COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES

Petition of Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid to the Department of Public Utilities for Approval of standard Basic Service Rates	)	D.P.U. 14-BSF-D3-A

COMMENTS OF CONSERVATION LAW FOUNDATION AND MASS ENERGY CONSUMERS ALLIANCE

Introduction

For well over a decade, Massachusetts has recognized that energy efficiency provides substantial economic benefits to utility customers, provides capacity for the energy system at far lower costs than any other resource, is the most cost-effective method to reduce greenhouse gas emissions, and provides myriad public health and economic benefits by reducing damaging pollution from power plants.[1] Indeed, as a result, Massachusetts has instituted policies and programs that have garnered national awards and resulted in billions of dollars of net energy savings and lower energy bills for Massachusetts electric and gas customers.[2] Although Massachusetts has rapidly ramped up its deployment of energy efficiency, Conservation Law Foundation, Mass Energy Consumers Alliance, Appalachian Mountain Club, Berkshire

[1] *E.g.*, Electric Three-Year Plan 2010-2012 Order, D.P.U. 09-116 through D.P.U. 09-120, at 39-55; Gas Three-Year Plan 2010-2012 Order, D.P.U. 09-121 through 09-128, at 35-52; Order on Bill Impacts, D.P.U. 08-50-D, at 11-12 (recognizing long-term benefits of energy efficiency); Massachusetts Department of Energy Resources, Report of the Massachusetts Energy Efficiency Advisory Council, at 11 (Nov. 2013), http://www.mass.gov/eea/docs/doer/energy-efficiency/ma-advisory-council-2012-report.pdf ("Residential customers have benefited from . . . the marked increase in energy efficiency services."); Elizabeth Stanton Amended Direct Testimony in Methodology for Determining Avoided Costs, D.P.U. 14-86 (Sept. 16, 2014); *See also* G.L. c. 21N, § 6; G.L. c. 25B, § 5; G.L. c. 25, § 22; G.L. c. 25, § 21 (collectively mandating aggressive statewide energy efficiency improvements).

[2] Order, at xii, D.P.U. 09-116 through D.P.U. 09-120; Order, at vii, D.P.U. 09-121 through D.P.U. 09-128; Three-Year Plan 2013-2015, Program Administrators' Summary of Budget Savings Benefits, D.P.U. 12-100 through 12-111; Report of the Massachusetts Energy Efficiency Advisory Council, at 2 (Nov. 2013), http://www.mass.gov/eea/docs/doer/energy-efficiency/ma-advisory-council-2012-report.pdf.

Environmental Action Team, Cape Wind Associates, Clean Water Action, New England Chapter of Environmental Entrepreneurs (E2), Environmental League of Massachusetts, Green Justice Coalition, Health Care Without Harm, Mass Audubon,

MassPLAN, Mothers Out Front, and National Wildlife Foundation ("the undersigned groups") have consistently argued that there is far more potential for reducing demand, creating economic benefits, meeting the mandates of the Global Warming Solutions Act and addressing the region's increasing reliance on natural gas through energy efficiency programs.[3] We have also explained that the failure to properly account for those benefits and the failure to target all efficiency measures that are less than the cost of supply (rather than solely measures that have high benefit cost ratios) has prevented Massachusetts from fully achieving the mandates of the Green Communities Act and the requirements of the Global Warming Solutions Act.[4] Now, the impacts of failing to adequately account for those benefits and the resulting lack of funding for measures that are particularly well-suited to reduce demand during the winter, are being translated into increased fuel costs that will be passed along to customers unless the Department, the Energy Efficiency Advisory Council, the utilities and all energy efficiency providers act swiftly and decisively to target deployment of the most effective efficiency measures for this winter and subsequent winters.

[3] *See*, *e.g.*, D.P.U. 11-120, Consensus Comments; D.P.U. 12-100 through D.P.U. 12-111, Initial Brief.

