



ATTORNEYS AT LAW

The firm has attorneys also admitted to practice in District of Columbia, Idaho, New York and Vermont

ONE GATEWAY CENTER, SUITE 809
NEWTON, MASSACHUSETTS 02458
617.244.9500

FACSIMILE: 617.244.9550
E-MAIL: bckboston@bck.com
WEBSITE: www.bck.com

July 24, 2013

VIA ELECTRONIC MAIL ONLY

Mark D. Marini, Secretary
Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02110

*Re: Investigation by the Department of Public Utilities on its own Motion into
Modernization of the Electric Grid
D.P.U. 12-76*

Dear Secretary Marini:

Enclosed for filing please find the Comments of the Cape Light Compact in the above-referenced matter. I have also provided a Notice of Appearance for Jo Ann Bodemer along with a Certificate of Service.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey M. Bernstein", written over a light blue horizontal line.

Jeffrey M. Bernstein

JMB/drj

Enclosures

cc: Julie Howley Westwater, Hearing Officer (via email only)
Margaret T. Downey, Cape Light Compact (via email and first class mail)

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VERMONT OFFICE:
P.O. Box 205
Woodstock, Vermont 05091
Telephone: 802.457.9050
Facsimile: 802.419.8283
E-Mail: bckvt@bck.com

MOUNTAIN STATES OFFICE:
P.O. Box 1527
Ketchum, Idaho 83340
Telephone: 208.727.9734
Facsimile: 617.244.9550
E-Mail: bckidaho@bck.com

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF PUBLIC UTILITIES

Investigation by the Department of Public Utilities on its
Own Motion into Modernization of the Electric Grid.

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) D.P.U. 12-76
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document(s) upon Secretary Mark D. Marini and Hearing Officer Julie Howley Westwater via electronic mail only in this matter.

Dated this 24th day of July, 2013.



Jeffrey M. Bernstein, Esq.
BCK LAW, P.C.
One Gateway Center, Suite 809
Newton, MA 02458
617 244-9500 (Phone)
617 244-9550 (Fax)

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D.P.U. 12-76

NOTICE OF APPEARANCE

The undersigned attorney hereby appears on behalf of the Cape Light Compact along with present counsel, Jeffrey M. Bernstein and Rebecca F. Zachas, in the above-captioned case.

Dated this 24th day of July, 2013.



Jo Ann Bodemer, Esq.
BCK LAW, P.C.
One Gateway Center, Suite 809
Newton, MA 02458
617 244-9500 (Phone)
617 244-9550 (Fax)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF PUBLIC UTILITIES

Investigation by the Department of Public Utilities)
on its own Motion into Modernization of the Electric Grid.) D.P.U. 12-76

**COMMENTS OF THE CAPE LIGHT COMPACT
TO THE DEPARTMENT OF PUBLIC UTILITIES**

The Cape Light Compact (the “Compact”) hereby submits the following comments to the Department of Public Utilities (the “Department”), pursuant to its Notice For Comment, dated July 10, 2013, in D.P.U. 12-76, Investigation by the Department of Public Utilities on its own Motion into Modernization of the Electric Grid, seeking comments on the Report to the Department from the Steering Committee of the Grid Modernization Working Group (the “Grid Mod Report”).

I. BACKGROUND OF THE COMPACT

The Compact is a governmental aggregator pursuant to G.L. c. 164, §134 and consists of the twenty-one towns in Barnstable and Dukes Counties, as well as the two counties themselves. It is organized through a formal Intergovernmental Agreement under G.L. c. 40, §4A and is governed by a board of representatives selected by its municipal members and two counties. The Department approved the Compact’s Aggregation Plan in D.T.E. 00-47 (August 10, 2000). The Compact maintains a business office within the Barnstable County offices located at the Superior Courthouse at 3195 Main Street in Barnstable, Massachusetts 02630.

