

September 10, 2007

Mary L. Cottrell, Secretary
Department of Public Utilities
One South Station
Boston, MA 02110

Re: D.P.U. 07-50

Dear Secretary Cottrell:

I am filing the comments of National Grid¹ in the above-captioned proceeding. We greatly appreciate the opportunity to provide these comments.

In addition, National Grid wishes to participate on a panel for comments at the Department's public hearings in this docket. Janet Gail Besser, National Grid's Vice President for Regulatory Strategy, will be our representative. A summary of her qualifications is attached. She wishes to provide comments on the full range of issues in this docket, and her conclusions and opinions are as set forth in National Grid's comments. Her contact information is as follows:

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Thank you very much for your time and attention to this matter.

Very truly yours,


Amy G. Rabinowitz

cc: Service List

¹ Boston Gas Company, Colonial Gas Company, Essex Gas Company, Massachusetts Electric Company, and Nantucket Electric Company

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES

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

Comments of National Grid

The National Grid Companies¹ are pleased to provide these comments in the above-captioned proceeding in response to the Department’s Order to investigate existing rate structures to better align the financial interests of utilities with the goal of capturing all available energy efficiency and fostering the advancement of other demand resources² in the Commonwealth. National Grid outlines below a decoupling plan that will facilitate a dramatic ramp up in gas and electric energy efficiency programs for the benefit of utility customers and the Commonwealth.

The Department is in the forefront of moving the Commonwealth to even greater energy efficiency than has already been achieved under award-winning programs. National Grid enthusiastically supports the Department’s initiative to capture all available energy efficiency and is pleased to offer a proposal for implementation that National Grid believes has the highest likelihood of advancing energy efficiency and other demand

¹ The National Grid Companies are comprised of Massachusetts Electric Company and Nantucket Electric Company (collectively “National Grid Electric Companies”) and the former KeySpan companies: Boston Gas Company, Colonial Gas Company and Essex Gas Company (collectively “National Grid Gas Companies”). Collectively, all of the companies are referred to herein as “National Grid” or the “National Grid Companies”)

² The Department has defined demand resources as installed equipment, measures or programs that reduce end-use demand for electricity or natural gas. Such measures include, but are not limited to, energy efficiency, demand response, and distributed resources.

resources quickly and effectively. All of National Grid's comments flow from a strong belief in the benefits that additional energy efficiency can bring for the Commonwealth.

I. Introduction and Executive Summary

National Grid has long been a national leader in the development and deployment of energy efficiency programs, winning several awards over the years. On the electric side, National Grid has been implementing energy efficiency programs in Massachusetts for twenty years. The Company has spent approximately \$750 million on its energy efficiency programs, producing approximately two million MWh in annual energy savings and over \$2 billion in customer electric bill savings since 1987. Altogether, participating customers are realizing bill savings of approximately \$200 million per year. More than 300,000 customers participate in National Grid's electric energy efficiency programs each year.

Similarly, KeySpan (now a part of National Grid) has been operating gas energy efficiency programs in Massachusetts for over fifteen years. Since 1991, more than 400,000 customers have taken part in these energy efficiency programs. KeySpan has invested more than \$140 million in energy efficiency programs, helping customers to save nearly 565 million therms, enough to heat more than 24,000 homes for twenty years. Altogether, KeySpan's customers have saved \$876 million as a result of program efforts.

The Department facilitated this success by aligning the interests of customers and other stakeholders in energy efficiency with the opportunity to earn shareholder incentives for the exemplary delivery of energy efficiency. Massachusetts has proven

that when shareholder interests are fairly aligned with environmental objectives, customers and the environment reap substantial benefits. These programs also were the product of sensibly structured regulatory processes, with cost recovery mechanisms and reconciliation accounts that facilitated effective regulatory review and timely recovery. This bolstered utility confidence in the regulatory compact, thus serving to further encourage effective and well-administered programs. These features are crucial and need to be firmly anchored in any prospective ramp up of programs.

Today, the Commonwealth is on the verge of doing something even bigger with a dramatic ramp up of energy efficiency. National Grid is poised to continue its leadership as a major partner in the prospective growth of energy efficiency. The new ambitious phase being contemplated has the potential to capture substantial energy efficiency benefits for customers and the Commonwealth beyond today's programs. In fact, National Grid encourages the Commonwealth to establish aggressive statewide targets for energy efficiency and allocate them fairly among all Massachusetts utilities.³ Done right, revenue decoupling can and should be an important part of the process to achieve the Commonwealth's goals for greater energy efficiency.

National Grid believes the Department can move quickly if decoupling is implemented in two phases. For the first phase, the Department should simply order that a lost revenue mechanism be employed immediately on an interim basis for all utilities. This would achieve decoupling in the short term and allow the policy of expansion of energy efficiency to be launched immediately.⁴ A lost base revenue interim solution

³ National Grid also encourages the Commonwealth to include municipal utilities as part of the plan.

⁴ National Grid is mindful of the need to take into account the impacts of any program expansion on low income customers and the benefits of targeting special programs to low income classes.

presents a framework for National Grid (and other utilities) to implement a significant ramp up in energy efficiency and other demand resource programs.⁵

With the interim mechanism established immediately, the energy efficiency programs can be ramped up quickly. The Department can then establish a schedule to have each utility transition from lost base revenues to an approach that employs a permanent decoupling mechanism, taking into account the terms of existing rate plans that could affect timing, as well as other peculiar circumstances faced by each utility.

For the second phase, National Grid proposes a new ratemaking process that would place all utilities on a periodic rate case schedule once existing plans expire or are renegotiated, with fully reconciling decoupling mechanisms. National Grid recognizes that it also may have been the intention of the Department to establish a similar transition with the straw proposal. National Grid proposes a plan in these comments that builds upon the Department's intent, but in a way that National Grid believes will likely lead to meeting the energy efficiency goals of the Commonwealth more quickly, while at the same time facilitating necessary investment in an aging electric and gas distribution infrastructure.

In sum, the Department should adopt the following two phased, seven-point plan:

- (1) Require each utility to file a lost base revenue mechanism with the Department within ninety days of the Department's order that effectively allows the utility to recapture all revenues lost from the ramp up of

⁵ Although the current statutory cap on spending may be a short term impediment to expansion, creative solutions such as amortizing energy efficiency expenses with an incentive-based return may be available as an option. National Grid stands ready to work with the Department and other stakeholders to fashion a mutually acceptable approach.

energy efficiency and other demand resource programs from those in existence today;

- (2) Require each utility in its next base rate case filing to propose a new mechanism of decoupling sales revenue from profits, consistent with Department objectives;
- (3) Adopt a policy of determining a utility's annual revenue requirements to which decoupling will be applied through a forecasted test year methodology (rather than an historic test year approach) that establishes annual revenue requirement targets that are closely aligned with reasonably expected cost incurrence;
- (4) Once utilities file their next base rate cases, place each on periodic rate case cycles that contemplate multi-year rate plans, developed from the forecasted revenue requirements, with flexibility to allow for performance based regulation ("PBR") components and continuation of fully reconciling cost recovery mechanisms, where appropriate;
- (5) Adopt a policy of encouraging utilities with existing rate plans to voluntarily negotiate amendments to existing rate plans that take into account the trade off of benefits already embedded in the existing plans, without penalty or recourse if a settlement cannot be consummated;
- (6) Reward those utilities who are able, through voluntarily means, to transition out of the lost base revenues mechanisms into the periodic rate case cycles within a reasonable time, by providing positive incentives to do so; and

- (7) Maintain existing energy efficiency program structures, including incentive mechanisms that send strong signals to encourage superior performance.

