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Mass. DPU Rejects National Grid's Proposed Rate Structures

Boston (October 5, 2016) – Late Friday, September 30th, the Massachusetts Department of Public Utilities (DPU) ruled in favor of The Energy Freedom Coalition of America, LLC (EFCA) and fellow Distributed Generator (DG) Intervenors -- in National Grid's General Rate Case (Massachusetts Department of Public Utilities (D.P.U.) Docket 15-155) on **all four** of the rate design issues in which EFCA holds strong interests. The DPU rejected National Grid's "unsubstantiated claims" that distributed generation (such as wind and rooftop solar) imposes costs on the electricity distribution system; and declined to find that DG customers' costs shift to other customers, rejecting the argument put forth by National Grid as the basis for the new charges it sought to levy on distributed energy systems.

While the DPU approved a rate increase -- although at a lesser amount than National Grid sought (National Grid requested revenue of $201.9 million, but was awarded an increase by $169,670,239; and requested a return on equity of 10.5%, but was awarded 9.9%) -- it rejected National Grid's proposed (i) tiered fixed charge on residential and small businesses, (ii) demand ratchets for medium and large business, (iii) elimination of an on-peak volumetric distribution charge for large business, and (iv) an Access Fee on "stand-alone" facilities (facilities that directly connect to the distribution system and generally have no on-site load), and ordered National Grid to redo its rate calculations without such changes.

With regard to National Grid's proposed tiered fixed charges for residential customers and small business, the DPU agreed with EFCA, holding *(see p. 438)* that:

> . . . [a]lthough pricing distribution service on demand use may support the cost-to-serve principle, it is **not the best rate structure to promote energy efficiency**. [citation omitted.] Therefore, it would be inappropriate to adopt the Company's proposal to recover all distribution costs through either customer charges, which are fixed, or demand charges, which are more difficult to avoid through energy efficiency [citation omitted].

As additional grounds, the DPU held (see p. 458):

> The Company purports that "DG customers may contribute significantly less to support the distribution system as a result of their reduced kWh usage, thereby shifting the recovery of distribution system costs to all non-DG customers."[emphasis theirs; citation omitted] The Company has not quantified the amount of costs attributable specifically to DG customers and has not quantified the distribution system benefits associated with DG customers in its service territory [citation omitted]. Other than quantifying net metering credits and citing to current rate design, the Company did not substantiate its cost-shift assumption with reasonable analysis and quantitative record evidence [citation omitted]. As such **the Department is not persuaded that a cost-shift from DG customers to non-DG customers, in fact, exists**. Therefore, we find that the basis of the Company's tiered customer charge proposal is not sufficiently supported.

With regard to National Grid's proposed **demand ratchet** for medium and large customers, the DPU adopted EFCA's argument that the Company had not "present[ed] any particularly compelling argument that would persuade [it] to alter its precedent" in which it previously found the mechanism "inappropriate" because it "**distorts the price signal to [] customers and discourages customers from investing in load control equipment that would otherwise be cost-effective**." The DPU also previously found demand ratchets "inappropriate because they distort incentives to conserve electricity and could unfairly impose higher costs on certain customers." (see p. 456)

The DPU also ruled in EFCA's favor in rejecting National Grid's proposal to **reduce the on-peak volumetric distribution charge** for large customers to zero, on grounds that the current rate "provid[es] a **price signal** to consume energy during off-peak periods." *Id.*

National Grid had proposed an Access Fee that would result in Virtual Net Metering (including community solar) facilities incurring an annual charge of about $26k per MWdc. Adopting the phrase coined by DG intervenors, the DPU found that National Grid had "identified but not quantified" costs that stand-alone DG facilities purportedly impose on the distribution system (p. 510); and rejected National Grid's seeming use of the allocated cost of service study (COSS) applicable to medium and large customers as the cost basis for its proposed Access Fee (which EFCA argued National Grid only introduced into the proceeding for the first time in its initial brief). The DPU found (see p. 511):

> Further, **the Company has not conducted an appropriate analysis to determine whether the reliance on the distribution system by a typical stand-alone DG facility is greater than, equal to, or less than customers on [the rate applicable to medium and large businesses]** [citation omitted.] Therefore, we are not persuaded that the Company's reliance on costs attributable to [medium and large businesses] provides a sufficiently reliable cost basis to derive an Access Fee attributable to stand-alone DG customers who take service on the rate applicable to small businesses.

While EFCA's arguments were similar to those made by other "DG Intervenors" -- Acadia Center, Vote Solar, and NECEC -- in defeating the tiered fixed charge and access fee proposals, **[Rubin and Rudman client] EFCA was the only DG Intervenor representing medium and large C&I business interests**, **and litigating National Grid's demand ratchet proposal and elimination of the peak-demand volumetric charge for large business, primarily on grounds that such measures would deter investment in battery storage**.

What this means: With this decision, Massachusetts DPU joined the majority of states that have rejected utility proposals to increase fixed charges on customer-sited electricity generation. (According to the North Caroline Clean Energy Technology Center's (NCCETC) *Q2 2016 50 States of Solar* report, in the second quarter of 2016, 25 states and Washington, D.C. had pending, or had decided, requests by 42 utilities for such increases.) The DPU ruling is being hailed as good news for renewable energy in the Commonwealth, as it maintains those rate designs that meet the DPU's traditional rate design objectives by providing "… strong signals to consumers to decrease energy consumption…" Order, p. 456.

About The Energy Freedom Coalition of America, LLC. EFCA, a trade association, represents a broad range of distributed energy resources product and services providers, including providers of rooftop solar, battery storage, demand response and load management services, and smart energy home services. EFCA members – several of whom are the major developers of distributed energy storage and DER – have made significant investments in Massachusetts through their solar and electricity storage projects, and by maintaining a large, local, workforce**. EFCA was represented in this matter by Bernice (Bicky) Corman, in Rubin and Rudman's Washington, D.C. office.**

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The Massachusetts Department of Public Utilities Order may be found here: http://web1.env.state.ma.us/DPU/FileRoomAPI/api/Attachments/Get/?path=15-155%2f15155_Order_93016.pdf

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