The purposes of the Compact include, among other things: (1) to provide the basis for aggregation of all consumers on a non-discriminatory basis; (2) to acquire the best terms and conditions for electricity supply and transparent pricing; (3) to provide sharing of economic savings to consumers based on current electric rates and/or cost-of service ratemaking approved by the Department; (4) to provide full public accountability to consumers; and (5) to utilize and encourage demand side management and other forms of energy efficiency and to advance consumer awareness and adoption of a wide variety of energy efficiency measures through the implementation of an energy efficiency plan.

Toward that end, the Compact currently operates comprehensive energy efficiency programs targeting the residential, low-income, and commercial and industrial customer sectors. These programs are conducted pursuant to the Compact's recently approved 2013-2015 Energy Efficiency Investment Plan (D.P.U. 12-107, Order, 2013-2015 Three-Year Energy Efficiency Plan (2013)). In addition to its administration and delivery of energy efficiency programs, the Compact has been offering its opt-out competitive power supply option since 2001, with its load aggregation program fully operational in 2004. D.T.E. 04-32 (May 4, 2004) (approving the Compact's universal power supply program). All of the electric customers in the Compact's service territory, approximately 200,000 in total, are eligible for the Compact's energy efficiency programs and services.

The Compact has been an active participant in the Grid Modernization Working Group, as a member of the Customer Facing and Grid Facing Sub-Committees, as well as an active participant in the Steering Committee, which was responsible for drafting the Grid Mod Report.

II. COMMENTS

The Compact would like to thank the Department for permitting its participation in the Grid Modernization Working Group. The Compact values the opportunity to advocate on behalf of its customers on Cape Cod and Martha's Vineyard with respect to matters concerning the Commonwealth's policies regarding the supply and distribution of electricity.

The Compact's comments are limited to certain topics discussed and reported on by the Steering Committee, as follows: (1) Grid Modernization and the Competitive Market; (2) Suggested Regulatory Approaches; and (3) Consumer Education.

A. **Grid Modernization and the Competitive Market.**

Through its municipal load aggregation program, the Compact offers its universal power supply program to customers on Cape Cod and Martha's Vineyard. More importantly, as a municipal aggregator, the Compact actively advocates for policies that will foster and promote a robust competitive electric market. Throughout the working group process, the Compact was sensitive to grid modernization investments, principles or policies that could negatively impact the Commonwealth's competitive markets.

There are two areas of specific concern for the Compact at this point in time:

1. *Distributed Generation* – As a result of the deregulation of the Commonwealth's electric market, electric utilities divested their generation holdings well more than a decade ago. The Compact recognizes that some of the grid modernization investments could include utility ownership of storage technologies, as well as allowing utilities to contract with third parties for distributed generation resources. The Compact is concerned that the Commonwealth's long-standing policy against utility ownership of

generation may be undermined or distorted by such investments. Accordingly, the Compact asks the Department to rigorously scrutinize any proposal for such an investment to ensure that there is no conflict with this long-standing directive.

2. *Advanced Metering/Time-Varying Rates* – Section 5.9 (Time Varying Rates Principles/Recommendations) of the Grid Mod Report includes the following principle:

Basic Service or competitive retail supply for residential and small commercial customers should not be subject to a TVR design option but rather remain consistent with the present default service market design. However, the distribution utilities should have the opportunity to provide TVR for the transmission and distribution portion of the bill and consumers should be allowed to voluntarily opt-in to this TVR option.

Grid Mod Report at 56. Throughout the working group and going forward, this principle is a significant concern to the Compact. Consistent with its position taken in the Grid Mod Report, the Compact maintains that investment in advanced metering and the associated data-related infrastructure must give customers the power to choose. Specifically, with respect to the implementation of time-varying rates, the Compact maintains that distribution companies should not be allowed to offer a time varying rate design option to residential basic service or small commercial customers because it would discourage competitive markets for these customers and would possibly allow distribution companies to have a competitive price advantage.¹ Instead, the distribution companies' present roles in the default service market design should continue unchanged. If time-varying rates are to be offered to these sectors, only competitive retail suppliers should offer such services because it would better foster and promote the competitive

¹ The Compact would support distribution companies offering time varying rates for the transmission and distribution portion of the bill on a voluntary opt-in option.

marketplace. See Grid Mod Report at 55 (noting principle regarding time-varying rates and competitive markets).

