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July 27, 2015

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

**Re: Investigation by the Department of Public Utilities on its own Motion into the Provision of Basic Service, D.P.U. 15-40**

Dear Secretary Marini:

On April 2, 2015, the Department of Public Utilities (the “Department”) issued a notice of its order opening an investigation into the provision of basic service (the “NOI”). The NOI sought to “address the challenges of high basic service prices.” NOI, p. 10. To further this goal, the Department held a technical conference on May 19, 2015, and various stakeholders gave presentations concerning current basic service procurement practices in Massachusetts and possible changes to these practices based on the basic service procurement practices of other states in the region. By a June 22, 2015 hearing officer memorandum, the Department requested comments for further discussion. The Office of the Attorney General (the “Attorney General’s Office”) submits this correspondence as its comments.

The Attorney General’s Office supports an initiative to address basic service rate volatility, as well as efforts to reduce basic service prices overall. As the NOI discusses, basic service rates currently follow a “see-saw” pattern, whereby customers pay rates in the six-month winter period that are sometimes nearly twice as high as the rates that they pay in the six-month summer period. NOI, p. 7. Of all of the electricity customers in Massachusetts, this “see-saw” pattern affects National Grid’s customers most severely. Last year, the National Grid basic service rates jumped 97% from summer to winter, from 8.277 cents per kWh to 16.273 cents per kWh. *Id.* The basic service rates charged by Eversource, while still volatile, experienced a much less intense spike at 60% from summer to winter, from 9.379 cents per kWh to 15.046 cents per kWh. *Id.*

The Attorney General’s Office is particularly concerned with the impact of this volatility on electricity customers who live paycheck to paycheck. This includes not only customers who participate in their electric distribution company’s low-income assistance programs, but also

those customers who may not qualify but are still struggling economically. For these customers, this volatility is likely especially painful, given their limited means to weather high prices for electricity—an essential service.

In an effort to mitigate the price volatility of fixed basic service rates for residential and small commercial and industrial customers, the Attorney General’s Office proposes that National Grid’s six-month terms for fixed price basic service for residential customers move from November–April and May–October terms to the “calendar year” terms used by Eversource: specifically, the terms of January–June and July–December. The Attorney General’s Office believes this will reduce the extreme rate spikes recently experienced by National Grid’s customers.<sup>1</sup> Based on an analysis of National Grid’s monthly variable rate schedule conducted by the Attorney General’s Office’s analyst, Kyle Connors, if National Grid had been on a “calendar year” fixed basic service term last year, the basic service rates charged in July–December 2014 would have been approximately 9.995 cents per kWh and the rates charged in January–June 2015 would have been approximately 15.149 cents per kWh, or only 52% higher. *See Attachment*. This is 45% less volatile than the price increase of 97% actually imposed on National Grid’s customers last year.

If this proposal were adopted by the Department, the requests for bids issued by National Grid and Eversource should be offset by at least one to two weeks to allow for sufficient quantity and quality of bidders. However, based on conversations with multiple stakeholders—including the Retail Electricity Suppliers Association, National Grid, and Eversource—the Attorney General’s Office does not believe this logistical issue should be an impediment to switching National Grid’s fixed basic service term to a “calendar year” schedule.

Changing National Grid’s fixed basic service term to a “calendar year” schedule has a number of potential benefits in addition to mitigating price volatility. It could help lower prices because this type of schedule may make it easier for suppliers to hedge. The proposed change could also allow for basic service to continue to reflect the changes in the electricity market and provide price signals to consumers, thus allowing for the continued “development of a robust competitive market.” *See 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, s. 1B(d)*, D.T.E. 99-60-A, pp. 5-6 (May 12, 2000).

The Attorney General’s Office therefore respectfully requests that the Department further investigate its proposal to change National Grid’s fixed basic service term for residential customers to a “calendar year” schedule. Such process could include additional discovery or one or more technical sessions to discuss the impact of the proposal, the transition of National Grid’s

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<sup>1</sup> The Attorney General’s Office also explored changing National Grid’s schedule for its fixed basic service rates so that the two terms would run from February–July and August–January, respectively. Because such a schedule would separate the high-priced months of January and February, it would likely provide a lower level of volatility than the Attorney General’s Office’s proposal here. However, the Attorney General’s Office was advised by National Grid that this schedule would likely result in higher basic service costs overall for a number of reasons, including the difficulty of hedging for January and February as individual months.

fixed basic service rate to a calendar year schedule, necessary revisions to National Grid's basic service tariffs, and any other relevant issues identified by stakeholders.

Sincerely,

*/s/ Nathan C. Forster*

Nathan C. Forster  
Elizabeth A. Anderson  
Alexander M. Early  
Assistant Attorneys General

cc: Elizabeth Lydon, Hearing Officer  
Service List, D.P.U. 15-40

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF PUBLIC UTILITIES**

**Investigation by the Department of Public  
Utilities on its own Motion into the  
Provision of Basic Service**

**D.P.U. 15-40**

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document 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 27th day of July, 2015.

*/s/ Nathan C. Forster*  
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