[4] CLF Comments to Investigation into Updating Energy Efficiency, at 5, D.P.U. 11-120 (Jan. 31, 2012); CLF Initial Brief in National Grid Long-Range Forecast and Supply Plan, at 5-7, D.P.U. 13-01 (Aug. 29, 2013), CLF Initial Brief in National Grid Precedent Agreements for Firm Transportation Service, at 8-10, D.P.U. 13-157 (Dec. 13, 2013); CLF Initial Brief in Columbia Gas Precedent Agreement for Firm Transportation Services, at 7-9, D.P.U. 13-158 (Dec. 13, 2013); CLF Initial Brief in NSTAR Gas Precedent Agreement for Firm Transportation Services, at 7-9, D.P.U. 13-159 (Dec. 13, 2013); CLF Petitions to Intervene, D.P.U. 13-161 and 14-98; CLF Initial Brief in 2013-2015 Three-Year Energy Efficiency Plan, at 3-5, D.P.U. 12-100 through 12-111 (Dec. 31, 2012); D.P.U. 12-100 through 12-111 (Jan 2, 2013); Testimony; CLF Comments on the NESCOE IGER Proposal available at http://www.nescoe.com/uploads/CLF_CommentsonIGER_30May2014.pdf; *See also* Green Justice Coalition Initial Brief, at 7-10.

In the recent past, the Department and the utilities have worked together to deploy all hands on deck and bring in additional support from outside the region to respond to devastating winter storms and hurricanes. The level of rate increases being proposed by National Grid and their potential to result in substantial hardships to customers, especially those with the least ability to reduce their consumption, presents no less of an emergency than the outages caused by storms and hurricanes. Our groups call on the Department and all stakeholders to respond to this emergency with the same level of cooperation, innovation, and dedication of resources that we devote to storm planning and recovery. As a result, we are calling on the Department to (1) require utilities that request rate increases, particularly for the winter months, to present a plan to substantially increase spending and deployment of energy efficiency measures explicitly targeted to reduce winter demand not only for this coming winter but for next winter as well, (2) support no less than an additional $30 million for fuel assistance programs, with a substantial portion targeted to electric heat customers, (3) consider increasing the percentage discount provided to low-income gas and electricity customers, and (4) require utilities to accelerate the development and access to additional renewable energy to reduce the demand for natural gas for this winter and next winter. As described more fully below, these measures are the most likely to result in immediate relief for customers by lowering their total bill impacts even in the face of increased rates, especially if the program administrators target consumers who currently use the most gas and electricity. In addition, reducing the demand for natural gas through deployment of energy efficiency also reduces the scope and duration of price spikes by mitigating deliverability issues associated with existing natural gas infrastructure.

Procedural Background

On September 16, 2014, Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid ("National Grid" or "Company") requested approval of standard basic service rates that, if adopted without any mechanism to mitigate their impacts, could result in substantial economic hardships to National Grid's customers despite the availability of cheaper, more environmentally beneficial alternatives to meet demand.

According to National Grid's own filing, these rates represent bill increases in the residential sector ranging from 34.6% to 53.4% above typical monthly bills[5] and increases in the commercial sector up to 77.4% higher than typical monthly bills.[6] The Department stamp granted approval of the rate increase on September 23, 2014; however, the Attorney General filed a letter with the Department on October 2, 2014 requesting that the Department exercise its supervisory authority pursuant to G.L. c. 164, Section 76 to consider potential options to mitigate the impact of the rate increases on families and businesses in the Commonwealth.

On October 3 and October 10, the Department issued a Notice and Request for Comments regarding (1) whether and how any portion of the National Grid standard basic service cost recovery for rates approved on September 23, 2014 should be deferred to a future basic service term; and (2) other possible means to mitigate the effect on customers of the standard basic service rate increase. The undersigned groups hereby provide these comments regarding potential options to reduce the impacts on customers and further the clean energy policies of the Commonwealth.

Energy Efficiency is the Most Cost-Effective Mitigation Measure and Should Be Rapidly Ramped Up to Reduce Impacts This Winter and Next Winter

The best and most effective tool for mitigating the rate increases proposed by National Grid for *this* winter, and the next two winters, are targeted programs to increase the deployment

[5] National Grid Initial Filing, Attachment 5, 1-5.
[6] *Id.* at 18.

