

**COMMONWEALTH OF MASSACHUSETTS**

**DEPARTMENT OF PUBLIC UTILITIES**

Investigation by the Department on its own Motion )  
into Rate Structures that will Promote Efficient ) D.P.U. 07-50  
Deployment of Demand Resources )

**COMMENTS OF  
IPSWICH CITIZENS ADVOCATING FOR RENEWABLE ENERGY**

Ipswich Citizens Advocating for Renewable Energy (“ICARE”) is an unincorporated group of energy consumers formed to support renewable energy efforts and demand and energy savings efforts and to educate the public about ways to achieve those goals. To date ICARE’s efforts have included the following:

- In November 2005, ICARE hosted an Ipswich Winter Heating Efficiency forum to discuss heating fuel conservation options with Keyspan, MassEnergy, and the Ipswich Electric Department;
- In July 2006, ICARE hosted a The Green Car and Transportation Festival, a extremely successful event that drew over 1000 in attendance with dozens of sponsors, exhibitors, and speakers;
- In November 2006, ICARE member Web Bingham initiated the formation of an Ipswich Commission on Energy Use and Climate Protection. The Commission has worked to identify how municipal decisions affect energy use and the generation of harmful emissions that come from electricity and fossil fuels;
- In March 2007, ICARE sponsored a free Residential Energy Efficiency Fair for homeowners, builders and designers with keynote speakers William Moomaw, PhD, Professor of International Environmental Policy at Tufts, and Barbra Batshalom, LEED AP, Executive Director, The Green Roundtable;
- ICARE continues its ongoing efforts to educate energy consumers through regular meetings and electronic mailings to its membership and others and works with interested citizens across eastern Massachusetts to strive to achieve increased implementation of renewable energy sources and reduction in consumer demand and use of energy.

ICARE's interests, though born of local interests<sup>1</sup>, go beyond its town boundaries and relate to all forms of energy use.

## **INTRODUCTION/EXECUTIVE SUMMARY**

ICARE appreciates this opportunity to weigh in on efforts to foster “customer-sited, cost-effective demand resources.” In summary, ICARE is supportive of efforts to reduce demand for and consumption of energy at the consumer level whether such efforts are through demand reduction, conservation efforts, or customer installations of distributed generation, including renewable resources, such as wind or solar.

As the New York Public Service Commission recognized in its order issued April 20, 2007:

Programs that promote cost-effective energy conservation, increase the use of renewable resources and otherwise reduce or eliminate barriers to the installation of distributed generation can reduce pollution, conserve natural resources, decrease dependence on foreign sources of fossil-fuels, promote price stability, improve fuel diversity, and create significant cost savings opportunities for customers. Energy efficiency improvements, in particular, limit unnecessary load growth and can avoid or delay installation of costly, new distribution, transmission or generation facilities.

Order Requiring Proposals for Revenue Decoupling Mechanism, Issued and Effective April 20, 2007 at pages 1 and 2.

The Department's Straw Proposal presents a well-thought out method of removing a financial disincentive for utility companies with respect to implementation of

---

<sup>1</sup> Gas service to Ipswich is by Keyspan, while electric service is municipally supplied. Regardless of provision of electric service by the municipal light department, electric prices throughout the Commonwealth may be affected by policies established in this proceeding and ICARE's interests extend beyond the municipal boundaries in any event.

necessary and beneficial energy efficiency, demand reduction and distributed generation through renewable energy technologies or otherwise.

## **DISCUSSION**

The Department's Order Opening Investigation correctly notes the traditional method of ratesetting based upon historical costs, with adjustment for known and measurable changes, can lead to utility revenue shortfalls where a utility's sales volumes drop for whatever reasons, which may include demand reduction or increased customer energy consumption efficiency or consumer deployment of renewable technologies. The Department is correct in concluding that tying utility revenues more closely to costs "should better align the financial interests of electric and gas companies with customer interests, demand resources, price mitigation, environmental, and other policy objectives."<sup>2</sup>

Although Massachusetts has had success with utility sponsored conservation programs, has experienced some impressive and laudable demand reduction efforts and has sought to ease the burdens of interconnection of distributed generation resources, more can certainly be done. ICARE believes that removal or reduction of disincentives for utility companies to foster such efforts will be an important step forward. The Department's proposal for a Base Revenue Adjustment Mechanism should largely remove the financial disincentives for utility companies that result from reduced sales, revenues and earnings.

ICARE believes that a Base Revenue Adjustment Mechanism such as that proposed by the Department can be consistent with long-standing ratesetting principles of

---

<sup>2</sup> ICARE observes a recent AGA report that states that 17 utilities in 10 states (California, Oregon, Washington, Missouri, Indiana, Ohio, North Carolina Maryland, Delaware, and New Jersey) have implemented decoupling tariffs and that similar programs are pending in several others states.

simplicity and efficiency. Though any new mechanism establishes additional layers of review and will require not insignificant efforts in its implementation, the Straw Proposal appears to be reasonably simple and certainly an improvement over historic efforts to mitigate distribution companies' revenue loss from conservation programs, for example. At the same time, where utilities make base rate proposals to the Department, the Department should continue to try to reflect costs in rates to the greatest extent possible. Fixed costs should be recovered from fixed charges and variable charges should be recovered through variable charges, so that consumers can have the opportunity to respond to price signals, change their consumption patterns and ultimately their utility bills.

ICARE will not delve into the ratemaking details of the Straw Proposal at this time, nor does it take a position on what effect implementation of the Straw Proposal (or something similar) would/should have on matters such as utility companies' existing performance based ratemaking mechanisms. However, it does observe that careful consideration must be made regarding impacts on utilities' costs of capital and utilities' continuing cost savings/cost containment efforts, so that potential adverse financial impacts on customers are mitigated.

Regarding the Department's specific questions, ICARE has limited comments, but notes the following. Regarding determination of a company's allowed revenues per customer, generally that important determination should have the rigor of a base rate proceeding. At the same time, ICARE believes that it is important to move forward with such a proposal expeditiously. It does not recommend setting revenue levels outside of a base rate proceeding. The Department should establish a relatively short timeframe for

utilities to initiate such proceedings. Thereafter, annual reconciliations would seem to best achieve administrative efficiency and the goals articulated for this effort. Continuing and/or new incentives for utilities' support of energy efficiency, demand reduction and distributed generation and renewable energy source deployment likely are part of the equation going forward, as well. ICARE urges that any changes to the ratemaking process should involve careful consideration of price signals to consumers, so they recognize the true costs of the level of services that they demand. This requires a continuing effort to move toward cost based rates

## **CONCLUSION**

ICARE supports the Department's forward-thinking proposal and its policies of seeking to foster increased demand reduction and customer sited renewable technology efforts.