National Grid appreciates this opportunity to share its views. In these comments, the Company will discuss core principles upon which National Grid believes a successful decoupling approach should be built. The comments then more fully set forth the two-phased approach being recommended.

Also included with the comments are two appendices. Appendix A provides specific comments on the Department's straw proposal. Appendix B provides responses to the Department's questions, as set forth in its order. However, the main body of these comments focuses on National Grid's proposal.

II. Core Principles for Decoupling and Success in Energy Efficiency

The seven-point plan recommended by National Grid is based on several core principles upon which ratemaking should be built to effectively decouple sales revenue from profits, encourage more energy efficiency, and facilitate investment in a distribution infrastructure to provide the highest quality of reliable and safe service. Each of these principles is discussed below.

A. The Need to Couple Forecasted Ratemaking with Decoupling

An important effect of decoupling that needs to be taken into account in considering the design of decoupling is the fact that decoupling will eliminate a revenue stream that has been relied upon by electric utilities for many years to cover rising cost

incurrence associated with needed investment in the system. To the extent decoupling is employed, National Grid believes it is critical that an appropriate alternative rate-setting approach be implemented to compensate for the elimination of increased revenues from load growth in order to ensure that needed investment in underlying infrastructure can continue to be made in a timely manner. While increased energy efficiency programs are expected to forestall the need for some incremental investment, they will not avoid the need for re-investment in aging infrastructure and modernization of the grid to provide a platform for future further expanded energy efficiency and demand response initiatives.

In that regard, whatever mechanism the Department chooses for decoupling, National Grid urges the Department to modify the rules that will be used to establish the revenue requirement to which any applicable decoupling mechanism would be applied. In order to truly achieve the goal of maximizing energy efficiency investment, properly aligning costs with revenues is vitally important. To achieve that end, National Grid proposes that the base rate case revenue requirement be established through a forecasted rate year methodology. Otherwise, as will be explained, the implementation of decoupling could lead to unintended consequences to customers in the form of unstable rates, long term disincentives for utilities investing in aging infrastructure, and financial harm to the utilities themselves, which will also not serve customers well.

In National Grid's existing electric rate plan, the company has relied upon load growth revenues to help sustain its business. As investment needs have grown, load growth revenues have provided an important revenue supplement to partially cover the funding needed for the investments. If load growth revenues are eliminated, electric utilities will be placed in the position of frequently needing to seek rate relief to maintain

the revenues they need to provide reliable service. In Massachusetts, the use of a historical test year approach to rate-setting exacerbates the problem.

Under existing rate case precedent in Massachusetts, a utility files a rate case using historic costs in the year prior to the filing, with a limited amount of leeway to make forward-looking adjustments for known and measurable changes. The new revenue requirement is then established from those historical costs. To the extent the prior year's costs are the same as the following year's costs, the utility has a reasonable opportunity to earn its allowed return in the next year. However, when costs rise, the utility's opportunity to earn its return is reduced, all other things being equal. On the electric side, load growth revenues have often allowed the utility to keep pace with future cost incurrence associated with investment in infrastructure needed to serve customers. With revenue decoupling, however, load growth revenue will be eliminated as a means to help keep pace with costs. As a result, if the utility's rates are primarily based on its historical costs (which could be up to two years old by the time new rates are put into effect), and there is no means to obtain load growth revenue, the utility effectively loses any reasonable opportunity to earn its allowed return, absent other unusual circumstances.

On the gas side, the problem of not having a forecasted test year is worse because gas utilities already are experiencing a drop in usage per residential customer. The National Grid Gas Companies have been concerned about the lost revenue effect associated with reduced consumption in all classes, but primarily with the effect in the residential heating class, given that these customers account for approximately fifty-seven percent of the companies' margin. During the past sixteen years, the gas

companies have seen an erosion of usage by the average residential heating customer of approximately 1.2% per year. The companies are realizing similar erosion in smaller commercial customer usage, although average usage for these customers is more difficult to track on a consistent basis. In fact, as the efficiency of gas appliances continues to improve and customers respond to higher and more volatile gas commodity prices, the gas companies have witnessed much sharper declines in use per customer in recent years. Over the past two years prices have increased between thirty and thirty-five percent and residential weather normalized use per bill has declined between five and six percent.

Declines in usage due to increasing efficiency and other demand response programs are desirable from a customer and societal perspective; however, they reduce a gas utility's ability to recover costs incurred for needed capital investment in what is in many areas of Massachusetts an aged and aging system. Decoupling, by itself, will help to eliminate this effect on the gas side, but does not eliminate the problem caused by use of an historic test year. The historic test year approach still places the utility in a position where its ability to earn its allowed return on equity is reduced.⁶

To the extent revenue decoupling is introduced without changing the historic test year approach to rate-setting, it will fail to achieve its goal of aligning utility company and customer interests for both electric and gas utilities. The historic test year approach does not allow the utility to take into account its long term capital planning needs to serve customers reliably and cost-effectively. To the extent that an aging infrastructure needs to be replaced, the ramp up of needed and prudent capital spending is not recognized in

⁶ Although gas companies have experienced decreasing use per *residential* customer over the past several years, there has been growth in use per customer in various C&I classes. This revenue growth has helped to offset lost revenues on the residential side, as well as increases in costs. However, it has not been enough to offset the revenue losses caused by the residential sector.

the rate-setting based on an historic test year. Instead, rate base is essentially adjusted upward only by the capital additions in the historic period prior to the rate case.⁷ Thus, when a utility has a significant need to increase future capital spending, the historic test year method stands as a substantial disincentive to implementation of beneficial programs and projects. That is, the utility does not have the incentive to move forward with capital spending that provides long term benefits to customers because once capital projects are placed in service, there is no compensation to the utility for the investment until a rate case is filed to change rates again and the new rates go into effect after a significant lag. At times when a company anticipates that it will be increasing its capital spending over a number of years, the use of an historic test year will require a company to make annual rate filings, which will cause rate instability for customers. Ratemaking based on a forward looking test year can avoid this dilemma.

The simple way of addressing this problem is to adopt a forecasted rate year methodology. This is not a radical mechanism. This method of ratemaking has been employed in numerous states around the country and is the method used by the Federal Energy Regulatory Commission. To the extent a utility can make a filing based on its forward-looking capital spending plans over a multi-year period, the interests of utility shareholders and customers are aligned. The utility is not deterred from making capital investments that benefit customers. In addition, it is not deterred from ramping up its energy efficiency programs and the intended effect of the revenue decoupling policy to

⁷ Traditionally, no more than a limited capital attrition allowance has been permitted.

encourage energy efficiency and other demand response is achieved. There also is no legal impediment for the Department to use a future test year instead of a historic one.⁸

National Grid believes it is crucial to have the rate-setting method changed at the same time that decoupling is introduced to support the ramp up of energy efficiency and other demand response programs. Otherwise, decoupling will fail to achieve its intended effect. The energy efficiency program and the implementation of decoupling will establish the wrong incentives, send the wrong signals and, over the long term, impact the ability of utilities to meet growing investment needs to maintain safe and reliable service.