of energy efficiency measures that will reduce customer bills and reduce overall demand for electricity (and thus, natural gas). Therefore, the undersigned groups propose that the Department of Public Utilities order National Grid to present a plan for additional mid-term modifications to the existing programs to increase spending on energy efficiency measures to a level that is consistent with the cost to purchase supply as presented in the rate increase proposal. That is, National Grid's proposal to increase spending should be targeted to deploy energy efficiency measures that (1) are most likely to reduce demand during the winter, (2) will ensure that the plan includes measures to meet any existing savings goals that National Grid is not on track to meet, (3) are calculated to equal the amount of available energy efficiency within the affected load zones and customer classes that could be captured for a price equal to or less than the "basic service prices" set forth in Attachment 1 of National Grid's initial filing; (4) be timed to capture all of that efficiency no later than November 30, 2015; (5) to the extent that the measures result in savings that can be verified and subsequently bid into forward capacity auctions, a portion of those proceeds should be segregated to provide direct relief to customers by being applied to any portion of the rate increases that are deferred; and (6) the utility shall track the portion of the projected demand that was ultimately reduced by the deployment of these plans and the total savings reaped and report back to the Department no later than June 1, 2015 to provide an opportunity to adjust any plans for continued reductions through November 30, 2015.

This proposal is firmly grounded in the requirement established by the Green Communities Act ("GCA") that "electric and natural gas resource needs shall first be met through *all* available energy efficiency and demand reduction resources that are cost effective or

less expensive than supply,"[7] as well as the goal set forth in Section 116(a)(1) of the GCA that the commonwealth "meet at least 25 per cent of the commonwealth's electric load, including both capacity and energy, by the year 2020 with demand side resources including: energy efficiency, load management, demand response and generation that is located behind a customer's meter."[8] Despite the efforts of the Energy Efficiency Advisory Council, the program administrators, and the Department, the current levels of energy efficiency being procured under the statewide plans lag behind the targets that were established in the Clean Energy and Climate Protection Plan for 2020. Yet, it is clear that there are measures that meet the definition of "cost effective or less expensive than supply" that have yet to be deployed. We know from 08-50 tables submitted to the Energy Efficiency Advisory Council and the Department that the program administrators operated programs in 2013 with benefit-cost ratios far in excess of 3.0. Furthermore, from those tables, we know that the highest benefit-cost ratios were in the Commercial and Industrial ("C&I") Sector which is the largest sector. We have also recently heard anecdotal evidence that the demand for residential services is stretching the *current* capacity of efficiency vendors. We emphasize the word "current" because additional spending could allow for increased staffing and resources for vendors. Taken together, we see enormous opportunities for capturing energy and demand savings in both the residential and C&I sectors.

The EEAC acted just this week to support increases in National Grid's three year budget;[9] however, the additional spending was limited to the residential sector, and despite the additional spending, National Grid did not increase the savings goals for the programs. Meanwhile, National Grid anticipates achieving only 81% of the approved savings goals for its

[7] G.L. c. 25, § 21(a) (emphasis added).
[8] Ch. 169, Acts of 2008.
[9] *See* Resolution of the Energy Efficiency Advisory Council Regarding the Proposed Mid-Term Modifications of National Grid Electric, Unitil (Gas), and the Cape Light Compact, (October 15, 2014) available at http://ma-eeac.org/wordpress/wp-content/uploads/MA-EEAC-Resolution-Regarding-Proposed-2013-15-MTMs1.pdf.

Commercial and Industrial programs but has not proposed mid-term modifications to increase spending and savings for those sectors. Given the high demand to install energy efficiency measures and the need to increase staffing and deployment on an expedited basis, the proposed levels of spending and savings are not adequate to provide the relief that consumers need for this winter. We recommend requiring National Grid to develop a supplemental proposal in cooperation with the EEAC, within 15 days, for deployment of additional measures for all sectors impacted by the rate increases for this winter, and we request that the Department act to approve the proposal within 5 days of its filing with the Department.

Increasing the deployment of energy efficiency on an expedited basis will have real and significant impacts on costs for this winter and the next two winters. As noted above, the existing cost-effectiveness screening analysis that energy efficiency measures are subjected to has not been able to incorporate the impacts of the recent winter price spikes as of yet. Consultants for theEnergy Efficiency Resource Management Council in Rhode Island explicitly recognized this in a recent review of energy efficiency program benefits and concluded that, had the winter price spikes been adequately accounted for in the Avoided Energy Supply Cost Study that guides regulators in evaluating the cost-effectiveness of programs, the Rhode Island analysis would have shown an additional $200 million in benefits. Obviously, given Massachusetts' much higher level of demand, the corresponding additional benefits from adequately valuing the winter price spikes would have been commensurately much higher as well.

