale solicitation, wholesale administration, bad debt, customer communications and renewable portfolio standard (“RPS”) costs.<sup>36</sup> However, some of these costs are still collected from *all* customers through the BSAF.<sup>37</sup> For instance, the EDCs still improperly collect the following costs from all customers through the BSAF:

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<sup>35</sup> See, generally, Docket No. D.T.E. 99-60, *Investigation by the Department of Telecommunications and Energy on its Own Motion into the Pricing and Procurement of Default Service Pursuant to G.L. c. 164, § 1B(d)*; Docket No. D.T.E. 02-40, *Investigation by the Department of Telecommunications and Energy on its Own Motion into the Provision of Default Service*; Docket D.T.E. 03-88, *Investigation by the Department of Telecommunications and Energy on its Own Motion, Pursuant to G.L. c. 164 §§ 1A(a), 1B(d), 94; and 220 C.M.R. § 11.04, into the Costs that Should Be Included in Default Service Rates*.

<sup>36</sup> See, generally, Docket No. D.T.E. 03-88A-F, *Investigation by the Department of Telecommunications and Energy on its own motion, pursuant to G.L. c. 164, §§ 1A(a), 1B(d), 94, and 220 C.M.R. § 11.04, into the costs that should be included in Default Service Rates*, Settlement Agreement (Jan. 21, 2005) (“03-88A-F Settlement Agreement”).

<sup>37</sup> Docket No. D.P.U. 12-126, *Investigation by the Department of Public Utilities Pursuant to Chapter 209, Section 51 of the Acts of 2012, An Act Relative to Competitively Priced Electricity in the Commonwealth*, Joint Electric Company Proposal (Feb. 22, 2013) (“Joint Proposal”), Exhibit Electric-1, at 15.



- Costs of Basic Service/payments to Basic Service suppliers/difference between the amount charged to customers and the amount paid to suppliers for Basic Service;
- Payments to ISO New England, Inc. (“ISO-NE”) for procuring Basic Service power; and
- Costs for operation of the New England Power Pool Generation Information System (“NEPOOL GIS”).<sup>38</sup>

Each and every one of these costs is directly associated with providing Basic Service. As a result, each should be collected from Basic Service customers, not all customers.

In addition to these charges, the EDCs incur the following additional costs associated with the procurement and provision of Basic Service:

- Energy procurement costs, portfolio management costs and incentives;
- Hedging costs, including costs associated with forward hedges placed at the highest point in the market;
- Net charges associated with the acquisition of Financial Transmission Rights; and
- RPS costs.

The Department has already concluded these “procurement-related wholesale costs”<sup>39</sup> and “direct retail costs”<sup>40</sup> should be included in the calculation of default service prices and the EDCs have expressly agreed to collect such costs in their bypassable

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<sup>38</sup> Joint Proposal, Exhibit Electric-2(a), at 2; *Id.*, Exhibit Electric-2(b), at 4; *Id.*, Exhibit Electric-2(c), (d), at 3.

<sup>39</sup> Docket No. D.T.E. 02-40, *Investigation by the Department of Telecommunications and Energy on its own Motion into the Provision of Default Service*, Order D.T.E. 02-40-B (Apr. 24, 2003), at 16 (“Procurement-related wholesale costs are associated with (1) the design and implementation of the competitive bidding process, including the evaluation of supplier bids and contract negotiations; and (2) the ongoing administration and execution of contracts with suppliers, including accounting activities necessary to track payments made to suppliers.”)

<sup>40</sup> *Id.* at 17 (“Direct retail costs are associated with (1) unrecovered bad debt, (2) complying with the Department’s default service regulatory requirements, including required communications with its default service customers, and (3) compliance with RPS.”)

rates.<sup>41</sup> However, the EDCs still collect the following cost from all customers through the BSAF:

- The cost of acquiring renewable energy certificates or remitting Alternative Compliance Payments as part of RPS compliance.<sup>42</sup>

This cost is directly associated with providing Basic Service. As a result, it should be collected from Basic Service customers, not all customers.