B. Retention of PBR Mechanisms is Essential

In addition to the issue of initial rate-setting, National Grid also believes it is critical for the Department to maintain flexibility to permit PBR proposals. PBR plans have brought significant benefits to customers in the form of multi-year rate plans that have resulted in relatively stable delivery service rates for many years. The PBR approach also has provided the right incentives to utilities to operate efficiently and find innovative ways to reduce the cost of doing business. Using a forecasted cost incurrence method as the starting point for any new PBR plans also is a reasonable and effective mechanism to align costs with revenues. To the extent a decoupling mechanism reconciles against a forecasted revenue requirement in each year of a multi-year plan,

⁸ In Boston Gas Co. v. Department of Public Utilities, 324 N.E.2d 372, 376 (1975), the Supreme Judicial Court held that “[our] fundamental law requires no particular theory or method to be used in determining a rate base, provided the resulting rates are not confiscatory.” The Supreme Judicial Court reiterated that view a year later in New England Telephone and Telegraph Company v. Department of Public Utilities, 354 N.E.2d 860, 864 (1976), holding that in determining rate base the Department “[although] not required to use a method based on an adjusted historic test year, is permitted to do so.”

costs and revenues remain reasonably aligned, and the utility retains a reasonable opportunity to earn its return. The reconciliation permits the utility to invest for the benefit of customers and the Commonwealth without financial penalty.

The Department also has found that multi-year PBR plans provide utilities with the opportunity to plan their operations, invest in and benefit from cost reduction measures, and offset increasing operation and maintenance (“O&M”) and capital-investment costs that are subject to substantial inflationary pressures from year to year. Accordingly, the fundamental benefit of PBR plan implementation is that it allows utilities to avoid frequent rate cases that impose undue cost on the Company and its customers and that have the potential to thwart utility investment because of the inability to recover the allowed revenue requirement between rate cases in light of inflationary cost pressures and regulatory lag.

Similarly, the factors motivating the Department’s decision to implement PBR plans for gas and electric utilities are in no way affected by the application of a decoupling mechanism. The Department has repeatedly found that PBR plans act as alternatives to traditional cost of service regulation, while satisfying the standard set forth in G.L. 164, § 94, requiring rates to be just and reasonable. *KeySpan Energy Delivery*, D.T.E. 03-40, at 471 (2003); *Boston Gas Company*, D.P.U. 96-50 (Phase I) at 242, citing *Incentive Regulation*, D.P.U. 94-158, at 52-66 (1995). In approving these plans, the Department has found that incentive regulation is more likely than traditional cost-of-service regulation to advance the Department’s goal of ensuring safe, reliable and least-

cost energy service, while promoting economic efficiency, cost control, lower rates, and reduced administrative burden in regulation. *Id.*; D.P.U. 96-50, at 243.

In sum, PBR should remain a viable option to ratemaking in the future. The implementation of decoupling should complement PBR in Massachusetts and should remain as one of the options available in the menu of flexible approaches to ratemaking that benefits customers.

C. Maintaining Special Reconciliations as Appropriate

The Department also should take into account the ways in which fully reconciling cost-recovery mechanisms already function to decouple sales revenues from cost recovery by allowing utilities to recover their approved revenue requirement on a year-to-year basis. The Department currently employs a range of cost-recovery mechanisms to enable utilities to collect their allowed revenue requirement over a multi-year period immediately following a base rate proceeding.

For example, the Department has established cost-recovery mechanisms outside of base rates for pension costs and post-retirement benefits other than pensions (“PBOP”). The Department has addressed pension/PBOP expense on a case-by-case basis, seeking to include an amount for pension/PBOP expense in base rates that was “representative” of the utility’s expense level going forward and that, if included, would result in just and reasonable rates. *NSTAR Electric & Gas*, D.T.E. 03-47-A, at 16 (2003), *citing, Boston Gas Company*, D.P.U. 96-50, at 81 (1996) (Phase I); D.P.U. 89-81, at 33-34. The Department’s consideration of a new cost-recovery mechanism for pension/PBOP expense stemmed from the recognition that these expenses were (1) outside the control of the utility; (2) prone to a level of unforeseeable volatility, and (3) of

a sufficient magnitude to impair the utility's ability to recover its revenue requirement between base rate cases.⁹

A decoupling mechanism does not supplant the need for the pension/PBOP cost-recovery mechanism because it would allow the utility to recover the pension/PBOP expense reflected in the test year "allowed revenue" following a base rate case. The decoupling mechanism ensures only that the expense level reflected in the test-year cost of service would be recovered. The decoupling mechanism would have *no effect* in terms of aligning revenue recovery to the utility's actual pension/PBOP cost from year to year, should pension/PBOP costs once again be included in base rates. Since revenue decoupling is designed to address a particular policy concern, *i.e.*, the need to render utilities neutral to conservation efforts that reduce sales volumes, the application of a decoupling mechanism does not change or address the factors that originally motivated the Department to remove pension/PBOP cost from base rate recovery.

There also are other fully reconciling cost recovery mechanisms that already decouple sales revenue from cost recovery. Another example relates to the full reconciliation of commodity costs. There is no public policy reason to suggest that these reconciling provisions should not be continued in the future. They have served the

⁹ After comprehensive study of the tax and accounting rules that dictate pension and PBOP expense and contributions, the Department approved a cost-recovery mechanism outside of base rates stating that:

[I]t has been difficult and gets progressively more difficult to determine representative levels of pension and PBOP expenses for inclusion in base rates and, further, to settle on a base-rate treatment method applicable both to all regulated companies and to all circumstances that may reasonably be expected to arise between rate cases. The shifting course of Department treatment is evidence of this difficulty. Economic events now persuade us to consider whether and how to develop a consistent practice and treatment of these expenses henceforth, for all jurisdictional gas and electric companies.

Id. at 6.

purposes of decoupling indirectly, but also serve the purpose of allowing cost recovery on a fairly current basis for items that are volatile or should not be a part of the business that drives utility profits. Rather, they are best dealt with on a neutral “dollar-for-dollar” recovery basis.

D. Implementing Rewards for Performance

As mentioned earlier in the comments, National Grid has been recognized as a leader in energy efficiency in the country. This was facilitated by Department policies that provided incentives for performance. When utility shareholder interests are truly aligned with the environmental goals, it yields superior performance. Decoupling certainly can be designed to theoretically eliminate “disincentives” to energy efficiency. However, National Grid strongly believes the Department should do more than merely eliminate “disincentives.” Rather, it should provide the right economic signals and incentives to make energy efficiency a core part of the utility business. This means that existing incentive mechanisms should not only be continued, but the Department should be prepared to reward utilities in other ways for assisting in the achievement of the energy efficiency and other demand resource goals of the Commonwealth. The principle is one of partnership. When utilities participate as partners with their customers and regulators, the public policy goals can be achieved much faster and much more efficiently.

