

## **Eversource Proposes Rate Increases and \$400 Million in Grid Modernization Investments**

Written by Kevin C. Conroy, Tad Heuer, Zachary Gerson

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On January 17, 2017, Eversource Energy filed a petition with the Massachusetts Department of Public Utilities (DPU) that would increase base distribution rates for its 1.4 million electricity customers across the Commonwealth. The company's proposal states that it would increase a typical residential customer's total monthly bill by approximately seven percent in eastern Massachusetts and approximately ten percent in the western part of the state. According to the petition, the rate increase is necessary to alleviate revenue deficiencies of Eversource's subsidiaries, NSTAR Electric Company and Western Massachusetts Electric Company (WMECO), of \$60.2 million and \$35.7 million, respectively. This is likely to be the company's first fully litigated rate case in eastern Massachusetts in 25 years. If approved, the proposal would also complete the legal consolidation of the NSTAR and WMECO entities.

The Eversource petition contains numerous and wide-ranging proposals for proposed new investments by the company, rate re-design, rate class consolidation, a new cost of service study, and a first-of-its kind proposal for performance-based rates. The voluminous filing is comprised of ten volumes with exhibits, and the company is requesting to implement the proposed rate changes on January 1, 2018. The filing has already elicited opposition from the Attorney General's Office, which will oppose the requested rate hike and perhaps other aspects of the petition.

A summary of some of the key components of the filing that may be of interest to the energy and cleantech industry, as well as to their customers and other Massachusetts businesses and electricity consumers, is provided below.

### **Overview of the Grid-Wise Performance Plan**

Eversource's Grid-Wise Performance Plan (GWPP) consists of two major components: (1) a Performance-Based Ratemaking Mechanism, and (2) a Grid Modernization Base Commitment.

The Performance-Based Ratemaking Mechanism (PBRM) would adjust rates annually in accordance with a revenue cap formula, which Eversource is proposing as an alternative to a capital-cost recovery mechanism. The PBRM is designed to work with the company's revenue decoupling mechanism, and Eversource asserts that structuring the ratemaking mechanism in this way will promote long-term cost control and enable investment in emerging technologies.

Through the proposed Grid Modernization Base Commitment (GMBC) component of the GWPP, Eversource would commit to \$400 million in grid-modernization investments over five years. The GMBC would fund initiatives in two general categories: (1) Distribution System Network Operations, and (2) Customer Engagement and Enablement. Specific initiatives would include, for example, implementation of a modern distribution management system, development of remote sensing and switching capabilities, and development of hosting capacity maps to provide customers with information about interconnection in specific locations. According to the petition, these initiatives would promote the DPU's grid modernization objectives of: (1) reducing the effects of outages, (2) optimizing demand, (3) integrating distributed resources, and (4) improving workforce and asset management.

*Energy Storage Demonstration Projects*

As part of its grid modernization efforts, Eversource has proposed an energy storage pilot program that would invest \$100 million in company-owned storage projects over five years. The company states that it is currently evaluating potential projects located in Martha's Vineyard, Wellfleet, New Bedford, and Pittsfield, but that the specific projects may change. According to the petition, the four currently proposed projects would each provide between 6 and 15 MW of capacity and are estimated to cost between \$10 and \$45 million each.

### *Electric Vehicle Charging Infrastructure*

The petition includes a proposal for a \$45 million Electric Vehicle Infrastructure and Education Program that the company states would provide the infrastructure necessary to support potentially more than 4,000 new electric vehicle charging stations, including up to 60-plus DC Fast Chargers. The project would include both utility-side infrastructure installations and behind-the-meter installations for which Eversource would contract with third parties. The petition asserts that such action is appropriate because the private sector is not likely to make the investments necessary to achieve the Massachusetts Executive Office of Energy and Environmental Affairs' goal of having 300,000 zero emissions vehicles registered in the Commonwealth by 2025.

## **Noteworthy Rate Design Features**

### *Consolidation of Customer Classes*

Eversource's rate proposal would consolidate its existing 55 rate classes into 10 new rate classes and one new optional time-of-use rate class. The new scheme would include four Residential rate classes: R-1 Residential for non-heating customers, R-2 Residential Assistance for non-heating customers, R-3 Residential Heating, and R-4 Residential Assistance Heating. It would also include four General Service rate classes (Small, Medium, Large and Extra Large) based on customers' billing demand, and two Street and Security Lighting rate classes. This realignment could have potentially significant impacts for customers who will be shifted into a new rate class—and Eversource has proposed a mitigation plan to reduce the bill impacts to certain customers who may otherwise see a significant bill impact as a result of tariff consolidation and alignment. Potentially impacted customers will need to pay careful attention to the details of the new proposed rate classes and structures.

### *Optional Time-of-Use Rates*

Eversource proposed a new optional time-of-use (TOU) rate for small general service customers who qualify for the proposed Small General Service rate class. Eversource states the TOU rate is designed to be revenue neutral to the standard Small General Service rate. Eversource will not assign any customers to this optional rate class, but customers who evaluate their load profiles may wish to elect the rate.

### *Monthly Minimum Reliability Contribution*

The petition includes a demand-based Monthly Minimum Reliability Contribution (MMRC) for new customers who elect to receive net metering credits, as was authorized last year by the Massachusetts Legislature. In "An Act Relative to Solar Energy" (Ch. 75 of the Acts of 2016), the Legislature enabled the utilities to institute an MMRC under certain conditions in an effort to recover a portion of the fixed costs of maintaining the electric distribution system in exchange for raising the state's net metering caps.

Eversource states that the distribution rates for each class under the MMRC—which will apply only after the aggregate nameplate capacity of installed solar generating facilities in the Commonwealth is equal or greater than 1,600 MW—are based on the allocated cost of providing service (as supported by studies included in the petition), and Eversource's target rate design revenue for that class. The rates would include a customer charge, a demand charge, and where applicable, a volumetric charge, and would affect new residential net-metering customers with an in-service date on or after January 1, 2018 and new general service net-metering customers with an in-service date on or after January 1, 2019. Notably, this would be the first application of a demand charge to residential rate classes, and would require installation of a new meter for those consumers. Eversource has also proposed an MMRC for low-income consumers.

## **Next Steps**

Eversource's petition has been docketed as D.P.U. 17-05, and the company's ten-volume initial filing is available on the DPU's website. While the DPU has not yet issued an intervention deadline, we anticipate that it will soon set one for as early as 30 days from the date of

the filing of the petition. Under Massachusetts law the DPU has ten months to review Eversource's request.

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