It also appears that the following costs are being improperly recovered in the non-bypassable portion of the EDCs' rates:

- Long-Term Renewable Energy Costs,<sup>43</sup> and
- Regulatory expenses associated with Basic Service proceedings.<sup>44</sup>

However, to the extent the energy from the long-term renewable energy contracts are used to serve Basic Service customers or the renewable energy certificates ("RECs") from these contracts are used to satisfy the EDCs' RPS compliance obligations,<sup>45</sup> those costs should be collected through the bypassable portion of rates.<sup>46</sup> Moreover, not all regulatory expenses are distribution-related. For instance, the Office of Ratepayer Advocacy ("ORA") "may intervene, appear and participate in administrative, regulatory, or judicial proceedings on behalf of any group of consumers in connection with any matter involving rates, charges, prices and tariffs of an electric company . . . ."<sup>47</sup> The

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<sup>41</sup> See, generally, 03-88A-F Settlement Agreement.

<sup>42</sup> Joint Proposal, Exhibit Electric-2(a), at 2; Exhibit Electric-2(b), at 4; Exhibit Electric-2(c), (d), at 3.

<sup>43</sup> *Id.*, Exhibit Electric-1, at 22.

<sup>44</sup> *Id.*, Exhibit Electric-1, at 14.

<sup>45</sup> See, e.g., *Id.*, Exhibit Electric-2(a), at 2; Exhibit Electric-2(b), at 4; Exhibit Electric-2(c), (d), at 3 (indicating that payments under renewable resource contracts pursuant to Section 83 of the Green Communities Act are collected through the BSAF).

<sup>46</sup> 220 C.M.R. 17.06 (only permitting the net costs associated with the long-term renewable energy contracts to be collected in non-bypassable rates to the extent the EDCs sell the energy into the wholesale markets and sell the RECs through a competitive bid process).

<sup>47</sup> M.G.L. c. 12, § 11E(a).

ORA may also retain expert consultants to assist in any proceedings before the Department.<sup>48</sup> Since some of the Department proceedings in which the ORA retains consultants are either wholly or partially related to the proper costs, charges and rates assessed to Basic Service customers, some of the ORA consultant expenses are, by their very nature, Basic Service related and, thus, should be collected solely from Basic Service customers. Because some costs associated with providing Basic Service are already captured in delivery rates, customers that choose competitive suppliers to provide their electricity are already paying for services that they do not receive and subsidizing the EDCs' provision of Basic Service. If the Department were to approve the Proposal, Unitol would be permitted to collect additional costs directly attributable to the provision of Basic Service rate increases; thereby, exacerbating this inequity.

As the Department previously recognized, costs associated with Basic Service “should be recovered from or refunded to the customer that caused the costs.”<sup>49</sup> Deferring costs to the next Basic Service term and collecting them through the BSAF will shift costs from Basic Service customers to all customers. As a result, customers who are on competitive supply, including customers receiving competitive supply through the Lunenberg and Ashby aggregations,<sup>50</sup> will be forced to bear costs to serve Basic Service customers – costs for services that they do not receive and that subsidize the EDCs' Basic Service customers. Furthermore, customers who chose competitive supply and who took

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<sup>48</sup> M.G.L. c. 12, § 11E(b).

<sup>49</sup> D.P.U. 09-26, *Report of the Department of Public Utilities regarding the impact of the existing basic service adjustment mechanism on the competitive retail electricity market pursuant to Section 102 of the Green Communities Act, Chapter 169 of the Acts of 2008*, Report (June 1, 2009) (“09-26 Report”), at 6.

<sup>50</sup> Cf. AG Comments, at 2 (“Unitol’s electric service territory includes only four communities (Ashby, Fitchburg, Lunenburg and Townsend) for which it is obligated to provide Basic Service electric supply. Two of these communities—Lunenberg and Ashby—already receive most of their electricity pursuant to previously approved municipal aggregation plans.”) (citations omitted).

appropriate steps to protect against the significant increases that are now being reflected in Unutil's Basic Service rates by locking in prices will find that their hedging strategy was for naught as they will now have to bear those costs anyway (albeit, in their delivery rates) if the Proposal is approved.

