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September 27, 2022

Nathan Forster, Chief
Energy and Telecommunications Division
Office of the Attorney General
One Ashburton Place
Boston, Massachusetts 02108

Dear Chief Forster:

On September 21, 2022, Massachusetts Electric Company and Nantucket Electric Company, each d/b/a National Grid (“National Grid”) filed its Basic Service filing for the period November 1, 2022 through April 30, 2023 for its residential and small commercial customers with the Department of Public Utilities (“Department”). On the same day, you submitted a letter to the Department requesting that the Department (1) not issue an Order on the Basic Service filing within the required timeframe; (2) hold a public hearing for customers to express concerns about high energy costs; (3) examine ways to lessen energy burden of customers; and (4) and open an investigation into long-term basic service procurement.

In 1997, the Legislature passed a law requiring the restructuring of the electric industry in the Commonwealth of Massachusetts. An Act Relative to Restructuring the Electric Utility Industry in the Commonwealth, Regulating the Provision of Electricity and Other Services, and Promoting Enhanced Consumer Protections Therein, St. 1997, c. 164 (“Restructuring Act”). Pursuant to the Restructuring Act, electric distribution companies, including National Grid, are regulated entities that distribute electricity to customers. These electric distribution companies no longer engage in the business of producing, manufacturing, or generating electricity for retail sale to the public. Instead, customers obtain electric supply through a competitive electric supply market. Customers may contract with a competitive supplier directly or may enroll with a competitive supplier through an energy broker or aggregation program, such as aggregations permitted by G.L. c. 164, §§ 134, 135, 136. The cost of electricity purchased through the competitive electric supply market is not subject to the Department’s jurisdiction.

As you are aware, the majority of Massachusetts residential customers obtain electric supply from competitive suppliers. The electric distribution companies provide the remaining customers with default service, now referred to as basic service. G.L. c. 164, § 1B(d). Electric distribution companies, like National Grid, must procure basic service through a competitive bidding process and provide rates that remain uniform for periods of up to six months. G.L. c. 164, § 1B(d). Electric distribution companies do not derive a profit from or earn a return on the provision of basic service. Accordingly, the rate for basic service electricity supply is based on the prices determined by the competitive electric supply market, which again are not subject to the Department's jurisdiction.

As you also know, the Department must issue a decision on the Basic Service filing within five business days. Pricing and Procurement of Default Service, D.T.E. 99-60-C at 8-9 (2000); Pricing and Procurement of Default Service, D.T.E. 02-40-C at 22-23 (2003). The Department reviews an electric distribution company's basic service solicitations to ensure they are competitive and the resulting rates are appropriately market based. D.T.E. 02 40-C at 22-23. Electric distribution companies conduct competitive procurements for basic service, and after the winning bidder is selected, a contract must be finalized and approved. If the Department does not approve the Basic Service filing within this timeframe, the Basic Service procurement may be voided. If the procurement is voided, basic service for residential and small commercial customers will need to be procured through alternative means. This approach is unlikely to benefit consumers, given that the prices for this winter have been volatile; the likely result is significantly higher costs to customers. The Department also notes that the Attorney General does not claim that National Grid failed to conduct its procurement consistent with the law and Department precedent, nor does the Attorney General allege that the resulting basic service prices are not market-based through a competitive solicitation. Accordingly, the Department declines to adopt the Attorney General's recommendation to delay a decision on National Grid's Basic Service filing, because it is not in the best interest of ratepayers, nor consistent with the law.

The Department is very concerned with the energy burden on customers and the increased costs of all energy sources. Gasoline, propane, oil, natural gas, and electricity costs have all significantly increased over the last year. The Department agrees, however, that the increase in electric supply costs is particularly concerning. While natural gas customers are expected to experience about a 20 percent bill increase due to rising natural gas supply costs, the electric supply costs through National Grid's Basic Service are expected to increase an average residential customer's electric bill by over 80 percent from current rates.