E. Respecting Existing Rate Plans

Like more than a few other utilities in Massachusetts, National Grid has long term rate plans currently in effect. These plans were all approved by the Department.

National Grid, its customers, investors, and other stakeholders have relied on those plans and their terms and the Department's approval thereof. National Grid made long term decisions based on the certainty provided by the plans, and would be harmed if the Department terminated them early. The need for regulatory certainty extends not only to the plans currently in place, but also for the future.

The Department needs to honor these plans in place. Honoring these plans is not an obstacle to achieving decoupling. This can be achieved through the implementation of lost base revenues mechanisms as a short term measure, as suggested in National Grid's phase I proposal. In addition, the Department can encourage the voluntary negotiation of amendments to existing plans to embed decoupling within them, without upsetting the balance of benefits in the existing plans. In any event, regulatory certainty is critical to achieving the Department's goals. Otherwise, it becomes extremely difficult for any utility to rely on orders of the Department in any context, including regulatory compacts relating to energy efficiency and other demand resources.

National Grid urges the Department to employ positive incentives to implement decoupling early. National Grid is poised and prepared to sit down with the various stakeholders to its rate plans and negotiate new or amended plans on reasonable schedules that include a reasonable form of decoupling as one of its main features. But it is crucial that any such negotiation not be framed as a mandated rule. If voluntary, National Grid is confident it could negotiate a fair rate plan that meets the Department's

decoupling objective, assuming the process honors existing negotiated benefits, takes into account capital planning needs, allows for a sharing of efficiency savings between customers and the company, and maintains the existing return on investment.

IV. The Two Phased Approach

National Grid believes that decoupling, done right, will advance the goals of expanded energy efficiency and other demand resources. The Commonwealth does not have to wait for decoupling to be implemented by utilities over a number of years, nor should the Department impose an unworkable plan simply to jump start decoupling quickly. Instead, both the goal of implementing quickly and implementing sensibly can be achieved through two phases.

For phase I, the Department should simply order a lost base revenue mechanism to be employed for all utilities for calendar year 2008. If each utility is assured that it will recapture lost revenues in the short term for any expansion of energy efficiency or other demand response programs, it will remove the obstacles to achieving the energy efficiency and other demand resource goals quickly. Each utility can file its own lost base revenue mechanism that is designed simply to track usage reductions that are caused by the programs being implemented. For energy efficiency, the same data and method used to evaluate current programs can be used to determine the lost revenue. The lost base revenues approach will not disturb existing rate plans and can serve as a bridge to phase II that does not delay or interrupt the Department's broader energy efficiency and demand response goals.

Once phase I is established and programs are up and running, each utility in phase II can employ a permanent decoupling mechanism that truly aligns its costs and revenues. The second phase would result in the termination of the lost base revenue approach and a transition to a permanent and sustainable decoupling that truly aligns the interests of utilities and customers in pursuing cost-effective energy efficiency.

This proposal provides a means through which utilities could be placed on a periodic schedule that updates revenue requirements regularly. Each utility, in its next base rate case filing would file a multi-year forecasted revenue requirement. A specific revenue requirement would be established through the proceedings for each of the years. The capital plan would be a component of the forecast. O&M expenses also would be a part of the forecasted plan or, alternatively, could be addressed through an inflationary or PBR-type rate adjustment for each year. Other types of PBR treatment also would be available to employ within the multi-year window. These could include a revenue-per-customer adjustment, if appropriate in the given case.¹⁰ Decoupling would be applied to a targeted revenue requirement that would be specified for each of the years in the plan as described in Section II.A. above. A reconciliation would take place to the targeted revenue requirement in a manner similar to the reconciliation contemplated in the Department's straw proposal, except that instead of reconciling to an historical revenue requirement that is adjusted by customer counts, the reconciliation would tie directly to the targeted revenue requirement for each year arising out of the proceeding before the Department.

¹⁰ National Grid does not believe a revenue-per-customer mechanism is appropriate in all cases, particularly on the electric side of the business. (See Appendix A) However, it can work equitably in some instances on the gas side of the business.

There are four key benefits to this type of approach. First, it would completely and efficiently achieve the Department's decoupling objective. Second, it would create a program that would most closely align costs and revenues for each year. Third, it would provide a means by which each utility could effectively address capital planning needs to replace aging infrastructure which, in turn, would bring long term safety and reliability benefits. Finally, the Department could easily place utilities on staggered schedules, such that no more than a few utilities are before the Department with base rate cases at the same time.

As a decoupling "end state," the method would provide uniformity of approach, with the ability to take into account the circumstances of each utility. While uniformity of approach is achieved, it nevertheless leaves room for flexibly treating the myriad of issues that may arise in the individual cases of each utility.

VI. Conclusion

National Grid supports the initiative to introduce revenue decoupling into its rates for both electric and gas delivery service. However, for the reasons explained above, it is essential that the Department implement decoupling in two phases. The first phase should be swift and simple, relying on a traditional lost base revenue mechanism to implement decoupling immediately. The Department is far more likely to achieve all of the Commonwealth's energy efficiency and other demand resource goals if the Department recognizes the need to take this in two steps. In the second phase, the Department can then take into account the circumstances of each utility, emphasizing flexibility to allow for differing approaches of differing utilities.

In sum, as already set forth earlier in these comments, the Department should adopt the following seven-point plan:

- (1) Require each utility to file a lost base revenue mechanism with the Department within ninety days of the Department's order that effectively allows the utility to recapture all revenues lost from the ramp up of energy efficiency and other demand resource programs from those in existence today;
- (2) Require each utility in its next base rate case filing to propose a new mechanism of decoupling sales revenue from profits, consistent with Department objectives;
- (3) Adopt a policy of determining a utility's annual revenue requirements to which decoupling will be applied through a forecasted test year methodology (rather than an historic test year approach) that establishes annual revenue requirement targets that are closely aligned with reasonably expected cost incurrence;
- (4) Once utilities file their next base rate cases, place each on multi-year rate case cycles that contemplate multi-year rate plans, developed from the forecasted revenue requirements, with flexibility to allow for PBR components and continuation of fully reconciling cost recovery mechanisms, where appropriate;
- (5) Adopt a policy of encouraging utilities with existing rate plans to voluntarily negotiate amendments to existing rate plans that take into account the trade

off of benefits already embedded in the existing plans, without penalty or recourse if a settlement cannot be consummated;

- (6) Reward those utilities who are able, through voluntarily means, to transition out of the lost base revenues mechanisms into the multi-year rate cycles within a reasonable time, by providing positive incentives to do so; and
- (7) Maintain existing energy efficiency program structures, including incentive mechanisms that send strong signals to encourage superior performance.

As stated herein, National Grid is poised and ready to meet the Department's objectives sooner, rather than later. In order for this to happen, however, it is crucial that decoupling be achieved in a way that reflects a reward for partnership, rather than an inadvertent penalty for compliance.