RESA encourages the Department to adhere to cost causation principles<sup>51</sup> and its precedent and decline to defer Unutil's rate increases to avoid masking accurate price signals to consumers, shifting the time-period over which the costs must be paid, and forcing all customers to bear those costs regardless of whether those customers received Basic Service. Instead, the Department should implement Unutil's Basic Service rate increase as originally proposed. In that way, customers can compare the full cost of default service with the full value of competitive offerings and make informed decisions regarding participation in the competitive market.

### **III. THE PROPOSAL WILL BE COUNTER PRODUCTIVE AND IS FUNDAMENTALLY MISGUIDED**

RESA agrees with the AG that Unutil's proposed Basic Service rate increase "comes at a particularly bad time" in light of the ongoing effects of the COVID-19 pandemic.<sup>52</sup> However, the proposed deferral does not meaningfully address this issue and ultimately may lead to even higher rates in both the summer and winter 2022 Basic Service periods. The Proposal would defer this winter's Basic Service expense for collection during the next two Basic Service periods (i.e., between June 1, 2022 and December 31, 2022).<sup>53</sup> Thus, during the later 2022 Basic Service periods, Basic Service customers will be responsible for then applicable Basic Service costs plus the deferred

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<sup>51</sup> 09-26 Report, at 6 (recognizing that costs associated with Basic Service reconciliations "should be recovered from or refunded to the customer that caused the costs.").

<sup>52</sup> See AG Comments, at 2.

<sup>53</sup> See Proposal, at 2.

winter 2021-22 Basic Service expense and associated carrying costs.<sup>54</sup> If, during these subsequent periods, Basic Service costs (particularly wholesale power costs) remain elevated,<sup>55</sup> requiring customers to pay deferred winter 2021-22 Basic Service costs *plus* associated carrying costs associated<sup>56</sup> *plus* the then applicable Basic Service costs could lead to customers paying even higher rates. Thus, the proposed deferral could lead to a future rate increase that is even more difficult for customers to bear (while the Commonwealth and the country are still dealing with the COVID-19 pandemic's effects).

Moreover, by imposing the full Basic Service rate increase now - before the Fitchburg aggregation is approved - the Department can ensure that there is a larger Basic Service customer base to absorb the increase.<sup>57</sup> In support of collection of any deferral through delivery rates, the AG argues that, if the Fitchburg aggregation is approved, there will be a smaller customer base from which the Basic Service rate increase can be collected.<sup>58</sup> This can be avoided, however, without running afoul of cost causation principles<sup>59</sup> and consistent with Department precedent,<sup>60</sup> by imposing the full Basic Service rate increase now and delaying implementation of the Fitchburg aggregation until June 1, 2022. By doing so, the Department can ensure that there is a significant customer

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<sup>54</sup> All distribution customers (including competitive supply customers) would be responsible for accrued interest in addition to deferred Basic Service expense. *See* AG Comments, at 4 n.9.

<sup>55</sup> The AG asserts that “demand for natural gas and wholesale power costs” are expected to be comparatively low in the next Basic Service period. However, the New York Mercantile Exchange Natural Gas futures price data cited by the AG in support of this assertion show that futures prices remain elevated through 2022. *Compare* AG Comments, at 3 n.7 with <https://finance.yahoo.com/quote/NG%3DF/futures?p=NG%3DF> (last visited Oct. 17, 2021).

<sup>56</sup> All distribution customers (including competitive supply customers) would be responsible for accrued interest in addition to deferred Basic Service expense. *See* AG Comments, at 4 n.9.

<sup>57</sup> *See* AG Comments, at 2-3 (“If and when Fitchburg launches its aggregation program, Unitil will lose approximately 71% of its total distribution service load and 77% of its total Basic Service load.”) (citations omitted).

<sup>58</sup> *Id.* at 3.

<sup>59</sup> 09-26 Report, at 6 (recognizing that costs associated with Basic Service reconciliations “should be recovered from or refunded to the customer that caused the costs.”).