The Department and the Attorney General have discussed mitigating the impact of high energy costs over the last several months, including during a meeting with stakeholders last week, as noted in your letter. The Department hopes to continue this productive dialogue with the Attorney General, the electric distribution companies, and stakeholders to develop meaningful, equitable, and timely means to assist customers.

In anticipation of this winter's rising energy costs, the Department met with Massachusetts electric and gas distribution companies this summer to discuss increasing customer communications to educate ratepayers about energy costs and services available to lessen the burden, including balanced budget plans and arrearage management programs. As National Grid noted in its September 22, 2022 letter, the company launched its Winter Customer Savings Initiative to raise awareness on these topics. The Department also requested that the distribution companies develop a targeted energy efficiency effort to provide customers with access to programs that could lower energy use and costs this winter. The distribution companies' 2022 winter energy efficiency enhancements are outlined in a letter submitted to the Department on August 19, 2022, which is available through our online file room at: <https://fileservice.eea.comacloud.net/FileService.Api/file/FileRoom/15393236>.

In addition, the Department has taken additional steps within its authority to mitigate energy costs. On September 26, 2022, the Department approved a mitigation plan associated with annual adjustments to base distribution rates proposed by National Grid, which mitigates base distribution rate increases by over \$15 million. Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 22-73.

While not raised in the Attorney General's letter, the Department is also working to resolve short-term basic service procurement concerns. See NSTAR Electric Company, D.P.U. 22-BSF-C3, Petition for Approval of an Alternative Basic Service Procurement Plan (September 6, 2022); Fitchburg Gas and Electric Light Company, D.P.U. 22-BSF-A4 (2022). The volatility of the electric supply market and the uncertainty of basic service load due to the continuation of the individual competitive supply market and municipal aggregation creates a significant risk factor for potential suppliers of basic service. The electric distribution companies have explained that obtaining sufficient competitive bids for basic service is an immediate short-term issue. Fitchburg Gas and Electric Light Company, NSTAR Electric Company, and National Grid have each asked the Department to approve alternative basic service procurement strategies. See Fitchburg Gas and Electric Light Company, D.P.U. 22-BSF-A2; Fitchburg Gas and Electric Light Company, D.P.U. 22-BSF-A4; Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 22-25; D.P.U. 22-BSF-C3. Further, National Grid has also filed a petition seeking approval of an alternative procurement strategy for its large industrial customer and residential customer classes for upcoming procurements. Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 22-BSF-D3, Petition for Approval of an Alternative Basic Service Procurement Plan (September 23, 2022).

In regards to examining rules governing future procurement of basic service, the Department intends to open such an investigation after the resolution of the short-term procurement proposals pending before the Department. Through this investigation, the Department intends to examine procurement strategies, including layering of procurements and timing, in order to solicit and obtain competitive bids that provide fair, market-based electric rates to basic service customers. During the investigation, the Department will also consider secondary procurement approaches in order to avoid the necessity of multiple administrative proceedings in the event a primary procurement does not yield successful bids.

In regards to the Attorney General's request for a public hearing, the Department agrees that providing customers a forum in which to express their concerns, learn about basic service, and ask questions to their electric distribution company about rates and programs available to assist customers is a good suggestion. The Department will work with the electric distribution companies and the Attorney General's Office to arrange such a forum in coming weeks. In the meantime, we hope the Attorney General will continue to encourage customers seeking assistance with their energy costs to contact their distribution company and consider energy saving measures through Mass Save. Customers may also seek to obtain alternative electric supply through the competitive supply market; however, the Department strongly urges customers to exercise caution. Customers should be mindful of the rate, the term of the rate, potential termination costs, and any automatic re-enrollment conditions. Furthermore, resources and information to help consumers lower their energy use and access assistance if needed are available at [the Department of Housing and Community Development](#), the [DPU](#) and the [Attorney General's Office](#) websites.

Sincerely,

/s/

Jonathan Goldberg
General Counsel