Respectfully submitted,

NATIONAL GRID
By its attorneys,

s/Thomas P. O'Neill
s/Amy G. Rabinowitz

Thomas. P. O'Neill
Amy G. Rabinowitz

Dated: September 10, 2007

Appendix A

Comments on the Department's Straw Proposal

A. General Comment

The Department has set forth a straw proposal that has the benefit of administrative simplicity and uniformity. Offering a concrete proposal has been a helpful and constructive way to focus the issues relating to implementation of decoupling. National Grid, however, does have some concerns with the straw proposal that are set forth in this Appendix.

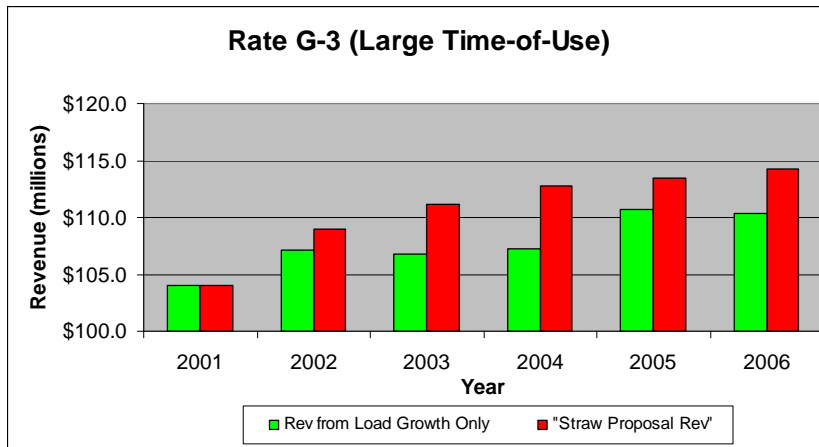
In the first instance, the straw proposal does not appear to contemplate any changes in the rate-setting process when the revenue requirement is first established. The main body of these comments already addresses this issue regarding the need to use a forecasted approach to the revenue requirement and will not be repeated here. Suffice it to say that, at a minimum, the implementation of any approach would need to be accompanied by a change in the rate-setting in order to provide utilities with a reasonable opportunity to earn the allowed return.

For other reasons, however, National Grid believes the revenue-per-customer mechanism should not be mandatory and, in fact, should not be adopted for application to National Grid's rates at this time.

B. Anomalies Shown by an Historical Analysis

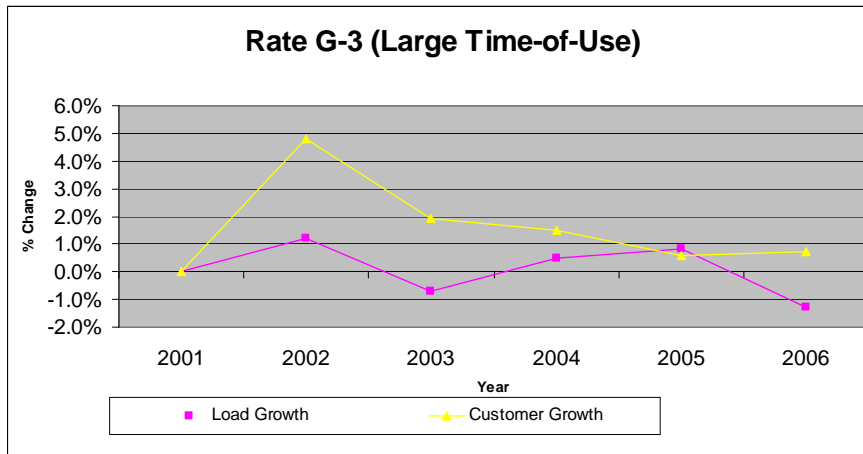
The company has performed a simplified analysis of how the mechanism would impact National Grid's electric customers, using historical usage and customer growth

information over the period from 2001-2006. The analysis illustrates a fundamental problem with using a revenue decoupling approach that reconciles by rate class. For example, using a revenue per customer decoupling mechanism the large commercial and industrial (“C&I”) class (G-3) receives rate increases during times when usage is flat or declining. At the same time, residential customers receive rate decreases when usage in those classes is increasing. Below are graphs that visually represent the analysis. The first is a graph that shows revenues for the G-3 customer class for the hypothetical historical period. In the graph, the green bar represents the total revenues received from the rate class assuming no rate changes (i.e. the aggregate usage of the entire rate class). The red bar shows what revenues would have been received had the Department’s straw proposal been in effect (i.e. based on the growth of the number of customers in the rate class).



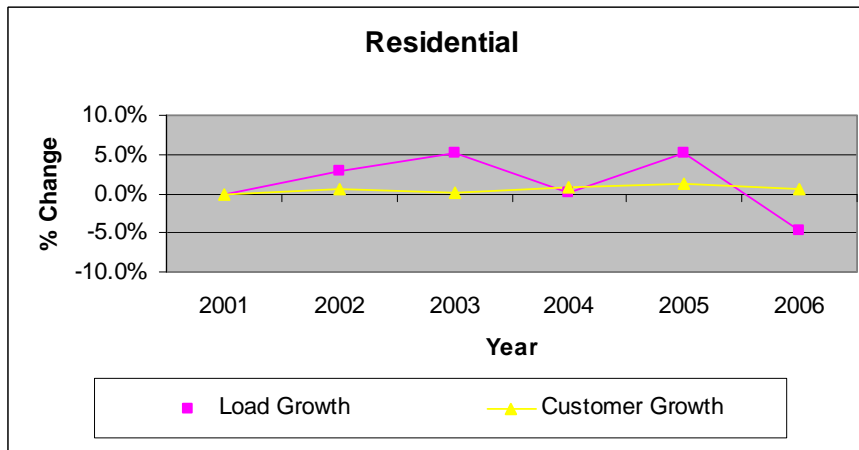
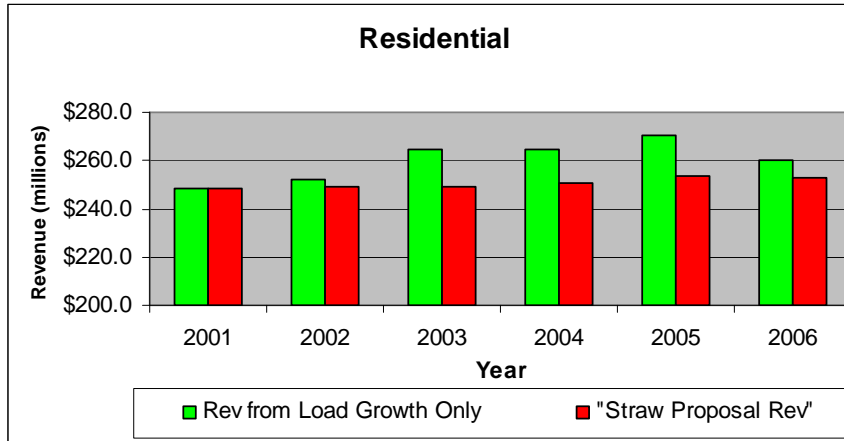
The graph below plots load growth against customer growth. The red line shows the percentage of load growth in each year. The yellow line shows the percentage of customer growth in each year. In comparing the two graphs, it is helpful to focus on

2003. During that year, kWh deliveries have decreased, yet customer numbers have increased. Under the Department's straw proposal, this results in a rate increase to the rate class, as shown above by the red bar for 2003.