<sup>60</sup> National Grid Basic Service Order.

base from which the current Basic Service rate increase can be collected<sup>61</sup> and provide sufficient notice to wholesale Basic Service suppliers of the anticipated migration of customers from Basic Service to competitive supply.

In addition, to mitigate against potential recurrence of these issues in future Basic Service periods, the Department should resume its prior investigation into the EDCs' Basic Service procurement and pricing practices in D.P.U. 15-40. Further, the Department should clarify that the EDCs are not unilaterally permitted to change approved procurement practices without the Department's prior approval.<sup>62</sup>

#### **IV. CUSTOMER EDUCATION EFFORTS AND OTHER PROGRAMS CAN INCREASE AWARENESS OF THE COMPETITIVE RETAIL ELECTRIC MARKET, BUDGET BILLING AND ENERGY ASSISTANCE AND ENERGY EFFICIENCY PROGRAMS**

While RESA acknowledges that significant price increases can have a substantial effect on customers, RESA encourages the Department to refrain from deferring the costs associated with Basic Service supply from one rate period to another or the recovery of Basic Service costs in delivery rates. Instead, RESA recommends that the Department engage in increased consumer education efforts regarding competitive supply opportunities, energy assistance programs, budget billing options and energy efficiency measures as alternatives for reducing the impact of Basic Service rate increases. Indeed, the Department has already recognized the value of these options for assisting customers in minimizing the impact of seasonal variability in Basic Service rates.<sup>63</sup>

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<sup>61</sup> See AG Comments, at 2-3 ("If and when Fitchburg launches its aggregation program, Unitil will lose approximately 71% of its total distribution service load and 77% of its total Basic Service load.") (citations omitted).

<sup>62</sup> Cf. Letter Order (Oct. 12, 2021) (approving Unitil's departure from approved Basic Service procurement requirements *after* the solicitation was already conducted).

<sup>63</sup> National Grid Basic Service Order, at 12.

“[A]ll customers may avail themselves of a budget billing plan, whereby the customer’s electric usage is projected for a period, equal monthly charges are calculated and billed for that period, and charges are reconciled with actual usage in the final billing for the period.”<sup>64</sup> In rejecting MECo’s twelve-month proposal for default service rates, the Department noted that the “twelve-month fixed-pricing proposal would not serve [its] customer base nearly as well as better awareness of [its] budget billing plan, and expansion of that plan for certain customer classes.”<sup>65</sup> Recognizing the positive effect budget billing could have at accomplishing a similar goal, the Department found:

The availability of this important budget billing option, coupled with the . . . commitment to effectively promote budget billing as a real and viable option, accomplishes effects that are substantially similar to the twelve-month pricing proposal . . . and does not clash with the [Electric Restructuring] Act’s requirement to price default service at market rates. In fact, budget billing goes beyond the . . . twelve-month average pricing proposal in that *it not only averages prices, but also averages an individual customer’s consumption pattern.*<sup>66</sup>

In fact, the Department has found that “encouraging customers to take advantage of the electric distribution companies’ budget billing programs will help some customers mitigate the effects of the increases in basic service rates.”<sup>67</sup> Nothing has occurred in the intervening years since the Department issued the National Grid Basic Service Order that would warrant it reversing those findings. Thus, the Department should continue to encourage customers to take advantage of budget billing programs that will mitigate the effects of seasonal variability in Basic Service rates.

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<sup>64</sup> D.T.E. 99-60 Letter, at 2-3; see Docket Nos. D.T.E. 01-09 through D.T.E. 01-18, *Requests for Authorizations to Adjust Gas Adjustment Factors*, Order (Jan. 31, 2001) (supporting budget billing in the context of lessening effect of high gas prices and directing gas companies to “immediately make available to all customers . . . level billing plans, whether or not customers have enrolled in such a program prior to the deadline.”).

<sup>65</sup> D.T.E. 99-60 Letter, at 2.

<sup>66</sup> *Id.* at 3 (footnote omitted) (emphasis added).

<sup>67</sup> National Grid Basic Service Order, at 12.

