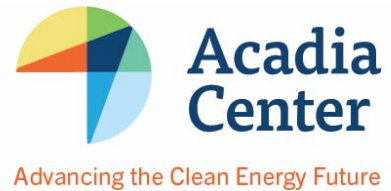


Eversource Rate Case in MA

Summary of Issues and Solutions

March 22, 2017



Within its rate case (D.P.U. 17-05), Eversource proposes significant revenue increases, new rate structures, and an array of investments. Based on preliminary review,¹ several of Eversource's key proposals appear inconsistent with reforms needed to advance a clean energy future, but others are likely beneficial. The proposals reviewed by Acadia Center can be grouped into three categories: (1) revenue and shareholder returns, (2) grid modernization investments, and (3) rate design.

Revenue and Shareholder Returns

Acadia Center supports the proposal to implement full decoupling of Eversource's revenue from energy sales, which would eliminate potential conflicts with advancing energy efficiency. Eversource's eastern MA territory is the final area where this long-standing MA policy still requires implementation.

Two other revenue proposals raise significant concerns. The first is a new revenue model which would result in large automatic revenue increases every year, with no guarantee of consumer benefits. The second is a proposed return on equity of 10.5%, much higher than other utilities in the region. This would lock in higher utility profits and further skew utility incentives away from local clean energy options and toward traditional infrastructure.

Grid Modernization Investments

Potentially beneficial proposed investments include system upgrades, new tools for distributed energy resources, energy storage, and investments in infrastructure for EV charging. However, Eversource does not appear to satisfy important requirements of the grid modernization proceeding that were put in place by the Department of Public Utilities to protect consumers, promote accountability, and advance important policy objectives.

Parties will be examining these proposals to determine whether they are appropriate and justified. Acadia Center believes that costs for any approved investments should be recovered through traditional methods that minimize ratepayer expense, instead of the proposed new revenue model that risks significant windfalls for the utility.

Rate Design

Electricity rate design proposals from Eversource contain provisions that would be harmful to consumers, slow progress on clean energy, and diminish incentives to reduce system costs. Examples include:

- Application of demand charges to increasing numbers of residential and small commercial and industrial customers;
- Higher monthly fixed charges for all residential customers, new distributed generation customers after 2017, and disproportionately for customers in western MA;
- Singling out new solar and distributed generation with a monthly minimum reliability contribution that includes demand charges and special higher fixed charge; and
- Moving away from existing rates that provide customers with incentives to reduce consumption in peak months or during peak hours.

¹ Acadia Center is participating as a party in the rate case docket, D.P.U. 17-05. Preliminary conclusions are subject to change based on discovery, further testimony, hearings, and briefing in the docket.

Acadia Center's Solutions

Acadia Center's 2014 [UtilityVision](#) provides a high-level roadmap for needed reforms, and these concepts have been elaborated in regulatory and legislative proceedings in a number of jurisdictions. Massachusetts leads the nation and region in many policies, but in the area of utility reform, the Commonwealth can learn from activities happening in our neighboring states. In addition, Massachusetts legislators are stepping up to provide solutions. Representative Jennifer Benson and Senator Marc Pacheco filed "An Act relative to Local Energy Investment and Infrastructure Modernization," H.1725/S.1875, that contains a wide range of needed reforms.

Align Utility Incentives with Consumer and Environmental Goals

The current incentives for utilities tilt their decision-making processes towards traditional capital investments in "poles and wires" instead of solutions that line up with consumer, environmental, and other public policy goals. Utility incentives can be changed starting with outcome-based metrics, such as reductions in statewide peak demand, that start to make utilities accountable for results. The next step is to adopt incentive mechanisms based on these metrics, and to link portions of utility revenue to these metrics.

Procure Clean Local Energy Resources as an Alternative to Expensive Utility Infrastructure

Current grid planning regulations favor traditional expenditures on utility infrastructure, and must be revised. Full consideration of local energy resources should be required to find solutions that are cleaner and cheaper.

New Grid Modernization Proceedings with Consumer Input and Public Accountability

Grid modernization proceedings in Massachusetts to date have resulted in little progress and more debates than concrete solutions. A new structure for these issues, with a consumer stakeholder board and clear deadlines, would streamline the process, get buy-in for and maximize the benefits of needed investments, and avoid cumbersome and expensive litigation at the Department of Public Utilities.

Consumer-Friendly Rate Design that Promotes Clean Energy

Acadia Center has a long-term vision for rate design reforms to align the way consumers pay for delivered power and how consumers get credited for power and services that they provide to the grid. These reforms would improve incentives for energy efficiency and distributed generation, preserve equitable access to clean energy, maintain protection of low-income ratepayers, and reflect equitable contributions for use of the distribution grid.

In the short term, steps can be taken that are consistent with this long-term vision and public policy goals:

- Cap fixed monthly charges at the cost of connecting a customer to the distribution system.
- Offer opt-in time-of-use rates for energy supply.
- Align net metering credit structures with ratepayer value.
- Implement Acadia Center's proposal for a [Distribution Reliability Charge](#) to account for any proven cross-subsidies without unfairly impacting customers with solar or other distributed generation.

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