This is an excellent illustration of the anomaly created by a revenue decoupling mechanism that reconciles within the rate class. While decoupling is designed to encourage energy efficiency, the irony is that the G-3 class, which has achieved usage reductions (for whatever the reasons), is negatively impacted by the mechanism in the form of a rate increase. Thus, the reconciling mechanism sends exactly the wrong signal to the rate class which, by and large, should be the main driver for achieving much of the energy efficiency reduction in any ambitious program that is launched.

The anomalies do not end with the analysis of the large C&I customer class. The opposite effect occurs with residential customers, as illustrated by the two graphs below.



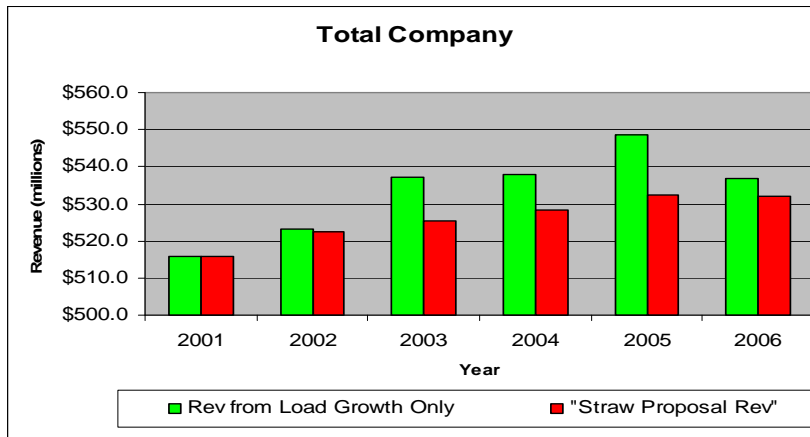
Again, focusing on the year 2003, the analysis shows a substantial increase in energy usage for the residential classes. However, at the same time, the customer growth drops slightly below zero.¹ Thus, residential customers receive a rate reduction, even though the increase in residential usage is increasing costs.

As alluded to above, if the policy objective is to encourage energy efficiency and less use of electricity, the effect on the residential class is moving in the opposite direction. This kind of effect would cause considerable customer confusion and not

¹ The visual of the graph is not precise. However, customer growth was negative by 0.18% in 2003.

further the goals toward energy efficiency. A reconciling mechanism, therefore, should be applied across all classes in total, rather than within a service class.

Finally, the graph below shows the impact of the loss of load growth revenue, compared to the straw proposal.



C. No Cost Incurrence Relationship

The other fundamental problem with the revenue-per-customer approach is that there is no reasonable relationship between the growth in the number of customer accounts and a company's costs. This is true in both the electric and the gas businesses. Absent empirical evidence that there is a reasonable tie between the two, the adoption of the revenue-per-customer approach, if not voluntarily accepted by the utility in the context of a proposal or settlement, would not be appropriate. In fact, it would be arbitrary under prevailing legal standards.

The Department actually states that one of its objectives is to more closely align company revenues with costs. (p. 11) However, the straw proposal does not meet this objective. Electric utilities have an obligation to serve which creates a significant

difference in the cost to serve the average customer today as opposed to the new customer. Revenue per customer will not meet costs to serve the increasing loads within existing buildings as well as the larger, new facilities brought onto the system. New residential homes are much larger on average than the size of homes built 20, 30 or 50 years ago. Also, residential consumers continue to purchase greater amounts of electrical appliances for use, particularly those which create “phantom” power use in order to be remotely controlled. New and existing office buildings are expected to carry greater amounts of load to serve the wide variety of new electronic and electrical products in use in businesses today as opposed to twenty years ago. Thus, average revenue per customer would understate the incremental need for investment and maintenance to serve these increasing uses by customers. If expanded energy efficiency programs are successful and average use falls, the Department could re-visit the use of revenue per customer mechanisms for electric companies.

Gas utilities do not have an obligation to serve. As a result, revenue per customer is the incentive to serve. For that reason, in some instances, revenue per customer mechanisms may be a useful rate adjustment mechanism for gas utilities once future revenue requirements have been decided on a fair basis, particularly if combined with other adjustments that reflect inflation. In fact, in the case of the National Grid Gas Companies, the revenue-per-customer proposal might be workable, but only if combined with PBR increases. However, while revenue-per-customer may be a means to adjust rates that might be acceptable to a gas utility in certain instances, there is still no reasonable link between the level of cost escalation and the growth or decline in the

number of customers served. Thus, a mandatory requirement, absent evidence that reasonably connects costs to customer count, still would still not be appropriate.²

It may be that a utility would be satisfied adopting a revenue-per-customer approach if the utility's particular circumstances make it reasonable. But it would not be appropriate for application to National Grid as set forth in the straw proposal.

D. The Impact on Existing Rate Plans

Another fundamental problem with the straw proposal relates to a disconcerting reference in the Department's order to the possible invalidation of existing rate plans.

Specifically, the Department states on page 18:

Upon the implementation of a base revenue adjustment mechanism, a company's current PBR plan would no longer be in effect. As part of this inquiry, the Department will consider what, if any, PBR features are consistent with the objectives and principles of a base revenue adjustment mechanism and, therefore, should be included as elements of the new mechanism.

It is not entirely clear from this discussion whether the Department is suggesting that each utility with a pre-existing rate plan would have the rate plan invalidated upon implementation of the decoupling requirement. If so, this has far-reaching consequences, both legal and practical, that should give the Department pause before moving down this proposed path.

The enforceability and authority of the rate plans have been relied upon by the National Grid Companies in the operation of their business and in the decisions they have made to achieve mergers that yield substantial synergy savings that will benefit

² Another indirect means of achieving decoupling on the gas side of the business is through rate design, by moving more recovery to fixed charges. This type of an approach should not be ruled out as a means of achieving the Department's objectives.

customers over the long term. To the extent the validity of any of these plans is called into question, it creates substantial uncertainty and upsets the balance achieved by the plans in the first instance. These agreements were approved by the Department in each instance and contain both burdens and benefits that were borne by and relied upon by the companies.³ The National Grid Companies strongly believe that an order invalidating existing rate plan provisions would raise significant legal issues. Even without invalidation, there are other issues that can arise as well.

For example, in the case of the electric companies, National Grid has the opportunity to prove savings through mechanisms set forth in its settlement agreement comprising its existing rate plan. If the Department were to order the filing of a base rate case by National Grid, it will trigger rights embedded in the agreement that allow National Grid to recognize a stipulated amount of savings in its cost of service for ten years following the plan, in lieu of proving the savings in 2009.⁴ For that reason, the Department may wish to give careful consideration to the impact of triggering this stipulated allowance before ordering a filing to change rates.

Alternatively, both the company and its customers would be better served if there were voluntary negotiations that took place to revise any of the existing rate plans, taking into account the benefits and rights already in existence. To the extent National Grid voluntarily agrees to negotiate an amendment and/or extension of any of its existing rate plans and includes a decoupling component that meets the objectives of the Department, it would be a preferable solution for all concerned. Otherwise, needless litigation could

³ The purpose of these comments is not to provide a legal memorandum on this issue. However, a legal brief can be provided if requested by the Department.