The AG argues that the Proposal provides “appropriate mitigation as compared to other measures.”<sup>68</sup> Among other things, the AG claims that, “while Budget Billing and arrearage management programs can be useful tools to mitigate price increases,” they do not represent additional Basic Service rate increase mitigation measures.<sup>69</sup> Budget Billing and arrearage management may be existing measures; however, they offer additional Basic Service rate increase mitigation for customers not currently using them. Consequently, Unitil should be required to further publicize the availability of these measures to ensure that all customers are aware of the benefits of budget billing and have the opportunity take advantage of that option.

In addition, the AG asserts that relying on the competitive retail supply market as an alternative to Basic Service is problematic.<sup>70</sup> In particular, the AG argues that by receiving competitive supply, “customers are likely to pay more in the long term.”<sup>71</sup> The AG’s assertions are based on the reports her office has had prepared comparing average competitive supply prices to average Basic Service rates.<sup>72</sup> These reports, however, are inherently flawed because they fail to recognize that Basic Service rates do not capture the full cost of providing that service<sup>73</sup> and that competitive suppliers offer value-added products and services that simply are not available to Basic Service customers.

Competitive supply offers significant, tangible benefits to all customers (including residential customers) and, particularly, in the current situation for Unitil customers.

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<sup>68</sup> AG Comments, at 5.

<sup>69</sup> *Id.*

<sup>70</sup> *See id.* (“[R]eliance on competitive retail suppliers to provide an economic alternative to Basic Service is fraught with danger for residential customers.”).

<sup>71</sup> *Id.*

<sup>72</sup> *Id.*

<sup>73</sup> *See* Section II.



Because individual electric suppliers engage in different wholesale procurement strategies and hedge power at different times and in different ways, they can offer—and are offering—more competitive and longer term options than Unitil’s proposed Basic Service rates.<sup>74</sup> For example, the Energy Switch Massachusetts website (“EnergySwitchMA Website”) lists various offers with prices that are significantly less than Unitil’s proposed Basic Service rate with terms of up to two years.<sup>75</sup> Some of these offers include additional value-added products and services, such as additional renewable energy content and rewards programs.<sup>76</sup> Customers choosing these options would avoid Unitil’s proposed Basic Service rate hike, realize savings, and receive additional value.

Further, competitive supply offers customers price stability over longer terms.<sup>77</sup> Price stability is a real and tangible benefit for customers seeking to manage fluctuations in monthly energy costs. Thus, a customer on a long-term fixed rate plan is protected from substantial and unforeseen increases in wholesale energy prices. This benefit of competitive supply is significant for customers already enrolled in long-term competitive supply contracts with terms extending beyond the winter 2021-22 Basic Service period. These customers will be able to avoid entirely Unitil’s proposed increase in Basic Service rates (unless the Proposal to socialize deferred Basic Service costs to all customers is adopted). This benefit of competitive supply is also significant for customers

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<sup>74</sup> See Energy Switch Massachusetts, <https://www.energyswitchma.gov/#/compare/5/1/01420/> (last visited Oct. 17, 2021) (showing multiple residential offers for Zip Code 01420 that are lower than Unitil’s proposed Basic Service rates with terms as long as 24 months).

<sup>75</sup> See *id.*

<sup>76</sup> See *id.* (showing residential offers for Zip Code 01420, including an offer of \$0.12990 for six months (with a rewards program) and an offer of \$0.15990 for twelve months (with 100% renewable energy content)). The only residential offer for the 01420 Zip Code on the EnergySwitchMA Website with a price higher than Unitil’s proposed Basic Service rate is a 100% renewable offer. See *id.* (showing a residential offer for Zip Code 01420 of \$0.19990 for six months with 100% renewable content).

