

## I. INTRODUCTION

The Department of Telecommunications and Energy ("Department") solicits comments regarding the extent to which metering, billing and information services ("MBIS") associated with electric service may be provided on a competitive basis and on whether distribution companies' service territories should remain exclusive. Section 312 of the Electric Restructuring Act, Chapter 164 of the Acts of 1997 ("Act"), directs the Department, in conjunction with the Division of Energy Resources ("DOER"), to conduct an investigation and study of the metering, meter maintenance and testing, customer billing and information services that historically have been provided by distribution companies. The purpose of the investigation is to determine whether these services should be unbundled from other services provided by distribution companies and, instead, be competitively provided. The Department must determine whether such unbundling would result in substantive savings to consumers and, if so, whether these savings could be realized with little, or no, disruptions to employee staffing levels of the distribution companies. In addition, the Act requires the Department to investigate whether distribution company service territories should remain exclusive, as required by G.L. c. 164, § 1B, or whether such exclusivity should be "terminated or altered in any manner."

If the Department determines that MBIS services should be unbundled and provided on a competitive basis, or that the exclusivity of distribution company service territories should be terminated or altered, the Department is required to file its recommendations and draft implementing legislation with the clerk of the House of Representatives by January 1, 2001. Unbundling of, or retail competition for, these services would not be permitted unless provided by amendments to G.L. c. 164.

## II. BACKGROUND

Prior to March 1, 1998, electricity consumers in Massachusetts were required to purchase a bundled package of electricity-related services (including MBIS) from their local electric companies. Since March 1, 1998 (the retail access date established by St. 1997,

c. 164), electricity consumers in Massachusetts have had the opportunity to purchase electric generation services, but not MBIS, from competitive suppliers. Consumers continue to receive MBIS from their local electric companies, regardless of whether they are receiving generation services from competitive suppliers or from the electric companies.

Additionally, prior to the Act, distribution company service territories were governed by the provisions of G.L. c. 164, §§ 87 and 88. The Act provides that distribution service territories shall be exclusive and based on the service territories actually served on July 1, 1997, following municipal boundaries to the extent possible.

### III. PROCEDURAL ISSUES

The Department will conduct its investigation in two phases. In the first phase, the Department will investigate whether billing, metering, and information services should be unbundled from the other services provided by the distribution companies and, instead, be provided on a competitive basis. Also, the Department will consider whether to recommend termination of, or other changes to, the current requirement of distribution company service territory exclusivity. If the Department determines that MBIS should be offered to consumers on a competitive basis, or that service territory exclusivity should be terminated or altered, we will conduct a second phase of this proceeding. Phase II of the proceeding will focus on development of the Department's proposal and drafting legislation designed to implement our recommendations on industry-wide competition for MBIS and service territory exclusivity.

Any persons interested in submitting comments to the Department on the aforementioned issues should do so by the close of business (5:00 p.m.) on July 10, 2000. One original and 15 copies of all comments should be filed with Mary Cottrell, Secretary of the Department, One South Station, Boston, Massachusetts 02110. All comments exceeding ten pages in length must be accompanied by an executive summary, of no more than two pages, double-spaced. Comments should be submitted in hard copy and on a 3.5" diskette, IBM-compatible format. The file format for all comments must be compatible with either WordPerfect 8.0 for text responses, or with Microsoft Excel for data or spreadsheet responses. Comments submitted in electronic format will be posted on the Department's website, <http://www.magnet.state.ma.us/dpu>. Interested persons who would like to reply to initial comments must do so by July 24, 2000. In the event that the Department determines to schedule a hearing to afford Commenters the opportunity to address these issues further, said Commenters will be notified of the date and format of the hearing.

### IV. ISSUES TO BE ADDRESSED BY COMMENTERS

As is required by statute, all electric distribution companies operating in the Commonwealth pursuant to G.L. c. 164, §1 et seq., are directed to file detailed information relative to their costs of providing MBIS, including, but not limited to, capital costs, depreciation, operating expenses, and taxes. Specifically, distribution companies are directed to provide the Department with costs associated with metering and billing that were recovered through the company's base rates for the year 1999. These costs shall be separated by accounts, with a description of costs that are typically included in each account. Moreover, distribution companies shall provide information on the number of employees (including information on salaries and years of service) that are involved in providing MBIS and shall specify whether a reduction in employee levels would result if MBIS were provided competitively. Distribution companies shall provide the assumptions used in developing the response.

Additionally, distribution companies and all other interested persons are requested to address the following questions in comments submitted to the Department:

(1) What are the costs and benefits that competitive MBIS would provide to consumers of electricity, and to other entities that provide services in the electric industries? Benefits should include, but not be limited to, potential cost savings, the enhancement of available energy- and non-energy-related services, and the extent to which the successful development of the competitive market for generation requires the introduction of competitive MBIS. Please also discuss why these same benefits could not be achieved within the current monopoly structure. Comments on the costs of competitive MBIS should include, but not be limited to, impacts on utility employee staffing and the effect that such competition would have on a distribution company's ability to meet the needs of its customers on an ongoing basis.

(2) Please describe all services that are currently provided by distribution companies under the broad category of metering, billing, and information systems? Can or should all these services be provided competitively? If not, please identify services that cannot or should not be provided competitively and explain why that is so.

(3) G.L. c. 164, § 1B(a) provides that distribution company service territories shall be based on the service territories actually served on July 1, 1997, and following, to the extent possible, municipal boundaries. Please discuss whether this provision of G.L.

c. 164 should be amended or repealed in whole or in part. As part of this response, commenters are encouraged to refer and cite to relevant statutory interpretations or Department decisions.

(4) G.L. c. 164, § 1B(a) provides distribution companies with the exclusive obligation to provide distribution service to all retail customers within their respective service territories unless the written consent of the distribution company has been obtained and filed with the Department and clerk of the municipality so affected. Please discuss whether this provision of G.L. c. 164 should be amended or repealed in whole or in part.

(5) G.L. c. 164, § 1B(c) prohibits Department-regulated electric companies or their affiliates from using the distribution system of another electric company or make direct or indirect sales to end-use customers in another electric company's service territory unless (1) the Department has approved a restructuring plan for the supplying electric

company providing for comparable direct access to end-use customers within its own distribution service territory, or (2) the supplying electric company has entered into an agreement, on or before January 1, 1997, for direct access to an end-use customer located on the border of its service territory. Please discuss whether this provision of G.L. c. 164 should be amended or repealed in whole or in part.

(6) To what extent, if any, does the Restructuring Act require or allow the Department to consider whether MBIS should be offered competitively within the natural gas industry?

## V. ORDER

After due consideration, the Department

VOTES: To open an inquiry pursuant to Section 312 of the Electric Restructuring Act, chapter 164 of the acts of 1997, in order to establish whether metering, billing and information services associated with electric and gas service should be provided to consumers on a competitive basis, and whether distribution company service territories should remain exclusive, as is defined in G.L. c. 164, § 1B; and it is

ORDERED: That within seven days of the date of this Order, the Secretary of the Commission shall publish the accompanying Notice of Inquiry in statewide newspapers of general circulation within the service territories of electric and gas companies subject to

G.L. c. 164; and it is

FURTHER ORDERED: That the Secretary shall serve a copy of this Order by regular mail on each electric and gas company subject to G.L. c. 164.

By Order of the Department,

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James Connelly, Chairman

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

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Eugene J. Sullivan, Jr., Commissioner

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Deirdre K. Manning, Commissioner