⁴ The stipulated allowance is equal to approximately \$70 million.

ensue over the legality of invalidating previously negotiated and approved rate plan provisions.

E. The Assumption Regarding a Risk Adjustment

The Department's order also contains a section that discusses the need to consider alteration in risk from decoupling. (p. 17) While the Department does not state that the risks of doing business change in any particular direction, it appears the Department has in mind a downward adjustment when it states that it "expects that a significant change in the means by which a company recovers its allowed revenues, such as the base revenue adjustment mechanism described herein, could materially alter the distribution of risks among the company, its shareholders, and its customers." (p. 17)

On this issue, National Grid urges the Department not to attempt to establish generic guidelines for the assessment of risk caused solely by decoupling. The issue of risk can, in fact, run in more than one direction, depending upon the outcome of a case and the facts before the Department.⁵ Each case that comes before the Department presents itself with a different set of circumstances. It would not be appropriate to establish guidelines that assume the Company's risks have been lowered and, therefore, must lead to a lower return on equity.

Moreover, the Commonwealth is about to embark on a plan to substantially ramp up energy efficiency activities. As stated earlier in these comments, a successful effort must involve the cooperation and enthusiasm of the utilities. To the extent utilities are fully engaged as partners in energy efficiency, this should not call for a reduction in the

⁵ Arguably, even a hint that the Department is poised to unilaterally invalidate rate plans that it has approved and have been relied upon by a utility would materially alter the risk profile of all utilities in the state. The risk is further increased when service quality penalty exposure remains.

utilities' return on equity. Reducing returns also has an effect on the investment community, as well as the financial ability of utilities to engage in substantial capital investment programs. It is not in the public interest for the Department to either mandate an adjustment or make an assumption in a set of generic guidelines that an adjustment is likely. Moreover, to the extent the Department wishes to encourage the voluntarily re-negotiation of existing rate plans to introduce decoupling, a reduction in the return is counter-productive.

Rather than adjusting the ROE downward, utilities should be rewarded for performance. National Grid currently has an incentive mechanism in its energy efficiency programs. To the extent the ROE is lowered in a decoupling context, it has the affect of indirectly depriving the utility of the reward for performance that is supposed to be given for achieving the goals of energy efficiency. What is given on the one hand would be taken away with the other. If the Department is serious about gaining the enthusiastic support of utilities for energy efficiency, there should be ROE enhancements made available, not ROE reductions for hypothetical changes in risk profile. National Grid believes it would further the goals of the Department if the order indicated, at a minimum, that no adjustment would be made. Moreover, the Department should leave room for further enhancements for superior performance in deploying programs competently, effectively, and expeditiously.

F. What to Do About Street Lighting

There also is a technical issue that is not addressed by the Department's straw proposal as it relates to the application of the proposal to the street lighting rate classes.

This is an area in which a revenue-per-customer approach does not appear susceptible to rational application. Specifically, how would customers be counted? Certainly, it would not be reasonable to count municipalities with street light accounts. Some municipalities are large; others small. Similarly, it would not be rational to count street light fixtures as “customers.” This would result in administratively burdensome reconciliation. Further, one large municipality, through its unilateral actions, could completely distort the application of the revenue-per-customer mechanism to the rate class as a whole. In sum, unless there is another means that National Grid has not considered, it is likely that the street lighting class would have to be given different treatment than all other customer classes to make the proposal workable.

Appendix B

National Grid's Responses to the Department's Questions

1. The Department's proposal that a company's allowed revenues per customer be determined through a subsequent base rate proceeding is intended to ensure that the allowed revenue levels, which serve as the basis for the base revenue adjustment mechanism are closely aligned with the company's costs. Under what, if any, circumstances should the Department permit a company's allowed revenues per customer to be determined through some manner other than a base rate proceeding?

National Grid believes it is essential that any long term mechanism truly aligns costs with revenues. Thus, as stated in National Grid's comments, it is important to establish targeted revenue requirements based on forecasted revenue requirements to which the decoupling mechanism is applied. Otherwise, there is a disconnect between revenues and costs. However, in those instances where there are rate plans in place, the Department should leave open the possibility of a negotiated solution that takes into account the provisions of the rate plan and uses the rate plan as the starting point for the implementation of the decoupling mechanism the first time it is employed.

2. The Department's proposal uses an approach in which a company's allowed revenues per customer for each rate class does not change between base rate proceedings. An alternative approach would be to adjust the allowed revenues per customer values periodically, based on changes in each rate class' average usage per customer. Please discuss the merits of each approach.

Determining the appropriate revenue level and enabling a company to achieve it is critical to successful revenue decoupling. As described on pages 6-11 of the comments, National Grid recommends that the Department require utilities to file multi- year forecasted revenue requirements. While National Grid recognizes that periodic adjustments may be appropriate at times, National Grid notes that it will be difficult, at least at the start, to estimate the average usage per customer for rate class, given the significant ramp up in

energy efficiency programs, and customers' other motivations to reduce usage, including concern over high prices and climate change.

3. The Department's proposal that a company's actual versus allowed revenues be reconciled annually is intended to balance three objectives: rate stability, rate continuity, and administrative efficiency. Do annual reconciliations strike an appropriate balance among these three objectives or would alternate reconciliation periods (e.g., quarterly or semi-annually) better do so?

National Grid agrees with the objectives identified by the Department: rate stability, rate continuity, and administrative efficiency. Thus, National Grid recommends that the Department maintain flexibility with regard to reconciliations. While annual reconciliations may generally strike the appropriate balance and be simplest for customers, an interim reconciliation may be appropriate from time to time to address large under- or over-recoveries. The Department could set a threshold level, such as an amount or percentage of revenue, that would trigger an interim adjustment. The Department has successfully used this model, for example, with the National Grid Gas Companies' Cost of Gas Adjustment Clause, and the National Grid Electric Companies' Default Service Adjustment Provision. In order to make timely adjustments which would most closely match under- or over-recoveries from the customers' perspective, administrative efficiency is also very important so that regulatory lag is minimized.

4. The Department's proposal to determine a company's actual revenue based on billed revenues is consistent with the base rate treatment applied to distribution-related bad debt costs. An alternative approach would be to determine actual revenues based on payments received. Please discuss the merits of each approach.

National Grid is not certain that it understands the alternative approach well enough to comment on it. National Grid respectfully requests an additional explanation of this

approach, and can provide comments on it at a later time. To the extent that the alternative approach allows current recovery of bad debt expense, National Grid believes that it would be an appropriate policy. A reconciliation of bad debt expense would allow approved revenue recovery to be more closely aligned with actual cash receipts. This would be beneficial for customers as they would pay for only actual bad debt costs while the utility would have enough revenue to provide reliable service.

5. The Department's proposal for determining billed revenues is based on actual consumption. An alternate approach would be to determine billed revenues based on consumption normalized for weather and/or other factors.