<sup>77</sup> See *id.* (showing multiple residential offers for Zip Code 01420 that are lower than Unitil’s proposed Basic Service rates with terms as long as 24 months).

not currently enrolled in long-term competitive supply contracts because it provides opportunities for long-term price certainty. For example, on the EnergySwitchMA Website, suppliers are offering prices below Unitil's proposed Basic Service rate for terms of up to twenty-four months.<sup>78</sup>

In fact, in the current circumstances, competitive supply offers customers the best option for addressing the potential increase in Basic Service costs. Unlike customers in a monopoly-based generation supply regime, customers in Massachusetts can choose the option that best serves their needs and preferences. Customers can shop based on price as well as length of term and value-added components (e.g., additional renewable energy content). Thus, Unitil customers can choose a lower-priced competitive supply option instead of Unitil's proposed Basic Service rate. In fact, customers can save nearly six cents per kilowatt hour by choosing one of the currently available competitive supply options.<sup>79</sup> Unlike the Proposal, enrolling in lower-priced competitive supply will actually reduce a customer's expense, not simply shift expense to another period or to other customers.

In addition, the AG also expressed "serious concerns" about the possibility of problematic competitive supplier marketing.<sup>80</sup> The sole basis cited for these concerns is a purported increase in reports of deceptive marketing during the 2014-15 winter.<sup>81</sup> The AG's concerns paint the entire industry with a broad brush without taking into account the significant number of suppliers who have successfully competed in the retail supply

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<sup>78</sup> See Energy Switch Massachusetts, <https://www.energyswitchma.gov/#/compare/5/1/01420/> (last visited Oct. 17, 2021) (showing a residential offer for Zip Code 01420 of \$0.13690 for twenty-four months).

<sup>79</sup> See *id.* (showing a residential offer for Zip Code 01420 of \$0.12990).

<sup>80</sup> See AG Comments, at 6.

<sup>81</sup> See *id.*

market in Massachusetts without engaging in such behavior. Moreover, historical reports of improper marketing six years ago have no bearing on the competitive retail supply market today, in which a broad and diverse set of suppliers compete with each other, municipal aggregations, and Basic Service while complying with the enhanced consumer protections that the Department has implemented.<sup>82</sup> Consequently, there is no reason to assume that customer complaints will increase materially during the 2021-22 winter. Thus, RESA strongly recommends that the Department consider customer education efforts to raise awareness of competitive supplier options<sup>83</sup> as a tool to provide customers the information they need to best mitigate variations in Basic Service rates.

RESA also encourages the Department to consider the implementation of an accelerated switching protocol to assist electricity customers with their enrollment and switching to alternative pricing options. As the AG noted, the impact of Unital's Basic Service rate increase "is magnified by the lack of time customers will have to prepare for bills twice the size as their current bills."<sup>84</sup> Presently, from the point of a customer's meter read date, it can take one to two billing cycles for a customer to enroll/de-enroll or switch to alternative pricing plans. This limits customers' ability to use competitive supply to avoid Unital's proposed Basic Service rate hike. Customers should be able to act quickly to switch suppliers and choose products that meet their needs. When consumers see prices changing dramatically, they should have the ability to select

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<sup>82</sup> See, e.g., Docket No. D.P.U. 19-07, *Investigation by the Department of Public Utilities on its own Motion into Initiatives to Promote and Protect Consumer Interests in the Retail Electric Competitive Supply Market*, Order on Tier One Initiatives (May 22, 2020) (establishing various consumer protections).

<sup>83</sup> There is currently insufficient awareness of competitive supply and its benefits. See, e.g., Customer Comment (Oct. 8, 2021) (available at <https://fileservice.eea.comacloud.net/FileService.Api/file/FileRoom/14084098>) (stating in response to Unital's proposed Basic Service rate increase "[t]his sounds like a monopoly to me because, there are *no other choices*." (emphasis added)).

<sup>84</sup> AG Comments, at 2 (citations omitted).

products that offer better pricing or price protection and to effectuate that change almost immediately. The expedited switching protocol has been adopted by several leading state regulatory bodies.<sup>85</sup> RESA encourages the Department to continue to explore the merits and practicality of implementing an expedited switching practice in Massachusetts<sup>86</sup> so that customers can react more quickly to proposed rate increases.