This proposal, if approved, would result in millions of dollars of additional savings over time and produce significant bill reductions for consumers this winter and next winter. Importantly, this proposal is entirely consistent with the plain language of the statute which

requires procurement not only of all efficiency that is determined to be cost effective, but also all efficiency that is less than the cost of supply.

Increased Fuel Assistance Targeted to Electric Heat Customers is Critical

Given the short time frame in which these increased rates will go into effect, energy efficiency is not sufficient to address the immediate impacts that customers will face until efficiency measures are installed. Direct assistance should also be increased consistent with the proposal set forth by the Low Income Energy Affordability Network in their comments calling for an additional $30 million to fund assistance through the LIHEAP program.

Diversify the Power Mix by Purchasing Additional Renewable Energy

We suspect that there is a significant amount of Class I renewable energy available on the spot market, meaning that not all of the available capacity is spoken for through long-term bilateral contracts. We recommend that the Department test this theory by requiring National Grid to issue an RFP for both energy and RECs that would be delivered at a minimum from December through March. The RFP could solicit bids solely for 2014/2015 or for additional winters as well. The combined cost for the energy and RECs from those projects would likely be bid in at an amount less than the rates that National grid would otherwise pay for electricity generated from natural gas (or electricity rates set by natural gas prices) in those months in addition to the cost of RECs or ACPs that National Grid would otherwise be required to purchase on the spot market in 2014-2015. In addition, we know that the value of wind power is quite coincident with winter demand and would thus provide additional price mitigation. The RFP would reveal whether generators are willing to sell to National Grid in order to hedge for those months.

Building New Natural Gas Pipelines is Not a Cost-Effective Solution to Address Winter Price Spikes

As noted above, the rate increases proposed by National Grid will go into effect on November 1, 2014, and contrary to the implication of public statements by some members of the gas pipeline industry and a number of utility representatives, proposals to build new natural gas pipeline infrastructure are neither an effective nor a plausible means for reducing winter costs this year or even in the next two winters. Proposals to develop additional pipeline infrastructure must go through multi-year processes to obtain contracts with shippers to support the financing of construction as well as multi-year reviews before state and federal permitting agencies to obtain approval. The earliest that new pipeline capacity can be expected to come on-line in Massachusetts, even under the most optimistic scenario, would be November 2017. A more likely in-service date for existing pipeline proposals would be 2019 or 2020. More importantly, as CLF and other market participants have explained, massive new greenfield pipeline proposals do not represent a cost-effective or right-sized solution for the episodic winter price spikes that have plagued Massachusetts and the New England region.[10]

Massachusetts' efforts to re-evaluate the current market dynamics and alternatives available to address natural gas deliverability issues are a positive step towards identifying more cost-effective, tailored solutions that will also be compatible with the greenhouse gas reduction mandates established by the Global Warming Solutions Act and the other clean energy policies that have spurred economic growth and job creation. Continued examination of the current proposals for market reforms, the likelihood of increased gas prices as a result of pressure to

[10]*See* CLF Comments on the NESCOE IGER Proposal available at http://www.nescoe.com/uploads/CLF_CommentsonIGER_30May2014.pdf; GDF Suez comments on the NESCOE IGER Proposal available at http://www.nescoe.com/uploads/GDF-SUEZ_CommenstonIGER_30May2014.pdf; CLF Testimony in Maine P.U.C. Docket No. 2014-00071, available at https://mpuc-cms.maine.gov/CQM.Public.WebUI/Common/CaseMaster.aspx?CaseNumber=2014-00071 (Doc. No. 151).; NEPGA Testimony in Maine PUC Docket No. 2014-00071.

export shale gas, and the greenhouse gas impacts of the available alternatives is necessary to identify and design the best path forward for Massachusetts and the region.

Respectfully submitted,

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Mass Energy Consumers Alliance
Appalachian Mountain Club
Berkshire Environmental Action Team
Cape Wind Associates
Clean Water Action
New England Chapter of Environmental Entrepreneurs (E2)
Environmental League of Massachusetts
Green Justice Coalition
Health Care Without Harm
Mass Audubon
MassPLAN
Mothers Out Front
National Wildlife Federation

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