- (a) Please discuss the merits of determining billed revenues using actual versus weather-normalized consumption.**
- (b) Should consumption be normalized for other factors (e.g., economic conditions)? If so, identify those factors and describe how the normalization for such factors could be done.**

National Grid believes that the Department's use of actual consumption to determine billed revenues is more appropriate than the use of consumption normalized for weather or other factors. Factors such as weather and economic conditions, in the absence of decoupling, can result in higher or lower costs to customers. To the extent there is extremely cold weather or an economic boom, customers collectively pay more to the utility. Similarly, to the extent there is mild weather or an economic downturn, utilities are likely not to receive enough revenues to meet their revenue requirement. A revenue decoupling mechanism should be neutral to these effects. By re-introducing these factors, the Department would be moving away from the policy of assuring that revenues and costs are appropriately aligned. Costs on a distribution system are largely fixed, and not dependent on weather or other factors. Customers' usage will vary, but not a company's costs.

6. The Department’s proposal to recover the difference between a company’s target and projected revenues through adjustments to its base energy charges is intended to send appropriate price signals to consumers. An alternate approach would be to adjust both base energy and demand charges (where applicable) to recover this difference. Please discuss the merits of each approach.

As discussed in response to question 3, it is important to monitor under- and over-recoveries, and keep them from becoming too large. Adjusting both base energy and demand charges (where applicable) could be an appropriate tool in between rate cases, depending on the rate design of a given rate class. In general, National Grid recommends that adjustments be made as simply as possible, to further administrative efficiency.

7. The Department’s proposal to require a company to submit quarterly filings identifying actual and allowed revenues is intended to ensure that changes in rates are made in a predictable and gradual manner.

- (a) Under what circumstances should the Department allow an adjustment in base charges during a reconciliation period?**
- (b) Under what circumstances should the Department initiate a review of a company’s base revenue adjustment mechanism?**

Please see the response to question 3. The Department should provide for an annual reconciliation and adjustment in base charges, subject to an appropriate threshold that would trigger an interim change should a material under- or over- recovery occur during a reconciliation period. The Department may find it necessary to review the operation of a company’s base revenue adjustment mechanism if (1) repeated and significant under- or over- recoveries are occurring; or (2) a company’s return on equity indicates that something is out of line. In practice, it is unlikely that there will be a need to “review” the base revenue adjustment mechanism once it is designed and implemented because it should operate fairly transparently.

8. What standards should the Department use to measure the performance of a company's base revenue adjustment mechanism over time?

In measuring the performance of a company's base-revenue adjustment mechanism, the Department should consider whether there is:

- An ability to recover the allowed revenue requirement, including workable reconciliation mechanisms;
- An opportunity to earn a fair return;
- An incentive to maintain the investment level necessary to ensure safety, reliability and efficiency of the distribution system; and
- Administrative efficiency.

In practice, the Department's proposal to require annual earning sharing calculations will ensure that a company is not unacceptably under-earning or over-earning and that the utility is able to recover its allowed revenue requirement without consideration of sales volumes.

9. How will the implementation of a base revenue adjustment mechanism affect a company's risk and how should such considerations be reflected in a company's capital structure and ROE?

Please see Appendix A, pages 9-10.

10. The Department's proposal to include a shared earnings provision in the base revenue adjustment mechanism is intended to strike an appropriate balance between the risks borne by customers and shareholders associated with company earnings. Please comment on the merits of such a provision. Also comment on the design of the proposed earnings sharing provision.

The Department's proposal to include a shared earnings provision benefits both customers and the company. This approach will allow for monitoring and evaluation of the decoupling mechanism and enable the Department to implement decoupling with existing

rate plans in place. Whether 300 basis points is the correct range is a different question which should be addressed on a case by case basis.

11. Please comment on the merits of implementing a base rate adjustment mechanism with and without the individual elements of a PBR plan (e.g., fixed term, inflation, productivity, performance standards, exogenous factors).

Please see pages 11-13 of the comments. National Grid strongly recommends that the Department continue to allow for the implementation of a wide range of PBR mechanisms, applied as appropriate to the given circumstances of the utility.

12. Please comment on how the Department should schedule the implementation of a base revenue adjustment mechanism for each gas and electric company in light of the need to move expeditiously, the resources required to implement such changes, and the specific circumstances of each company. How should the Department determine the order of individual base rate proceedings?

As discussed in the comments, National Grid recommends that the Department implement decoupling in two phases. For the first phase, the Department should immediately implement a lost revenue mechanism for all utilities. This would achieve decoupling in the short term and allow the policy of expansion of energy efficiency to be launched immediately.

In the second phase, the Department can establish a schedule to have each utility transition from lost base revenues to an approach that employs a permanent decoupling mechanism, taking into account the terms of existing rate plans that could affect timing, as well as other peculiar circumstances faced by each utility. For the second phase, National Grid proposes a new ratemaking process that would place all utilities on a multi- year rate

case schedule once existing plans expire or are renegotiated, with fully reconciling decoupling mechanisms.

13. How should the implementation of a base revenue adjustment mechanism affect the performance-based shareholder incentives that gas and electric companies currently are eligible to receive for promoting energy efficiency?

Please see page 15 of the comments. The implementation of a base revenue adjustment mechanism should not affect the performance-based shareholder incentives that gas and electric companies currently may earn for achieving energy efficiency. Decoupling removes the disincentive to increased energy efficiency, which is important. The energy efficiency shareholder incentive goes further. As the Department notes, it is performance based. A company may earn a shareholder incentive only by meeting targeted savings and performance levels for each of its programs. The design of the shareholder incentive encourages the maximization of program efficiency, the realization of hard to achieve energy efficiencies, and market transformation initiatives. In addition, it addresses the need to offer energy efficiency programs to all customer classes with a design most appropriate for that class. The shareholder incentive has been a strong motivator for the implementation of premier programs here in Massachusetts, and will continue to be with revenue decoupling.

Janet Gail Besser

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Ms. Besser joined National Grid in October 2004, after holding positions as Vice President at Analysis Group, Inc., and Senior Vice President at Lexecon Inc., two economic, regulatory, policy and strategy consulting firms. Prior to becoming a consultant, Ms. Besser was the Chair and Commissioner of the Massachusetts Department of Telecommunications and Energy, where her major focus was electricity industry restructuring. As a commissioner, Ms. Besser served as a member of the Board of Directors of the National Association of Regulatory Utility Commissioners and as member and Vice-Chair of its Energy Resources and Environment Committee. She was also a member and past President of the New England Conference of Public Utilities Commissioners, and a member of the Electric Power Research Institute's Advisory Council, the Energy Foundation's Utility Futures Group, and the Harvard Electricity Policy Group.

Ms. Besser has also served as the Policy Director of the National Independent Energy Producers (NIEP), a Washington, DC-based trade association, and has held senior staff positions at the Massachusetts and New Hampshire public utility commissions and the Massachusetts Executive Office of Energy Resources. She was Assistant to the Director of Development at Essex Hydro Associates and began her energy career with the Low-Income Energy Advocate's office with the Community Action Programs of Belknap-Merrimack Counties, Inc., in New Hampshire. Ms. Besser earned a Master in Public Policy degree from the John F. Kennedy School of Government, Harvard University and a B.A., *magna cum laude*, from Williams College.