RESA also supports creating and/or expanding efforts to educate consumers about the various energy assistance and energy efficiency programs. Low Income Home Energy Assistance Program (“LIHEAP”), “[k]nown commonly as Fuel Assistance . . . provides eligible households with help in paying a portion of winter heating bills.”<sup>87</sup> LIHEAP is funded by the U.S. Department of Health and Human Services. Eligibility for LIHEAP is based on household size and gross annual income of every household member eighteen years or older, provided the household income cannot exceed sixty percent (60%) of the estimated state median income. The Massachusetts Good Neighbor Energy Fund “has provided energy assistance to hundred-of-thousands of residents in temporary crisis who are struggling to pay their energy bills and do not qualify for federal or state energy

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<sup>85</sup> See 52 Pa. Code § 57.174 (requiring customer switches to be effected within three business days); Code Md. Regs. 20.53.04.02 (same); 26 Del. Admin. Code § 3001.4.3 (same).

<sup>86</sup> See Docket No. D.P.U. 19-07, *Investigation by the Department of Public Utilities on its own Motion into Initiatives to Promote and Protect Consumer Interests in the Retail Electric Competitive Supply Market*, Vote and Order Opening Investigation (Jan. 18, 2019), at 13-14 (supporting investigation of intracycle switching within two days after submission of completed enrollment); cf. Docket No. D.P.U. 16-193, *Petition of Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid for approval of proposed revisions to certain tariff language related to competitive suppliers*, Order (May 31, 2017), at 10-13 (denying utility request to extend from two business days to four business days the cut-off date in the Model Terms and Conditions for suppliers to submit customer enrollments for timely processing in the current billing cycle).

<sup>87</sup> See Housing and Economic Development, Low Income Home Energy Assistance Program (LIHEAP), <http://www.mass.gov/hed/community/energy/low-income-home-energy-assistance-liheap.html> (last visited Oct. 17, 2021).

funds.”<sup>88</sup> Income must be between sixty percent (60%) and eighty percent (80%) of the state median income. Twenty energy companies sponsor this fund.

In addition, an ad campaign could provide information on energy efficiency and educate consumers about the potential savings on a utility bill from less energy consumption. As the Department previously recognized, “directing the electric distribution companies to encourage customers, especially electric space heating and low-income customers, to participate in energy efficiency programs will help mitigate the effects of high electricity prices.”<sup>89</sup> The Low-Income Weatherization Assistance Program (“WAP”) “provides eligible households with full-scale home energy efficiency services,” including air sealing to reduce infiltration, limited energy related repairs, and attic, sidewall, floor, and pipe and/or duct insulation.<sup>90</sup> Households eligible for LIHEAP are also eligible for WAP,<sup>91</sup> and funding is provided by the U.S. Department of Energy. Further, Community Action Agencies (“CAA”)<sup>92</sup> provide energy assistance programs. Coordination and collaboration between competitive suppliers, EDCs, and the organizations listed above can increase visibility of these programs.

## **CONCLUSION**

For all the foregoing reasons, RESA encourages the Department to reject the Proposal. Instead, RESA supports the expanded use of outreach tools, including bill

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<sup>88</sup> See The Massachusetts Good Neighbor Energy Fund, <http://www.magoodneighbor.org/about.html> (last visited Oct. 17, 2021).

<sup>89</sup> National Grid Basic Service Order, at 12.

<sup>90</sup> See Weatherization Assistance Program (WAP), <https://www.mass.gov/service-details/weatherization-assistance-program-wap> (last visited Oct. 17, 2021).

<sup>91</sup> *Id.*

<sup>92</sup> Community Action Agencies are “private, non-profit human service and advocacy organizations that were established by Congress and the President in 1964 to fight poverty by opening the doors to economic prosperity.”). See Massachusetts Association of Community Action, About, <http://www.masscap.org/about.html#caa> (last visited Oct. 17, 2021).

inserts, to provide customers with information about the competitive retail electric market. In addition, launching a customer education ad campaign could increase awareness about energy assistance and energy efficiency programs that can help defray electricity costs.

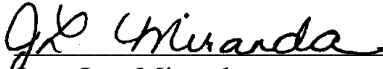
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Dated: October 18, 2021

**Certificate of Service**

I certify that I have this day served the foregoing document in the above-captioned proceedings in accordance with the requirements of 220 C.M.R. § 1.05.

  
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Joey Lee Miranda

Dated: October 18, 2021