B. Regulatory Oversight.

The Compact supports the Department’s adoption of a comprehensive regulatory framework for planning, reviewing and implementing grid modernization projects. See Grid Mod Report at 57-73 (Chapter 6). Specifically, the Compact supports the adoption of the comprehensive regulatory approach entitled “The Utility of the Future, Today.” The Compact maintains that this regulatory approach, which evaluates proposed investments under a business case framework, will best promote cost-effective grid modernization and maintain a distribution company’s ability to provide safe and reliable service. *Id.* at 67-69 and 120-26.

The Compact does not, however, support the adoption of any of the proposed “Complementary or Targeted Regulatory Policies.” See Grid Mod Report at §6.3. The Compact maintains that the Commonwealth would be better served by the Department’s adoption of a comprehensive regulatory framework for future grid modernization investments. Anything short of a comprehensive approach is just an incremental step toward grid modernization, which would unnecessarily delay the achievement of the Commonwealth’s goal to modernize the grid and improve reliability and service to its residents.

C. Consumer Education.

The Compact has always made a strong commitment to energy education and continues to be a nationally recognized leader in the design and implementation of energy education programs (e.g., for the past eight years (2004-2012), the Compact has been

honored with NEED's Region of the Year Award for ongoing efforts in energy education). The Compact strives to address the continuing need for greater consumer awareness and encourages the development of deeper and broader community knowledge of energy efficiency technology and practices. As noted in the Grid Mod Report, customer education is a potential barrier that will need to be overcome in order for certain grid modernization investments to be fully embraced by consumers. See Grid Mod Report at §2.3.

For example, the Compact offered its "Smart Grid Pilot" program as part of its 2010-2012 Three-Year Energy Efficiency Plan. The Smart Grid Pilot program results indicated that customers lose interest in "smart grid" customer-facing technologies over time. These results suggest that programs that are proactive and regularly reach out to participants throughout the participation period may be better able to maintain customer engagement. Indeed, recent evaluation of the Compact's smart-grid pilot indicated "educational materials should be designed toward promoting energy-saving action, rather than awareness of usage alone. Information alone is not enough to prompt action." See *Massachusetts Cross-Cut Behavioral Program Evaluation Integrated Report*, Opinion Dynamics, June 2013 at 85.²

In short, the Compact maintains that education is the key to effecting change in our society. Absent focused and continued investment in consumer education with respect to proposed grid modernization technologies (*i.e.*, smart meters, smart appliances, electric vehicle charging stations), the benefits of any grid modernization investment may be unrealized. Toward this end, the Compact remains committed to the education of the

² A copy of this evaluation report will be submitted to the Department as part of the Compact's 2012 Energy Efficiency Annual Report on August 1, 2013 and can be provided upon request.

residents of Cape Cod and Martha's Vineyard, continues to apply its outreach and marketing efforts accordingly, and respectfully requests the Department to insure the same across the Commonwealth.

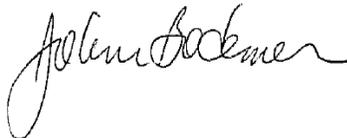
III. CONCLUSION

The Compact appreciates the opportunity to provide Comments to the Department as it considers the Grid Mod Report. The Compact looks forward to providing further comment in this proceeding, as well as participating in future working groups on matters concerning the electric grid in the Commonwealth.

Respectfully submitted,

CAPE LIGHT COMPACT

By its attorneys,



Jeffrey M. Bernstein, Esq. (jbernstein@bck.com)
Jo Ann Bodemer, Esq. (jbodemer@bck.com)
Rebecca F. Zachas, Esq. (rzachas@bck.com)
BCK LAW, P.C.
One Gateway Center, Suite 809
Newton, MA 02458
617-244-9500 (voice)
617-244-9550 (fax)

Dated: July 24, 2013

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